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# MONEYWEEK

MAKE IT, KEEP IT, SPEND IT

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## The Great Game

But what will their next move  
mean for investors?

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## From the editor-in-chief..



Last weekend The Sunday Times ran an article written by an ex-St James's Place (SJP) adviser. It made

for disturbing reading. That's not because of the way in which SJP charges its clients. We don't like the *ad-valorem* model – in which advisers and managers take a percentage of your assets each year. We'd prefer a flat fee model. However that is, for now at least, the standard system – so we can't single out SJP for criticism. We can, however, single it out for the scale of its fees (most comparisons have it coming out at the extremely expensive end) and for what The Sunday Times' James Coney refers to as its apparently "culturally bankrupt" environment.

It turns out that the core of the thing has advisers competing not to be the best of advisers, or to provide the best of services at the best value, but to flog enough product to rack up enough points to get a nice pair of cufflinks or a trip by chartered plane to a luxury-safari destination. Almost all financial miseries start with misaligned incentives of one sort or another (perhaps unsurprisingly, reports City AM, SJP is now "reviewing" its rewards scheme). Something for clients and perhaps investors to bear in mind.

This brings me, as usual, to the great scandal of 2019 – Neil Woodford. The correct thing for him to do now would be to wind his Woodford Equity Income Fund



©Shutterstock

Woodford: sitting on your cash

### "The correct thing for Neil Woodford to do now is to give his investors their money back"

down and to return any cash available to investors as fast as possible. But here too the incentives are misaligned. That may work for his investors, but not for him: as long as he keeps the cash locked in, he is still, notes Alex Brummer in The Mail on Sunday, pulling in £100,000 each working day. Works for him (to the extent anything does any more). Doesn't work for Brummer (one of the many stuck in the fund).

I see little upside for those involved with SJP (charges and incentives aside, over the last ten years, 23 of 38 SJP funds have underperformed their peers, says Coney). But on Woodford, there is something. On page 18, Max looks at the Downing Strategic Trust, a company that actually knows what it's doing when it comes to micro-caps – and which, thanks to the post-Woodford "liquidity witch hunt" you have a chance to buy cheaply today.

Your must-read for the week is William Dalrymple's *The Anarchy*. We worry endlessly here that one of the threats to democracy – and one of the things that makes modern voters feel so powerless – is the rise of the all-powerful-looking corporation. Dalrymple's book, which traces the extraordinary history of the East India Company, makes it clear that this is hardly the first time round for this dynamic. It might also not be the last time that overly influential companies suddenly come a cropper (see page 4 for how the reversal of globalisation and the great decoupling of China and the US might mean trouble ahead for corporate profits).

How should investors react? See John's thoughts on page 24 and page 14 for part of the answer. For a defence of modern tech investing, turn to page 16 where Matthew Lynn explains why the stocks you love to think of as being overhyped rubbish might actually be the ones that could make you rich. Finally for (another) reminder on why everyone should hold a little gold, see our briefing on the end of the reign of King Dollar on page 12. Oh, and don't miss our Wealth Summit on 22 November! See the brochure attached to this issue.

Merryn Somerset Webb  
editor@moneyweek.com

### Scam of the week

TV presenter **Helen Skelton** (pictured) says she was scammed out of £70,000 after answering a hoax phone call purporting to be from her bank. Skelton, who used to present *Blue Peter* and has performed numerous feats of derring-do for charity, including cycling to the South Pole and kayaking the length of the River Amazon, says the scammers posed as her bank and told her that "something dodgy had gone on with my account". They asked her "a few questions" and then the following week, "£70,000, all of my savings, had gone", she told The Sun. Skelton is making a programme for ITV that she hopes will raise awareness of how easy it is to get scammed. "It's happening to a lot of people and they are too embarrassed to say," she said.



Cover illustration: Adam Stower. Photos: Getty Images

### Good week for:

**Rafael Nadal** won the US Open tennis championship this week to take his 19th Grand Slam title and bring him to within one win of Roger Federer's record 20 victories. Nadal took four hours and 50 minutes to beat Russia's Daniil Medvedev, taking the trophy and the first prize of \$3.85m. Medvedev took \$1.9m as runner up.

**Big Issue sellers** hope to boost their income after the magazine's publisher partnered with a payments provider to enable them to accept contactless payments. A trial scheme in five cities saw 80% of sales become cashless, says the BBC. Vendors will be able to buy card readers at a reduced price of £9. The Big Issue currently sells around 42,000 issues a week.

### Bad week for:

Traditional British condiments are falling out of favour, as more fashionable brands push them off the nation's dining tables, reports The Sun. **Brown sauce** sales fell by 2.8% to £47.7m, while tomato ketchup sales rose by just 0.2% to £153m and salad cream was up by 0.1% to £57m. Sales of mayonnaise shot up by 10% to £171m, while the biggest rise was for Nando's Peri Peri sauce, which jumped by 53% to £9m.

**The Royal Shakespeare Company (RSC)** could lose millions of pounds of income, says The Sunday Times, after theatre producer Cameron Mackintosh cut royalty payouts from the West End hit *Les Miserables*. The RSC, which co-produced the original show, is thought to have received £25m in royalties. But the show is scheduled to close – a new production will launch in December.



# Globalisation is going into reverse



**Alex Rankine**  
Markets editor

Markets have been experiencing “a collapse of confidence”, says Adam Tooze in *The New York Times*. The main problem is not the economic backdrop, but a deeper realisation. It seems finally to be dawning on investors that globalisation is “no longer supported by the combination of... economic policy and congenial politics” they once took for granted.

World trade volumes have now shrunk for three consecutive quarters, notes Yasemin Engin of Capital Economics, a consultancy. In August, China’s exports to the US declined by 16% year-on-year, while imports from America fell by 22%. This year is set to be the worst for trade since 2009.

## The end of an era

Between 1990 and 2008, global trade rose from 39% to 61% of world GDP. That brought real benefits. The World Bank reports that more than a billion people were lifted out of extreme poverty between 1990 and 2015. The “global poverty rate is now lower than it has ever been in recorded history”. In the developed world, access to cheap Chinese goods has kept living costs low and provided plenty of opportunity for listed businesses to grow.

Yet “from Washington to Buenos Aires”, political commitment to open markets is “disintegrating”, says Greg Ip in *The Wall Street Journal*. Where the US once supported global institutions such as the World Trade Organisation, now it “leads in crippling them”. That has left investors and businesses scrambling to rearrange their portfolios and is “pushing the global economy closer to recession”.



*Donald Trump and Xi Jinping: relations between the US and China have undergone a “fundamental reset”*

## The ties that bind

Relations between the US and China have undergone a “fundamental reset”, say Andrew Batson and Lance Noble for Gavekal Research. Yet talk of a new Cold War is premature. More than 13% of total US trade is with China and the two economies are “deeply entangled”. While US exports to China have been hit by tariffs, sales by US firms in the Middle Kingdom are more than twice as large and have been unaffected. Many US companies rely on Chinese consumers to drive earnings growth and will thus pressure Washington to take a softer line. The recent opening of China’s financial markets also runs counter to the decoupling trend. Foreigners now hold ¥1.5trn in Chinese equities. US financial

institutions will want more access to the world’s second-biggest economy.

Yet even if globalisation is not undone, the new direction of travel is clear. While markets today largely dance to the tune set by Wall Street, decoupling between regions means that future business cycles may become less correlated. That makes geographical diversification more important than ever. Corporate earnings could be another casualty. After years of conquering the world, US companies are now shifting to a “defensive” stance, says Rana Foroohar in *The Financial Times*. No wonder. As Tooze puts it, the prospect of a world economy divided between a “sclerotic Europe, a nationalist United States and an authoritarian China is a gloomy one”. Investors should be prepared.

## US data and yield curve spook investors

Conflicting data from the US economy has left economists scratching their heads, says Irwin Stelzer in *The Sunday Times*. But most shoppers seem to have shrugged off talk of a recession so far. That bodes well, given consumer spending accounts for about 70% of economic activity.

The monthly US non-farm payrolls data is seen as a key barometer. Some 130,000 jobs were created in August, fewer than expected and also less than the average of 200,000 per month seen earlier in this cycle. Alarming, the ISM manufacturing index also fell below 50 in August, which suggests that American manufacturing is shrinking for the first time in three years. Yet other figures show that



*US manufacturing is shrinking for the first time in three years*

wage growth has sped up and that the service sector remains robust. Most hard data has yet to show signs of impending recession, says Paul Ashworth of Capital Economics. What has spooked markets is the recent inversion in yield

curves. Indeed, the ten-year and three-month Treasury yields have “never been [this] inverted... without a recession starting within the following 12 to 18 months”.

Last week did see the spread between the two-year

and ten-year treasury uninvert, but that is little reason for cheer. Data shows that previous inversions have predicted a recession over the coming 24 months regardless of whether the curve has uninverted by the time the recession actually arrives.

The start of September has seen American stocks rally, says Akane Otani in *The Wall Street Journal*. The S&P 500 is up 19% this year so far and is back within 2% of July’s all-time high. Yet psychological factors may be curbing risk appetites. In addition to the trade and yield curve gloom, many money managers remember that last year the S&P peaked in late September “only to slump by a fifth in three months”.

## Saudi Arabia tries to boost oil

Could oil go to \$25 per barrel? Reuters reported this week that Russia's central bank is not ruling out a plunge in oil prices next year because of weakening global economic growth, which lowers energy demand. Brent crude is down by almost a quarter since hitting \$84 a barrel in October 2018.

However, this week brought talk of a renewed Saudi effort to raise prices. Crown Prince Mohammed bin Salman abruptly replaced energy minister Khalid al-Falih with royal half-brother Prince Abdulaziz bin Salman.

"Falih has paid the price for an oil price that remains stubbornly beneath the \$70-\$80 range" and Riyadh needs to bolster its budget, Derek Bower of RS Energy told the Financial Times. The flood of US shale oil has seen Riyadh and Moscow join forces to curb production and support prices, notes The Wall Street Journal. Yet this "Opec+" arrangement was built on the good relationship between Falih and his Russian counterpart. His replacement means more uncertainty about the way ahead.

The reality is that slumping global oil demand is largely outside the kingdom's control, says Matt Egan for CNN Business. Falih's replacement "reflects a sense of urgency about boosting prices". Riyadh looks poised to double down on its strategy of limiting output by "considering even deeper production cuts". As Michael Tran of RBC Capital Markets puts it, "The Saudis are in do-whatever-it-takes mode".

# Emerging markets bounce back

Investors in emerging markets have been enjoying some long-awaited relief after a miserable few months, says Robert Burgess on Bloomberg. The MSCI Emerging Markets index jumped by almost 2% on Wednesday last week, its biggest one-day gain since January. Perhaps some money managers "sense all the doom and gloom... is overdone". The trade war and a strong US dollar have seen the index shed 8% since a high mid-April.

Sagging global trade (see page 4) is a big problem for many developing economies: they are highly geared to global growth. For example, exports represent 44% of South Korean GDP and 39% of Mexican output. Many firms borrow in dollars, but make sales in the local currency. Ongoing dollar strength means more hefty debt-servicing costs, says John Authers on Bloomberg. Emerging market currencies are also proving to be closely correlated to China's yuan. That leaves them at the mercy of trade-war negotiators and Chinese monetary decisions.

### A chance to buy low

Still, where there's gloom there is also opportunity. On a price-to-earnings basis, emerging market stocks trade on a 20%-30% discount to their developed counterparts, James Donald of Lazard Asset Management told Karen Hube



Indonesia's large domestic market provides shelter from global storms

in Barron's. Lower valuations mean higher potential returns. Research by asset management group GMO suggests that emerging market companies are poised to deliver superior returns over the coming years, says Jennifer Thompson in the Financial Times. Based on current valuations, the sector should serve up an average annual real return of 5.2% over seven years, with the cheapest set to return 9.8% over the same period. Richly valued US large caps, by contrast, look set to "fall 3.7% annually over seven years".

Another plus point is the superior growth performance of emerging nations. Expansion in emerging markets is the "linchpin holding up the global economy", former World Bank vice president Ian Goldin tells CNBC. Average growth

of over 4.5% is "pulling up" more sluggish developed economies. "The centre of gravity is clearly moving to Asia."

Emerging market investors have endured a long period of disappointment, says Hube. The asset class has "been underperforming for almost a decade". Yet that is a reason for optimism, argues Donald. "If you look at history, you don't have constant underperformance. You have periods of underperformance followed by periods of outperformance." Such a shift could now be in the works.

Not all emerging markets are equally enticing, however. MoneyWeek prefers economies such as India, the Philippines and Indonesia, where large domestic markets provide shelter from global trade woes.

## Viewpoint

"Much has been said about whether... 'fossil-fuel billionaire' David Koch and his brother Charles were ultimately responsible for the triumph of [Donald] Trump... The argument is that the use on a colossal scale of the Kochs'... 'dark money'... fertilised the harsh soil in which Trump's support flourishes. But the path was cleared for him a generation ago by another corporate celebrity... Lee Iacocca... who rescued Chrysler from... bankruptcy. Iacocca's rants against Japanese incursions into the US car market, and the macho persona he projected in Chrysler television ads, won him such blue-collar popularity that he was urged to become a Democrat presidential candidate... if he had he might have beaten George Bush Sr in 1988 — and... the idea was born that business braggadocio plus protectionist rage add up to the kind of statesmanship American voters admire."

Martin Vander Weyer, The Spectator

## The seed investments that fail to sprout

Phantom FDI as % of total FDI



Source: International Monetary Fund

Foreign direct investment (FDI) is supposed to stimulate productivity and growth in other countries by transferring skills, technology and capital. But a large percentage of the world's total FDI isn't doing that, according to a study by the International Monetary Fund and the University of Copenhagen. Around \$15trn, or 40% of the global total, is "phantom" investment, with money coming in, but not stimulating business activity. Multinational companies are channelling cash through "empty corporate shells" in other jurisdictions to minimise their tax bill. Luxembourg and the Netherlands account for half the phantom FDI. In Malta, Ireland and Switzerland less than 50% of FDI is real.

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

## Three to buy

### Morgan Sindall

*The Sunday Telegraph*

This construction-services business operates in a sector that remains on "shaky ground". The woes of Carillion, Kier, and Interserve have prompted tricky questions about thin margins and management practices in the contracting business. Yet cashflows at Morgan Sindall



are healthy and higher full-year profit forecasts suggest that things are heading in the right direction. A growing order book shows that clients regard it as a reliable operator. On just eight times forecast earnings "the stock should build further from here".

1,188p

### Pets at Home Shares

The UK's leading pet-care business sells products

online and through its network of 452 physical stores. The £1.16bn business boasts a 23% market share in a "resilient niche" marked by high levels of repeat business. Management has responded to competition online and from discounters by investing in new products and offering price cuts. Recent gains in market share appear sustainable, while the group's shares are still reasonably priced on 16.6 times earnings despite a recent rally. This is a business to "sink your teeth" into. 231p

### Ted Baker

*The Daily Telegraph*

They say you should never try to "catch a falling knife". But contrarians will always be drawn to a good turnaround story. Two profit warnings and the exit of founder Ray Kelvin have seen shares in the fashion retailer sink from £31 18 months ago to less than £10 today. Yet this is still a business with a powerful brand, a strong online presence and limited debts. With the stock on ten times earnings there is value here for patient investors. 930p.

## Three to sell

### InfraStrata

*The Sunday Times*

This Aim-listed company has ambitious plans to store gas in salt caverns in County Antrim. The "Islandmagee" project has been beset by problems over the last decade, with the share price crashing from 80p in 2009 to just 0.4p today. The venture will cost £300m, dwarfing InfraStrata's current £6m valuation and leaving it in a weak negotiating position with clients, investors and banks. Management is eyeing up other projects, but with little prospect

of returns for shareholders any time soon this is one to avoid for all but the bravest investors. 0.4p

### Asos

*Investors Chronicle*

Asos was one of the pioneers of UK online fashion retail, but repeated profit warnings and slowing growth suggest that its glory days are over. Growing competition from the likes of Boohoo and N Brown have compressed margins, with Asos blaming recent poor performance

on "the high level of discounting" in the sector. Asos' fast-fashion model also relies on a "giddy" array of new product launches, which make it difficult to predict future performance. With shares trading on a vertiginous 41 times earnings and no dividend it is time to sell. 2,380p



### Fresnillo

*Investors Chronicle*

Gold's rally to \$1,500 has been a boon for gold and silver miners, but the rising tide has not lifted all boats. Shares in this Mexico-focused operator are down a fifth so far this year. The company has been beset by production problems and rising costs. With the shares on 34 times earnings there is better value on offer with industry peers. We suggest that you take advantage of the current precious metals excitement to rejig your holdings. Sell. 740p

## ...and the rest

### Investors Chronicle

Commercial property group St Modwen Properties has been tilting its portfolio towards urban warehouses amid the e-commerce boom. Yet the stock, on a 17% discount to forecast 2019 net asset value, does not reflect its "balance sheet strength" or growing diversification (411p). Ignore talk of electric vehicles: there should be robust demand for Johnson Matthey's catalytic converters for the foreseeable future and it is also investing in battery technology (2,910p).

### Shares

Shares in Secure Trust Bank are trading at rock-bottom multiples but the business is "better quality and lower risk" than many of its banking peers. Buy (1,280p). Catering hire and laundry firm Johnson Service is a long-term growth story that remains little appreciated by retail investors – "boring is beautiful", so buy (165p). Google-owner Alphabet is investing in everything from biotech to artificial intelligence and self-driving technology. With so many sources of future

growth this is a solid long-term buy (\$1,182.25).

### The Daily Telegraph

Aim-listed Oxford Metrics has cornered the market in "motion capture", a technology used to digitise human movement in everything from football video games and Nasa spacesuits to Hollywood. Growth is strong and it could become a takeover target – buy (86p).

### The Times

Construction business Balfour Beatty is going from strength-



to-strength, but the weak backdrop for builders makes this a sector to avoid (222.5p). (767p). Heat treatment and metals specialist Bodycote is worryingly exposed to weak global industrial markets – avoid (705.5p).

## A German view

Germany's Morphosys may soon become into a commercially successful biotechnology firm, says *Wirtschaftswoche*. The group boasts over 100 drugs in research and development, one of the broadest pipelines in the sector. Many are being produced in partnership with others. The group hopes to launch its first drug on the US market by the end of the year: Tafasitamab, an antibody treatment for advanced lymphoma, a cancer of the blood; it augurs well that America's Food and Drug Administration has deemed it a breakthrough. Heavy investment means Morphosys will post a loss of €80m this year, but it can afford to thanks to a cash pile worth €400m. "A speculative buy."

## IPO watch

A Czech lender to consumers with sketchy or non-existent credit histories is to become the first company to float in Hong Kong since Chinese internet giant Alibaba postponed its initial public offering (IPO) last month amid political upheaval. Prague-based Home Credit does business in ten countries and has a large Chinese division. It hopes to raise over \$1bn. The IPO will be an important test of sentiment, notes Julie Zhu and Jennifer Hughes on Reuters, especially as the last four months of the year are usually the busiest for flotations in the territory. Over the past decade, they have accounted for an average of 51% of the funds raised every year.

## City talk



● Jack Ma (pictured), the founder of Alibaba, is about to make history. He is the first major Chinese tech tycoon to step down as chairman of the firm he founded, says Louise Lucas in the Financial Times. But investors in the \$462bn firm appear “unfazed”: the shares have gained 10% in the year since he announced his departure. No wonder. Alibaba “is woven into the fabric of daily life for hundreds of millions of Chinese as a means of buying and selling goods, making payments and as a source of entertainment”. Yet Ma’s “lofty” target of serving two billion customers around the world by 2036 appears “increasingly heroic in today’s climate”.

● Office space provider WeWork has gone from being “one of America’s most valuable unicorn start-ups to a punchline”, says Bloomberg. It lost \$690m in the first half of 2019 and is now being urged by Japanese conglomerate SoftBank, its largest investor with a 29% stake, to shelve plans for an initial public offering (IPO). The news comes after WeWork, touted by Goldman Sachs as a \$65bn business earlier this year, looked set to slash its IPO price to a third of Goldman’s estimate.

This doesn’t just reflect badly on WeWork, but also on Masayoshi Son, SoftBank’s head, says Hasan Chowdhury in The Daily Telegraph. His fans claim that Son is “an investment genius with the Midas touch” who has “conjured up a \$21bn fortune through a series of shrewdly-timed bets on some of the world’s top technology companies”. However, this latest setback will bolster those who claim that he is “impulsive and erratic, with a chequered history of taking wild bets on young companies, including some that have gone spectacularly wrong”.

# Pilots ground British Airways

The strike is the latest mishap in a series of PR disasters for Britain’s flag carrier. Where does it go from here? Matthew Partridge reports

British Airways’ pilots this week embarked on the “first walkout by flight crew in the carrier’s history”, says Graeme Paton in The Sunday Times. The strikes came after its 4,300 pilots rejected a pay offer that the airline claims “would cost it £50m over three years, on top of the 11.5% pay deal already offered”. The union insists that a settlement will cost British Airways (BA) less than the £100m sales the airline stands to lose in the strike.

This is “a textbook example of industrial-relations hubris”, says Simon Calder in The Independent. A union “representing a relatively well-paid group of workers” agrees to an above-inflation deal, “then backtracks and demands more”. At the same time, you have a “highly profitable employer” deciding to ground “virtually all” its flights rather than concede “a few million pounds a year extra on its wage bill”. This dispute “between well-heeled foes who really should have the same direction of travel” does neither side any credit.

## Who’s to blame?

It’s unfair to blame the pilots, says Michael Skapinker in the Financial Times. While their salaries may make them “easy targets”, they “are not natural troublemakers” and have a reputation for being “thoroughly professional”. BA also forgets that the pilots helped the airline out in 2009 by voting to accept a pay cut, and that their salaries tend to go towards repaying the “onerous” loans associated with their training. At a time when “the business world faces demands to look after all its stakeholders rather than just shareholders”, BA would have done well to “at least show an openness” to discussing the idea of profit sharing.

Whatever the rights and wrongs of the action, the company should win in the end, says City AM. The strike, and the subsequent damage to both BA’s share price and its “battered brand”, is likely to prove a “necessary blip on the radar



in the long-haul” if it helps keep a lid on pilots’ pay. Indeed, every little helps “when you’re competing with the like of Emirates on long-haul and Ryanair and EasyJet on short-haul routes”. In any case, BA has several tangible advantages that are “more permanent than a few PR disasters”, such as 55% of slots at Heathrow airport, still the “airport of choice” for “high-value travellers”.

I’m not so sure, says Chris Bryant on Bloomberg. The pilots may be hoping “that the airline will blink first to spare further damage to its image” and they could be vindicated. They are “still indispensable if you want to take off or land a plane” and “can take advantage of BA’s public image being tainted recently by various IT and... data snafus”. While the strike might not be a big problem if BA remains in the black, things could rapidly get worse if Britain enters a recession and the pound gets even weaker. Parent company IAG is trading at just four times earnings, perhaps indicating that a profit collapse is “on the horizon”.

# Marks & Spencer ejected from FTSE 100



Marks & Spencer was a founding member of the FTSE 100 in 1984.

Last week, it was formally ejected from the index, notes Louis Ashworth in The Daily Telegraph. Its market capitalisation had shrunk to a mere £3.6bn; two decades ago it was worth around £18bn.

Marks & Spencer (M&S) isn’t the only retailer to struggle in recent

years, says The Guardian. Competition from online and discount retailers has made trading conditions “extremely tough”, with BHS going under and Debenhams “fighting for survival”.

However, there is “no doubt” that there has been a series of “clumsy missteps and about-turns” at M&S. It seems “no closer to cracking” the “all-important area of women’s clothing”. Indeed, the clothing side of the business as a whole still “struggles to present a coherent sense of purpose”. The website, meanwhile, is “notably lacking in style”. Many believe that instead of tinkering around the edges, the group needs to take “radical action”,

such as splitting its general merchandise division from food, “where its strategic plans seem clearer”, says Jonathan Eley in the Financial Times. But M&S has argued that breaking up the two divisions would be “fiendishly complicated” given the amount of shared space, and wouldn’t make sense from a valuation perspective since they are both “lowly rated and out of favour with investors”. Instead, it is concentrating on running the clothing business more efficiently, the joint venture with Ocado and improving returns in the international and financial services divisions. These steps, it hopes, will lead to a “significant and durable increase in profitability”.

# Johnson seeks compromise in Brussels

With Parliament now suspended, the prime minister's main task is to get a deal. Emily Hohler reports

Parliament packed up for a five-week recess on Monday night and is due to return on 14 October, just 17 days before the 31 October Brexit "cliff edge", says James Blitz in the Financial Times. Opposition MPs are "furious" that Boris Johnson has shut down Parliament at such a crucial juncture (there will be a "titanic showdown" to determine the legality of the move at the Supreme Court next week, reports the Daily Mail), but as it stands, this period will be "frantic". Johnson will go to the European Council on 17 October and try to secure a deal. If he fails, a majority of MPs will insist on securing an extension till 31 January as dictated by the "Rebel Alliance's anti no-deal law of last week".

How might events play out? Downing Street says that the prime minister's new "priority" is to avoid a no-deal Brexit and there is growing talk that a "Northern Ireland only" backstop (an idea floated by the European Commission in 2017) might provide a solution to the key sticking point of the Irish border question, particularly now that the PM has lost his working majority and the Democratic Unionist Party (DUP) are no longer "decisive players", says Blitz.

## A bridge over troubled waters

The idea of an all-Ireland zone for livestock and agricultural goods, which make up the majority of trade across the Irish border, was discussed with the DUP at Downing Street on Tuesday, says Gordon Rayner in The Daily Telegraph. Nevertheless, the scheme would apply only to health and regulatory checks, rather than tariffs, and would therefore create a border in the Irish Sea between Northern Ireland and Britain. Johnson believes the tariff problem can be solved by "alternative arrangements" including trusted trader schemes and pre-



More talks about the backstop: the PM with Irish PM Leo Varadkar

authorisation of goods. He also offered a "Stormont lock" so that Northern Ireland could veto any future changes to the arrangement, and has reportedly requested "detailed feasibility studies" regarding a bridge between Scotland and Northern Ireland. But even if Johnson does manage to strike a new deal, it would still need to pass in Parliament, as would the ensuing ("contentious") legislation, says Catherine Haddon in The Guardian. This is a "near-impossible challenge" given the disruption in the Commons. It is, agrees Hugo Dixon in The Independent. Last Monday, Johnson had a majority of one. Since then he has lost an MP to the Lib Dems, expelled 21 others and seen his brother, Jo, and cabinet minister, Amber Rudd, quit.

## Three options for Johnson

So what happens if he can't push through a deal? Three options remain, says Blitz. The first is that he secures an Article 50 extension, paving the way for a general

election. This is "the most likely option". It would force Johnson to "eat his words" about leaving the EU on 31 October "do or die", but he can blame others for obstruction. The second is that the UK "drifts" into a no-deal exit on 31 October, Johnson having managed to "sidestep" Parliament's anti no-deal law, possibly with a challenge in the UK Supreme Court. However, the anti no-deal majority is likely to do whatever it takes, including toppling the government, to avoid this. The third is a second referendum. This is an option that "no one in the Conservative Party dares talk about", says the Evening Standard, but it is advantageous for Johnson: "he and his team have won a referendum before"; the pro-European forces aren't united; and it doesn't have to be held for at least six months. "Everyone agrees that the public needs time to hear the arguments again." It also gives Johnson more time in No. 10 and provides an "excuse" for putting up with another Brexit extension.



But what do voters of the future say?

## Should HS2 rail be scrapped?

The future of the HS2 high-speed rail line is "hanging by a thread" after the transport secretary, Grant Shapps, announced a delay of up to five years for completion of phase one accompanied by a "massive increase" in the estimated cost, from £56bn to £88bn, says Larry Elliott in The Guardian. For the "beleaguered construction sector", scrapping such a huge project would be a "severe blow". Some of Britain's biggest contractors are already trying to avert such an outcome, warning that cancelling HS2 would drive up the cost of future projects because firms would "price in the political risk", reports the FT. However, this is "not really the point", says Elliott. Given

the sum involved, it's vital to ask whether the government has "got its priorities right". If it really does want to rebalance the economy, it should ditch HS2 and invest the money instead in Northern Powerhouse Rail, a proposed network for boosting the north's economic potential.

We shouldn't forget the real purpose of HS2, which is to "increase the capacity of a 19th-century railway", not shave 20 minutes off the London to Birmingham trip, says Simon Calder in The Independent. Each intercity train transferred from existing lines to HS2 will reportedly release capacity for 11 new fast commuter or freight trains.

Cancelling HS2, into which £7bn has already been sunk, would "undoubtedly be a vote-winner in constituencies where the bulldozers are poised" and in regions which will see no direct benefit, but most of the people in the 2040s and beyond who will need more trains are "not yet on the electoral register".

In the meantime, MPs including Andrea Leadsom have called for enabling works on the line to be stopped immediately, says Edward Malnick in The Daily Telegraph. As the Woodland Trust points out, if "swathes of ancient woodland" are destroyed and HS2 is then scrapped, "we will have lost a rare, irreplaceable habitat for nothing".



**Betting on politics**



It almost seems as if there have been more Brexit-related twists and turns in the last month than there have been in the entire period since the June 2016 referendum. Nothing illustrates this better than the perceived chance of a no-deal Brexit. Just a few weeks ago, many people believed that it was extremely likely. Now, thanks to the passage of the Benn bill through Parliament, instructing the government to ask for an extension to Article 50 unless a deal acceptable to Parliament can be passed through the House of Commons, it looks very unlikely.

These shifting perceptions have been reflected in Betfair's market on a no-deal scenario. At one point the implied chances of a no-deal Brexit were nearly 50%. They then plunged to a low of around 15%. With a total



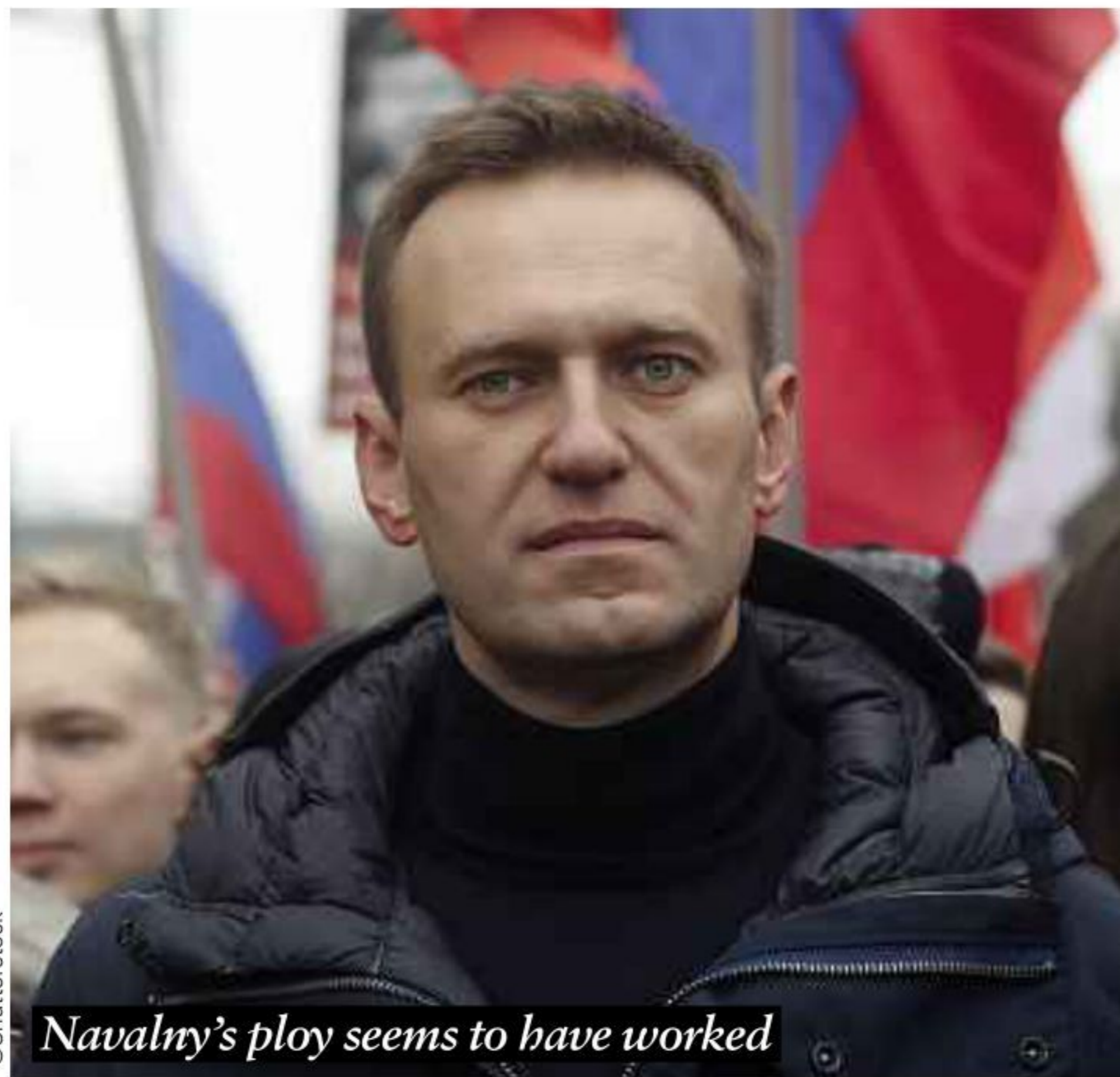
of £1.65m now matched on the outcome, punters clearly think that the UK leaving the EU without a deal is very unlikely, but still not impossible, and you can get 5.3 (18.9%) on a no-deal Brexit and 1.23 (81.3%) against. Nigel Farage (pictured) no doubt has other ideas.

The lesson of the last three and a half years is that you can never, ever, rule anything out, but I think that the chances of a no-deal Brexit this year are less than 5%. So I'd advise you to take Betfair's 1.23 against the possibility of no-deal Brexit in 2019. As the rules of the bet make clear, this bet pays off if Britain fails to leave the EU before the end of the year or if a Withdrawal Agreement is agreed (and ratified) before Britain leaves.

# Voters give Putin a shock blow

Protest votes send the Kremlin a message it can't ignore. Matthew Partridge reports

Russian voters have dealt a "heavy blow" to President Putin's ruling United Russia party and its allies, which lost a third of its seats in elections to Moscow's parliament, says Tom Parfitt in *The Times*. The authorities banned many activists, including leading Putin critic Alexei Navalny, from running, but opposition leaders urged their supporters to follow Navalny's "intelligent voting" plan, which involved backing whichever candidate had the best chance of beating the United Russia representative, no matter which party they were from. This strategy "appears to have borne fruit". Opposition candidates took 20 seats in the 45-member legislative chamber, "dealing United Russia its biggest setback in the capital".



Navalny's ploy seems to have worked

## The oddballs have it

Putin's allies may have suffered "significant losses" in Moscow, says Ivan Nechepurenko in *The New York Times*, but they retained overall control. Even the candidates that Navalny endorsed were "pro-Kremlin, to some extent", and Putin's supporters did much better outside the Russian capital as they "mostly held their own in other local polls across the country". Indeed, the Kremlin was "still able to demonstrate its full control of the political situation", by winning all 16 of the governors' races, including a landslide victory in St. Petersburg for a Putin ally known as a "gaffe machine".

But it doesn't matter that the opposition failed to take control of the Moscow council – "who got the seats is less important than the success of Navalny's ploy", says Leonid Bershidsky on Bloomberg. By getting Muscovites to vote for a series of "oddballs"

over the Kremlin-endorsed picks, even in the face of systematic intimidation, Navalny has demonstrated that "his power in the city is comparable to that of United Russia, even though he's locked out of participating in elections". Indeed, it looks like the people in the city that sealed the Soviet Union's fate in 1991 are tiring of Putin's methods.

## Apathetic no more

The Russian autocrat has till now been able to rely on the "collective feeling of hopelessness that paralyses any sustained effort to overturn the status quo", says Leonid Ragozin in *Politico*. But this barrier to change has been "smashed" by the "two-month marathon of protests" that has taken place this summer. The "optimism and confidence" of those taking part, in the face of state violence and intimidation, has infected an increasingly large swathe of the voting population – and "empowered a new group of liberal opposition leaders".

It's not just demands for political change that are encouraging people to reject Putin – the failing Russian economy is also playing a big role, says James Rodgers for NBC News. A decade ago, many Russians, "wearied by the chaos that had followed the collapse of Communism", were content to accept Putin's autocracy in return for "stability and steadier pay". Now that living standards are in decline, however, that bargain is falling apart. Indeed, Russians throughout Russia are angry at pension reforms that raise the retirement age. "The wave of protest that rose in Russia this summer may now break without making much of an impact. But change of some sort will have to come soon."

# The legacy of Robert Mugabe



Big Man politics marches on

The death of Robert Mugabe, Zimbabwe's former leader, has led to a "great outpouring of ambivalence" as Zimbabweans struggle to "make sense of the legacy of a man who fashioned their state and then did his best to destroy it", say Peta Thornycroft and Adrian Blomfield in *The Daily Telegraph*. His supporters focus

"the early promise of the independent state that he forged from the ruins of Rhodesia"; others remember the later years, "marked by hyperinflation, corruption and repression". Sadly, many Zimbabweans are "too exhausted" by the ongoing economic crisis, largely caused by Mugabe's "disastrous" policies, "to form a coherent opinion about the president who led them for 37 years".

Mugabe's legacy will continue to be contested, says Petinah Gappah in *The Guardian*. But what matters most is what Zimbabwe's new president will do. Emmerson Mnangagwa must "bury those aspects of the Mugabe presidency that polarised

Zimbabweans, and those policies and attitudes that pauperised this once prosperous nation". Zimbabwe needs constitutional reforms to ensure free and fair elections and an end to the laws that restrict political expression and freedom of the press.

Don't count on it, says Panashe Chigumadzi in *The New York Times*. Mnangagwa gave the impression he was fashioning "a new liberal order keen to normalise relations with the West", but his disputes over last year's elections and repression of protests over living standards show that nothing much has changed. A broader movement to challenge "Big Man politics" is needed.



The labour market is still in fine fettle

## Cupertino

**Apple shifts towards services:** Apple unveiled its latest range of hardware this week, including a new iPhone 11 and the latest version of the Apple Watch. While prices have been held steady, and in some cases reduced, what struck many observers was the lack of new features: there was no 5G-capable phone, for example, and other technological improvements were modest. As demand for new gadgets slows, with customers already owning an iPhone reluctant to upgrade, Apple is turning its attention to making money from services such as music, games and streaming television programmes and films. Apple Music already outsells Spotify in the US, notes the Financial Times. And this week saw the launch of its new Apple TV+ to take on Netflix and Amazon Prime TV. The service, which Apple says will be available in 100 countries, costs just \$4.99 a month in the US, compared with Netflix's \$12.99 fee. "I don't think anybody was expecting such an aggressive price point," industry analyst Carolina Milanesi told the Financial Times.

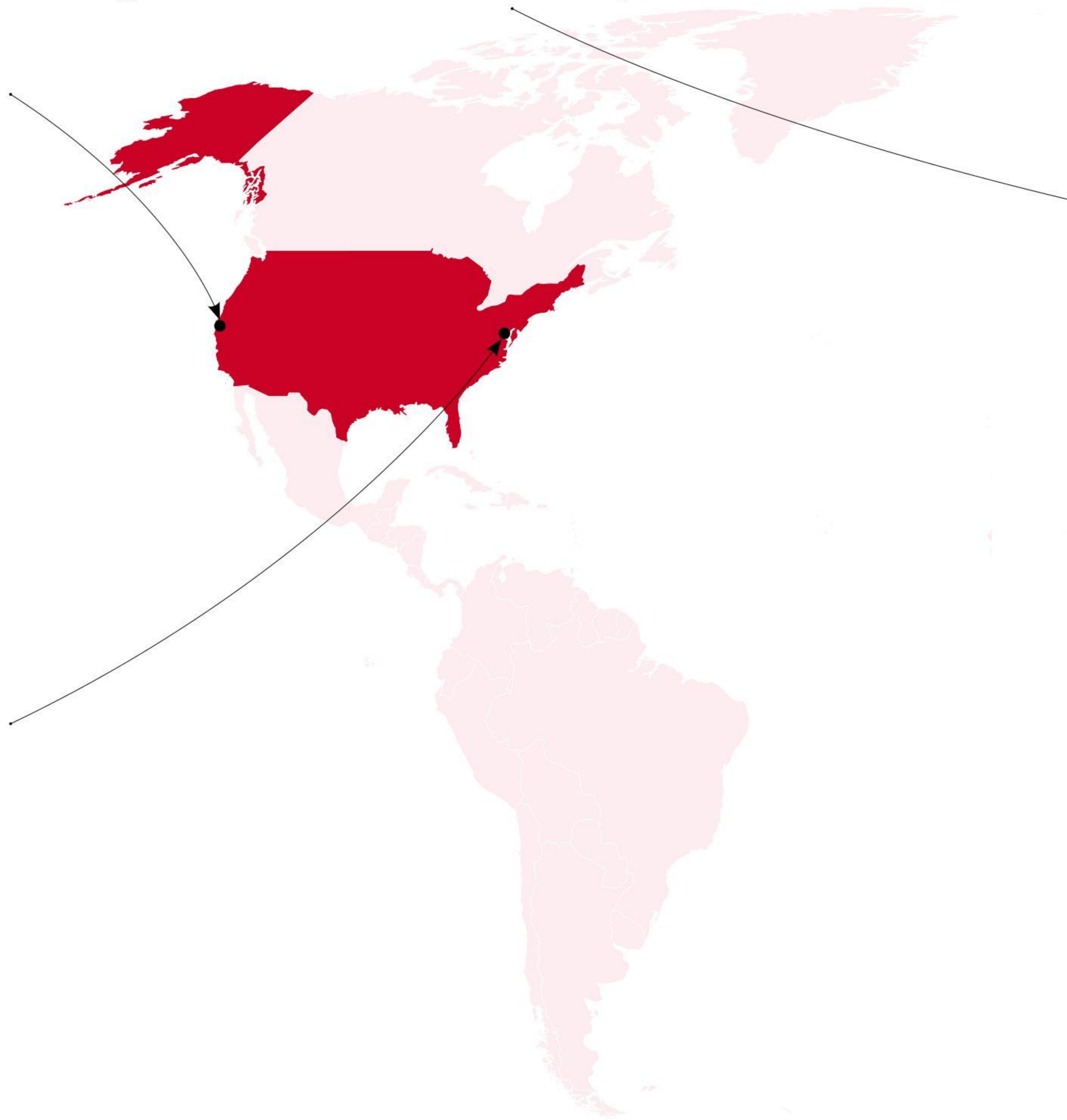
## London

**Wages soar but jobs growth stalls:** Pay growth, including bonuses, rose to 4% in the second quarter compared with the same period last year, according to the Office for National Statistics. It was the fastest rate of wage growth recorded since June 2008, just before the financial crisis. However, workers' pay still lags pre-crisis levels once adjusted for inflation, says Richard Partington in The Guardian. Average pay a week is now £502, compared with a peak of £525 in February 2008. Wage growth, excluding bonuses, in the three months to July actually edged lower from 3.9% to 3.8%. Meanwhile, employment growth lost some momentum in the same period as employers held off hiring amid uncertainty over Brexit and unease in the global economy. Employment grew by just 31,000. As a result, annual employment growth has slowed from 1.3% in June to 1.1% in July. Nevertheless, "the labour market remains in fine fettle", says Ruth Gregory of Capital Economics. It will "provide solid support to the consumer sector over the next few years".

## Washington DC

**Bolton sacking sparks oil-price fall:** Donald Trump's surprise sacking of John Bolton (pictured), his ultra-hawkish national security adviser, had an immediate effect on the oil price. US

crude futures oil fell by over 2% after the president tweeted his decision, says CNN. Bolton had taken a hard line against Iran. He pushed for military strikes and was in favour of regime change, while US sanctions had reduced Iranian oil production by around two million barrels a day. Bolton's removal raises hopes that the US could relax sanctions and possibly even reopen talks over Iran's nuclear programme. Earlier this year tensions between the two countries escalated, with Iran threatening to disrupt shipping in the Strait of Hormuz, through which around a fifth of the world's oil supply passes every day. Bolton is the third national security adviser to be dumped by Trump. He insists he was not fired, however. He says he had resigned the night before Trump's tweet, but that the president refused to accept his move, saying "Let's talk about it tomorrow". (See also page 5.)



## The way we live now: Downton Abbey has become an industry



A little aristocratic gloss boosts sales

The Earl of Grantham and his family make their debut on the big screen today. But *Downton Abbey* is more than just a film, says Chris Hastings in The Mail on Sunday. "It's the heart of a multi-million-pound merchandising industry". Companies use "a little aristocratic gloss to help sell their products". For example, exclusive Mayfair jeweller Bentley & Skinner supplied three diamond tiaras for the making of the film. One tiara featured in the television series contained 45 carats; it sold for £145,000. Across the pond, guests at the "swanky" Fairmont Copley Plaza hotel in Boston can "live

like a Crawley" in the fashion of the Countess of Grantham, who is American. The specially redecorated suite costs £1,000 a night. Highclere Castle, the Earl of Carnarvon's stately Hampshire home and the set for *Downton Abbey*, offers period-themed "costumes, cocktail and castle" tours for £115. The earl and countess will judge the best 1920s outfit. And who needs Earl Grey when you can drink "Lord & Lady Grantham's Tea", on sale for £10 a tin from America's The Republic of Tea? There is even a range of officially licensed spirits from Yorkshire distillery Harrogate Tipple.

©Getty Images; Universal Pictures

## Brussels

**Vestager's second term:** Big Tech has been "looking forward to getting rid of Margrethe Vestager", says David Meyer in *Fortune*. The EU's antitrust official made a name for herself by slapping record fines on US tech giants, including a total of \$9.4bn worth of levies on Google and ordering Apple to pay \$15bn in back taxes. "Well, tough luck." Last Tuesday, the European Commission's incoming president, Ursula von der Leyen, unveiled her new team of 27. And Vestager is not only "staying put" – a first for an EU competition commissioner – but has also been given "overarching responsibility for European digital policy". This dual role, as "champion for the European digital sector" and competition chief, may confirm the impression in America that the EU has it in for the US tech titans; President Trump last year reacted to the Google fine by telling von der Leyen's predecessor, Jean-Claude Juncker: "Your tax lady, she really hates the US". Vestager doesn't spend "all her time" scrutinising Americans, however. In February, she resisted pressure from Germany and France and blocked the Siemens-Alstom merger.



Margrethe Vestager: terrorising US tech

## Beijing

**China opens its doors:** A quota system limiting foreign institutional investment in Chinese equities and debt has been scrapped. Until last Tuesday, approved fund managers could only buy stocks and bonds up to a total of \$300bn under the terms of China's dollar-dominated qualified foreign institutional investor (QFII) scheme launched in 2002. The ceiling on the parallel renminbi-dominated (RQFII) scheme from 2011 has also been removed, the State Administration of Foreign Exchange (SAFE) regulator said. In the past few years, Beijing has burned through more than \$1trn of foreign exchange reserves propping up the yuan, which has come under downward pressure as growth has slowed and the trade war has intensified. The removal of the quota seems designed to top up its foreign cash holdings and attract money to bolster growth (last week's reduction in Chinese banks' reserve requirement ratios should also bolster GDP). How effective the move will be remains to be seen. Quotas had already been raised for the twin schemes over the years, and as of the end of August, just \$111bn of the \$300bn quota had been used.

## Ankara

### Former economy minister to challenge Erdogan:

Ali Babacan (pictured), Turkey's former economy minister and deputy prime minister, has said he will form a new party before the end of the year. It will pose a direct challenge to President Tayyip Erdogan, whose Justice and Development (AK) Party suffered a stinging defeat in Istanbul's mayoral election in June. Babacan had been a founding member of the AK

Party before resigning in July over "deep differences".

"Monetary policy, fiscal policy and macroprudential measures must be harmonious and predictable," Babacan told Turkish newspaper *Karar*. "Structural reforms must be revived." Safeguarding "pluralistic democracy and the rule of law" are crucial too. Babacan oversaw Turkey's strong rate of growth during the last decade and the early 2010s. Since then, the AK Party has become increasingly authoritarian and statist. While Babacan is unlikely to attract enough support to become president, he could hive off enough votes to end Erdogan's near two-decade-long grip on power, according to the *Financial Times*.

## Hong Kong

### Hong Kong bids for the LSE:

Hong Kong Exchanges and Clearing (HKEX) has made an "audacious" £32bn offer to buy the London Stock Exchange Group (LSEG), says Harriet Russell in *The Daily Telegraph*. The deal would thwart LSEG's own £22bn bid to buy financial-data provider Refinitiv. LSEG said it would "consider" and respond to the "unsolicited, preliminary and highly conditional" bid from HKEX, but would press on with its plans to buy Refinitiv regardless. "The HKEX offer [is likely to] face... hurdles including regulatory scrutiny, political pressure and competition concerns," says Russell. Given the crackdown in Hong Kong on pro-democracy protests, any deal of this nature would make the British government "uneasy", said one analyst. HKEX boss Charles Li said the deal would "redefine global capital markets for decades to come". It would also be by far HKEX's biggest (it bought the London Metal Exchange for £1.4bn in 2012). HKEX has offered £20.45 in cash per share and 2.495 in newly issued HKEX shares, says the *Financial Times*. That implies a 23% premium to LSEG's pre-bid share price. HKEX said it would apply for a secondary listing of its shares in London to demonstrate its "commitment to the UK".

# The end of the reign of King Dollar

America's currency has dominated global trade since World War II. But the world has changed and its claim on the throne is under threat. Simon Wilson reports

## What is a reserve currency?

It's a currency that central banks (or other government monetary authorities) around the world choose to hold in significant quantities as part of their reserves of foreign exchange. Currently, and since the middle of the 20th century, the dominant reserve currency is the US dollar, accounting for around 61.7% of foreign currency reserves (according to the IMF's figures for 2018). The euro is the next most popular reserve currency with around 20.7%, followed by the Japanese yen on 5.2%, sterling on 4.4%, and the Chinese renminbi on 1.9%. The primacy of the US dollar reflects the overwhelming decades-long dominance of the US economy, the centrality of the US to global networks of trade, and the belief that US government debt is an exceptionally safe asset. A third of countries peg their own currency to the US dollar, and around half of world trade is denominated in dollars.

## Is this situation likely to be permanent?

Nothing lasts for ever. The Greek drachma, first coined in the fifth century BC, the Roman denarius, and the Byzantine solidus – all functioned as “international” hard currencies. The same goes for the Arab dinar in the middle ages, the Venetian ducato and Florentine florin in the Renaissance era, and the French franc and Dutch guilder in the 17th century. In the 18th century the guilder became the dominant currency thanks to the Netherlands' dominance of world trade. But in its modern sense, the idea of a global reserve currency dates from the mid-19th century, with the development of central banks and rapid integration of the global economy. In the 1860s, Britain was the world's biggest exporter and source of foreign investment, and the centre of global finance, and sterling, backed by gold, was the global reserve currency. It was superseded by the US dollar in the 20th century – a fact formalised under the Bretton Woods system in the wake of World War II. The dollar remains king, though the link with gold ended in 1971.

## How did the financial crisis affect things?

Paradoxically, a global financial crisis that had its seeds in the US actually strengthened the dominance of the dollar. So strong is the belief in US Treasuries as the world's safest asset that investors sought the dollar as a haven from the maelstrom in world financial markets. “The custodian of the primary reserve currency was rewarded by foreign money for grotesquely mismanaging its own financial system,” as John Plender puts it in the Financial Times. The dollar's survival as the primary reserve currency



Talking about a revolution in finance: Mark Carney (right) with Federal Reserve chief Jerome Powell

despite America's shrinking share of the global economy reflects “the extraordinary liquidity of the Treasury market” and the US central bank's success since the 1980s at keeping inflation under control.

## Is this a big advantage for the US?

Overall, having the global reserve currency is definitely an advantage. America accounts for a hefty but declining share of world trade. Yet its status as issuer of the global reserve currency amplifies its power – it allows it to freeze geopolitical rival Iran out of global financial markets, for example. The dollar's status also means that the US has much lower borrowing costs than it otherwise would (a position famously dubbed America's “exorbitant privilege” in the 1960s by France's then finance-minister Valéry Giscard d'Estaing).

## Is the dollar's dominance about to end?

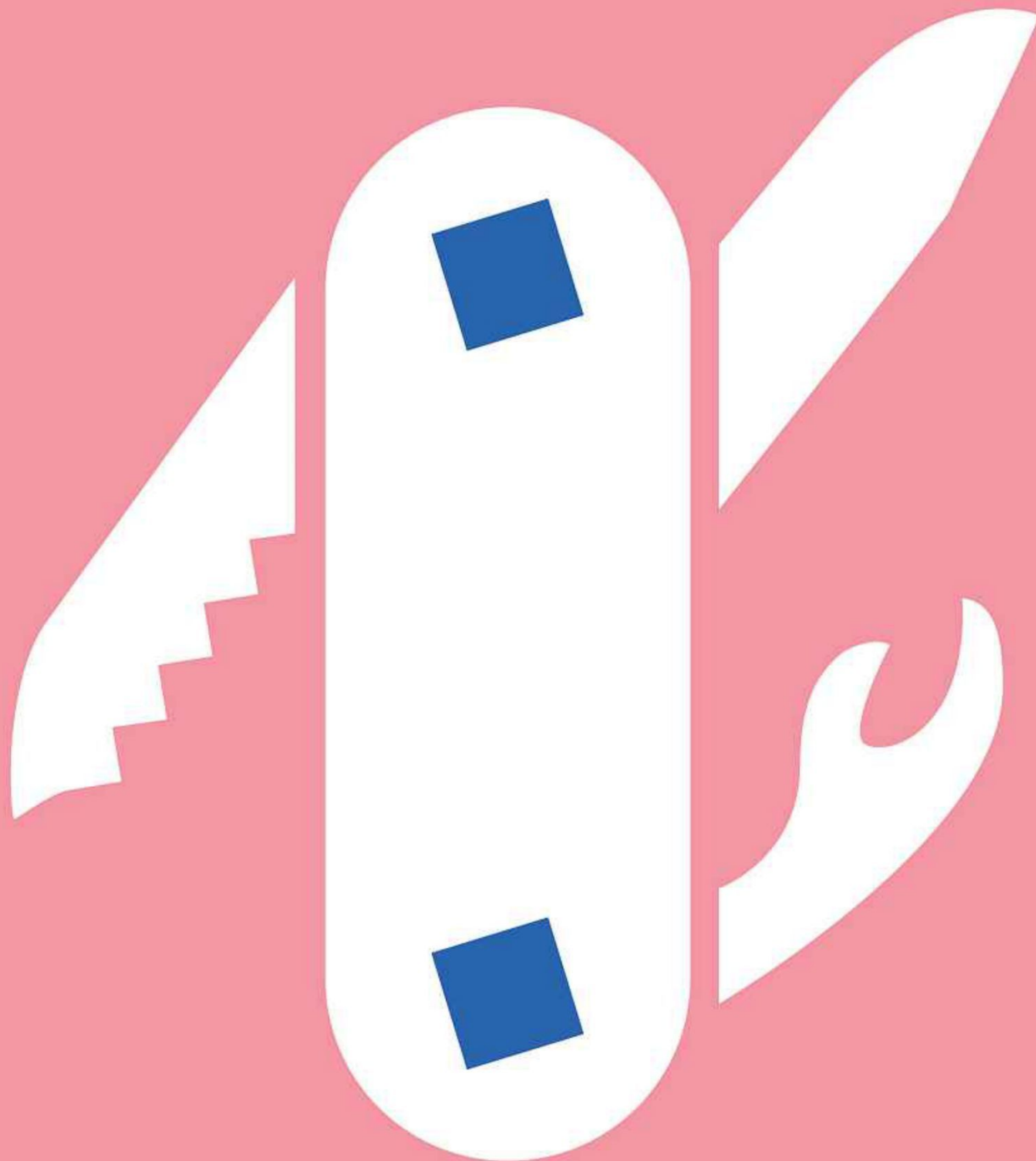
Some commentators think so. A combination of long-term trends and short-term politics makes it seem more likely now than it has for some time. Although the dollar remains entrenched for now, the political dominance of the US, and its share of the global economy, are waning. The world is becoming more multi-polar, and the logic of that process – however long run and gradual it proves to be – is that the dollar's days as the undisputed global reserve currency are numbered. One factor likely to speed that process up is the growing disconnect between the needs of the US and the developing world in terms of monetary policy and a growing fear that under its current president, Donald Trump, the US is undermining hard-won trust accumulated over more than a century.

## How is the US undermining trust?

Trump's attempts to bully the Federal Reserve into cutting interest rates, his tax cuts for the rich and corporations – which have seen the budget deficit expand to a level unprecedented in peacetime – and his trade war against China and threats made against allies have all spooked governments and financial markets, says Ian King in The Times. His actions are “undermining the liberal, rules-based order, which was built by America and has driven the world's post-war prosperity”. If Trump continues to abuse the dollar's reserve status, and if the international rules-based order fragments, we are likely to see the rise of other reserve currencies, such as the euro or the renminbi.

## Are there other options?

Last month Bank of England chief Mark Carney floated the idea of using electronic money as a de-facto reserve. This would act as a “synthetic hegemonic currency” that would be made up of a “network of central-bank digital currencies” – and could “dampen the domineering influence of the US dollar on global trade”. In other words, there would be no need for countries to hoard dollars to guard against potential capital flight (an insurance policy that leads to excess savings and lower global growth) and US shocks would no longer reverberate around the world. “The deficiencies of the international monetary and financial system have become increasingly potent,” warns Carney. “Even a passing acquaintance with monetary history suggests that this centre won't hold.” A passing acquaintance with monetary history also suggests, of course, that the key beneficiary of a turbulent transition to a new global currency regime will be gold. Accepted as a safe haven and store of value for thousands of years, it is in effect the world's oldest reserve currency.



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# Follow the dividend yield

No valuation measure can help you to time the market. But for long-term investors, that shouldn't matter



**John Stepek**  
Executive editor

With more than \$16trn-worth of bonds sporting negative yields and the US stockmarket trading at valuations not seen except at the peak of the tech bubble, it's easy to assume that "everything is expensive". And yet, that's not strictly true. The gap between US stocks and the rest of the world is striking. American equities have massively outperformed both their developed world peers and emerging markets during the post-2009 equity rally. As a result, as Michael Mackenzie points out in the Financial Times, "a comparison of US and global equities through their dividend yields and price-to-earnings ratios bolsters the case for a reversal over the coming years that favours emerging markets and other developed world equities".

The first question most of us will ask in response to that, of course, is: when will the turnaround happen? Yet that's a mistake. No one can time the market, but we can get a decent idea of what our long-term returns might be. As The Economist's Buttonwood column points out, "Discount Rates", a 2011 paper by John Cochrane of Chicago Booth School of Business noted that income yields (whether on bonds or on equities) are a good guide to future returns. "High prices, relative to dividends, have reliably preceded many years of poor returns. Low prices have preceded high returns." That's because asset prices are driven more by risk appetite than by investors' earnings expectations. In other words, investors don't buy expensive stocks because they think their earnings will rocket – they buy because they feel more comfortable investing in popular stocks than in hated ones.

*"Investors like to buy what's popular, rather than what is hated"*



So where are dividend yields unusually high right now? Look no further than the UK, where the dividend yield on the FTSE 100 is standing at around 4.1%, which is well above the 30-year average of 3.5%. Obviously, there's no guarantee

that just because it's cheap the UK market is likely to turn around soon – as Buttonwood notes, "the signal from yield is too weak to be relied upon to catch turning points profitably". But in the meantime, you're getting paid to wait.

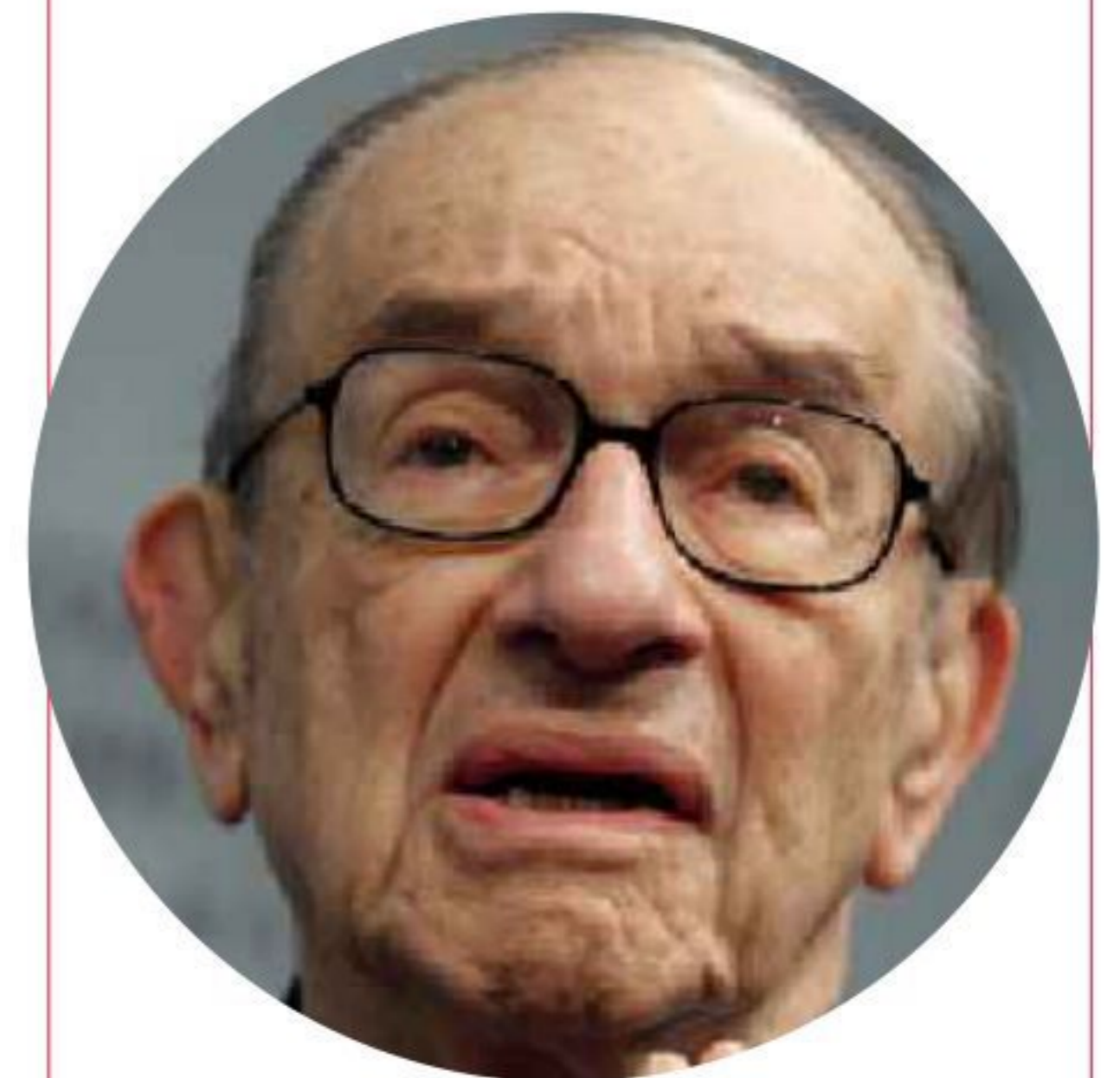
The Temple Bar Investment Trust (LSE: TMPL) has increased its dividend every year for the last 35 years. It now offers a yield of around 4.2% and trades on a discount to net asset value (NAV – the value of the underlying portfolio) of 5%. The top holding is currently pharma giant GlaxoSmithKline, with oil majors BP and Shell also ranking highly. Another option is Shires Income (LSE: SHRS), with a yield of 5.1% and a discount of 1%. Alternatively you could go for a simple passive fund that tracks the underlying market, such as the HSBC FTSE All Share Index fund, which charges less than 0.1% a year.

## Guru watch

**David Rosenberg,**  
chief  
economist,  
Gluskin  
Sheff



Jerome Powell, chairman of the Federal Reserve, cheered markets last week by telling them: "We're not forecasting or expecting a recession". But that's no surprise, says David Rosenberg of Gluskin Sheff – "Not once in the past five decades has the Fed ever predicted a recession – not even in the month before it happened". As Rosenberg points out, Powell's predecessors Ben Bernanke and Alan Greenspan (pictured below) each made similar claims ahead of the financial crisis in 2008 and the tech bubble bursting in 2001 respectively.



At the end of the day, the US central bank is hardly going to come out with a negative statement about the economy if it can avoid it. "These guys (and the gals) are the resident cheerleaders," after all. On top of that, Powell is planning to cut interest rates further to stave off any collapse, reckons Rosenberg, who expects rates to fall back towards 0% and for quantitative easing (or something similar) to restart. "I still say we're retesting the zero bound before the cycle ends, with even more rounds of unconventional measures."

It's not just the US that is overly complacent about recession. An apparently solid Canadian jobs-market report belied the fact that "the engine is actually spluttering", with key sectors, such as retail employment, looking weak. The Canadian dollar, which surged on the initial report, is likely to lose ground when the Canadian central bank is "compelled to follow the Fed and the other 31 central banks who have cut rates so far this year".

## I wish I knew what an IPO was, but I'm too embarrassed to ask

An initial public offering (IPO) represents the first time that a company sells shares in itself to institutional investors (such as pension funds) and often also to individuals (retail investors). This process is also known as "floating" or "going public".

Companies go public for a wide range of reasons. They may want to raise funds for expansion, and choose to do so by selling part of the company rather than borrowing the money. Alternatively, the current owners – perhaps the original founders, or a private-equity fund – may wish to "exit" (ie, cash in on their investment).

An IPO is underwritten by one or more investment banks,

which typically earn large fees from the process. A prospectus with details of the company and the offering is issued to potential buyers. The IPO price is typically based on expected demand from investors. If demand outstrips the number of shares on offer (the IPO is "oversubscribed"), then the underwriter will have to decide how to allocate the shares. If there aren't enough buyers, then the underwriter agrees to purchase the surplus (hence the term "underwriter").

A newly listed company's share price will often enjoy a "bump" on the first day of trading. However, unless you are allocated shares before the

company starts trading – which is unlikely with a "hot" stock – then you are unlikely to benefit from this initial jump in price.

Many studies suggest that IPOs underperform over the long run. But some are more attractive to private investors than others. Privatisations, for example, can represent good opportunities, because the seller is the government, and the last thing the government wants is for potential voters to buy into the much-hyped sale of a public utility, only to find that their investment collapses within a few months of the IPO. That said, while Royal Mail's shares near-doubled with a few months of their 2013 IPO, they have since struggled badly.

# All roads East



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PAST PERFORMANCE					
	Jul 14 – Jul 15	Jul 15 – Jul 16	Jul 16 – Jul 17	Jul 17 – Jul 18	Jul 18 – Jul 19
<b>Net Asset Value</b>	<b>4.0%</b>	<b>33.8%</b>	<b>19.3%</b>	<b>2.2%</b>	<b>8.2%</b>
<b>Share Price</b>	<b>6.2%</b>	<b>33.3%</b>	<b>24.9%</b>	<b>8.2%</b>	<b>12.3%</b>
<b>MSCI AC Asia Ex Japan Index</b>	<b>0.3%</b>	<b>15.8%</b>	<b>28.2%</b>	<b>5.7%</b>	<b>3.9%</b>

**Past performance is not a reliable indicator of future returns.**  
 Source: Morningstar as at 31.07.2019, bid-bid, net income reinvested.  
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# Buy into the next Amazon

Some big names in tech have floundered since listing. That may be a buying opportunity



**Matthew Lynn**  
City columnist

They are meant to be the most exciting companies in the world, disrupting whole industries, launching exciting new technologies, and minting fortunes for their founders and investors in the process. Yet over the course of the last year, a few of the highest-profile technology businesses from the app economy have listed their shares and, almost as soon as they have done so, they have sunk like a stone.

## Tech stars fall to earth

In the US, the two giants of the ride-sharing industry, Uber and Lyft, have both proved bitterly disappointing since making their public debut. Last week, both companies' shares touched new lows. Uber was trading at \$30, compared with an issue price of \$45, and even that was less than many of its backers were hoping for. Lyft was down to just \$44, compared with an issue price of \$59. Hardly a great performance.

The taxi apps are far from alone. Slack, a messaging platform for companies, is down to \$24 after opening trading at \$38. Over on this side of the Atlantic, a similar story is unfolding. By far the highest-profile tech initial public offering (IPO) of the last year was peer-to-peer lender Funding Circle. From an opening price of 440p, the price has dropped to 110p.

To plenty of their critics, that will simply be proof that these firms were always wildly overhyped. They were basically rubbish all along, it is just that it took a listing to expose that. But we have been here before.

Rewind to 2001, and lots of Wall Street analysts were arguing that a newly listed internet retailer was basically bankrupt and that it would certainly never make any

decent profits. The share price dropped from \$107 to \$6 as the critics called time on a ridiculous discount-driven business model. The name of that company? Amazon. To take another example, soon after its IPO in 2008 the share price of Facebook halved. Wall Street was troubled by its purchase of another app that one had never heard of, didn't make any money, and was likely to be a permanent drain on resources. That acquisition? Instagram.

Something similar happened in the UK. For several years after its listing on the London market, the food-delivery start-up Ocado was among the most shorted stocks on the exchange. Its critics argued that it was nothing more than a glorified van business, that it was completely dependent on its relationship with Waitrose, and that it could never make any money in competition with the likes of Asda. Over 2011, the shares slumped from 220p to less than 60p. And now? The share price is above £13, and it is a secure member of the FTSE 100, while veteran retailer Marks & Spencer has just been dropped from the main index. Or take the internet fashion retailer Boohoo. Its share price halved soon after it listed. And now? It has gone from 40p to 270p and it would be a contender for the FTSE if it wasn't still listed on the Aim junior market.



## Wild swings towards global dominance

There is a pattern here. Tech companies go through wild swings in sentiment. They float on a wave of hype, then they typically crash as some tough questions start to be asked about their business models. There is nothing odd about that. Most of them are trying to reinvent a whole industry, and that is inevitably going to involve losses, setback and difficulties. It would be crazy to expect the path to global domination to be completely smooth.

And a few go bust. The short-sellers and the critics will sometimes be proved right. Many more will eventually do fantastically well. We can expect to see a lot more pressure on some of the huge companies that have floated this year on both sides of the Atlantic. We may well see their share prices sink a lot further. But for any patient investor that will be a buying opportunity. And in 20 years time, we will think it amusing anyone ever doubted Uber, Funding Circle or many others – just as we think Amazon trading at \$6, compared with its current \$1,800, was the bargain of the century.

## Who's getting what

● Nissan boss **Hiroto Saikawa** is to step down after a scandal over his pay. Saikawa (pictured) was accused of improperly boosting his pay in 2013 by ¥47m (£360,000) by delaying his bonus by a week to take advantage of a rise in the share price, reports the BBC. Saikawa announced his intention to resign after a board meeting earlier this week. He has told the Japanese media that he will return the money, and described the bonus system as "a



scheme of the Ghosn era" in reference to Carlos Ghosn, Nissan's ex-CEO who has been charged with false accounting.

● **Norman Foster** took home £6m in dividends last year from his architecture practice, Foster + Partners, reports The Sunday Times, while 140 partners at the firm shared £28.8m. Revenue at the firm rose by 20% to £258m, with pre-tax profits up to £21.5m. Foster founded the firm with Wendy Cheesman in 1967.

It now employs some 1,400 staff in 15 countries.

● Britain's top **trade-union bosses** were paid an average of £145,000 last year, says The Times – an increase of 10% on the previous year. The average pay of the top 30 trade-union leaders rose from £131,198 in 2017 to £144,168 in 2018, according to the Taxpayers' Alliance, a right-wing pressure group. Highest paid was Paul Whiteman, general secretary of the National Association of Head Teachers, who got £212,981, including a car allowance and health insurance.

## Nice work if you can get it

The CEOs of Britain's ten biggest house-building firms were paid a total of £63.6m last year – an average of £21.1m each, reports the High Pay Centre, a think tank. The figures were distorted by the pay of the top earner – Persimmon's Jeff Fairburn, who, with a pay packet of £38.9m, received more than 60% of the total. Berkeley's executive chairman Anthony Pidgeley – the second highest earner – pocketed £8.3m, while Barratt's David Thomas got £2.8m. The average pay in the construction industry is just £24,964. The average CEO gets 89 times that; Fairburn made 1,561 times the average. The country's housebuilders are accused of exacerbating the housing crisis by sitting on almost half a million unused plots of land, says The Independent. The top-ten firms completed just 86,685 houses last year, but have received planning permission on 470,068 plots of land that stand empty.





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# Big potential in micro-caps

The Downing Strategic Trust has struggled since 2017, but now looks ready to fulfil its potential



**Max King**  
Investment Columnist

It's been a wretched two and a half years since the Downing Strategic Micro-Cap Trust (LSE: DSM) raised £54m to invest in struggling companies that needed active management input to sort them out. The net asset value has fallen by 27%, the share price by 34% and one investment has been completely written off.

The team led by Judith MacKenzie had such a good record with their Growth Fund following the same approach that targeting an annualised return of 15% (over three to seven years) for Downing seemed reasonable. So the micro-cap trust's lousy start has been disappointing.

The best explanation comes from Nick Greenwood, manager of Miton Global Opportunities Trust. "The Downing style," he says, "throws up two or three opportunities a year and requires a lot of heavy lifting, including sitting on boards of directors and changing management." Finding 12-18 opportunities in the year they set themselves to become fully invested was demanding and led to some rushed investments.

## Gaining hands-on experience

MacKenzie accepts there was an element of truth in that. Achieving turnarounds has taken longer and required



Real Good Food is serving up steady progress

more input than initially expected. "No matter how much interviewing you do, it's only when you are invested and involved on the board that you really find out what is going on." The 13 firms invested in during the first two years required 17 board changes, 12 management changes, five restructurings, 15 acquisitions and six disposals.

The result is a "J curve" in terms of return on investment: major downside to share prices during the period of disruption to the business before the actions are rewarded with a rising share price. This has required more patience than expected, but the team has also learned to be more ruthless with

firms. "We've tended to back firms with owner-managers and high levels of insider share ownership, but [their] boards don't like to be challenged."

The portfolio is now 88% invested in 12 firms. "The justification for investing was that we had a management team to sort the business out and we thought we could exit despite working-capital problems," says MacKenzie. No new investments are expected; the cash is available for the opportunistic topping up of holdings or to participate in further fund-raising.

## A tasty main holding

The holdings vary from 2% of the trust to 18% and from

4.5% of the equity of the company invested in to 16%. The largest investment, mostly in loan notes, is in Real Good Food, a company with a total market value of just £7.2m. But the range for the other companies is £30m-£142m.

Turning Real Good Food around has been problematic; MacKenzie only found out about serious corporate governance issues after she joined the board. Still, steady progress has been made in rationalising its five divisions and cutting excessive costs. Similar progress in the other investments should result in significant capital appreciation. The team thinks the portfolio valuation can rise by 60%.

This has prompted an investment worth 7% of DSM from Greenwood. He also thinks "micro-caps have suffered a perfect storm as they are perceived to be domestic and exposed to Brexit. Fund managers are consolidating and far fewer than before can now buy the smallest firms. Finally, post-Woodford there is a witch hunt against firms with poor liquidity." So the valuation of smaller companies, especially very small ones, is depressed while the outlook for DSM's investments has at last turned up. Yet Downing estimates that they trade on just 6.2 times their earnings per share. DSM's shares, meanwhile, trade on a 9% discount to net asset value. They finally look ready to achieve their potential.

## Activist watch

Hedge fund Elliot Management is one of Wall Street's most powerful activist investors; it has fought with Samsung and the Argentine government. Now it is taking on telecoms giant AT&T, says Drew Fitzgerald in The Wall Street Journal. AT&T is trying to "remake" itself into "a media and advertising powerhouse". It has taken over firms including HBO and Warner Brothers in an attempt to Hoover up enough content (films and television programmes) to compete with Comcast and Netflix "in the battle for consumers' attention". However, the strategy has incurred debt of \$160bn and Elliot is now agitating for asset sales and changes to the group's management. It will seek its own seats on the board. It feels AT&T should refocus on telecoms.

## Short positions... greenwashing in US funds

■ US fund managers making a big fuss of their emphasis on environmental, social and governance (ESG) criteria have failed to live up to their hype, says Patrick Temple-West in the Financial Times. In the year to 30 June 2019, for instance, six BlackRock sustainability funds voted against environmental and social proposals with strong support from investors 72% of the time. These funds have also been lambasted for holding the wrong assets: at Vanguard a fund was found to hold oil and gas firms despite being supposedly fossil-free. This will fuel suspicions that ESG criteria are just a marketing ruse to help justify the higher fees at actively managed funds compared with passive investments.



■ It makes sense to choose a fund that matches your risk tolerance, not just a strong performer. The Sharpe ratio can help, says Jonathan Jones in The Sunday Telegraph. It gauges how much risk the manager has taken to produce the return; a high score means the return justifies the risk taken. Among global funds the best high-risk, high-return performer was the Morgan Stanley Global Opportunity fund, which has returned 198% over five years. T Rowe Price Global Focused Growth Equity; Rathbone Global Opportunities; ASI Global Smaller Companies and Janus Henderson Global Equity were also in the top five. Some lower-risk funds still beat the MSCI All Countries World index. The one with the highest Sharpe ratio was Sanlam Global High Quality, which returned 120% in five years.

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## Americans must get on their bikes

Gillian Tett  
Financial Times

Tens of millions of jobs in the US will become automated between now and 2030, according to McKinsey, a consultancy. And while automation, thankfully, is expected to create more new jobs than it destroys, because this new work will be skilled, certain demographics – Hispanics, African Americans, the young and old – will be “hit particularly hard”, says Gillian Tett. McKinsey also predicts that 25 megacities and hubs, home to just under 50% of the population, will account for nearly two-thirds of future job growth. Technology has destroyed huge numbers of jobs in the past (in 1800, 98% of Americans lived on farms; today the figure is 2%), possibly as swiftly, but mobility today is – unnervingly – much lower. A century ago, people travelled to find work. In 1990, 6.1% of Americans moved. But by 2017, just 3.6% were moving between states. Why? Possibly because the population is ageing and home ownership is higher; old people are less willing to move and property can be hard to sell. States’ recent introduction of licensing requirements for many jobs and the high cost of urban living may also be factors. Either way, if lack of mobility is a key reason why automation engenders fear, the issue needs addressing.

## Vietnam’s growth miracle

William Pesek  
Nikkei Asian Review

“Vietnam has found a quick way to notch up an economic success,” says William Pesek. At the “stroke of a pen”, the country is revising its GDP for the 2011-2017 period up by a “whopping” 25.4%. Presumably, 2018 and 2019 will also “enjoy the fruits of Hanoi’s giant statistical discovery”. Adding 25%-plus to last year’s GDP would “bump it to over \$300bn”, leapfrogging Egypt, Finland and Chile. There’s no suggestion of “any illicit fudging”, but a “regional spate” of similarly “fortuitous news” could sow doubts among investors. China and India have faced “persistent – and credible” – suspicions that “politicians are making calls on growth data more appropriate to statisticians”. This creates a trust issue. One reason to be sceptical about Vietnam’s changes to GDP methodology is the timing: Hanoi faces a “uniquely rigid debt ceiling” and a few days ago public debt was closing on 65% of GDP, a level it is “not supposed to breach”. The government now has “political cover to increase borrowing”. Vietnam must be “happy to find this kind of spare change in the sofa”, but Asia should “tread carefully”. “The revisions that really matter might come from investors fleeing economies that lose trust.”

## Britain’s crazy cash giveaway

Ed Conway  
The Times

The strangest thing about last week’s spending review is that it happened at all, says Ed Conway. “A government without a majority, incapable of passing even a single piece of legislation, has somehow introduced some of the most consequential changes in UK economic policy for years.” Add up all the cash that is about to be showered on Whitehall, and it looked more like a budget. However, a budget involves debates and votes that Downing Street was “well aware it would never get through the Commons”. A spending review, on the other hand, “necessitates only the barest amount of parliamentary scrutiny”. This approach to public spending brings to mind banana republics. Indeed, according to the Open Budget index’s leaderboard for transparency, Britain comes so far down the list that it is “sandwiched between Russia and Guatemala”. The Office for Budget Responsibility does a “great job of checking budgets and borrowing”, but it doesn’t have the power to scrutinise spending. This needs to change. And chancellors should have to hold spending reviews at regular intervals rather than “rushing them out before a general election”. Parliament deserves more say over how taxpayers’ money is spent.

## Africa’s boom in gambling

Editorial  
The Economist

Ethiopia has “caught gambling fever”, says The Economist. Sports-betting shops are popping up all over the country. Bet251 plans to open 100 betting shops in Addis Ababa over the next six months, and it may soon be competing with another 18 firms, most of which were granted licences within the last year. Sports gambling has been on the increase across the continent, “fuelled by the spread of smartphones and mobile money”. Kenya, Nigeria and South Africa already have multimillion-dollar gambling industries, but until now, Ethiopia has been a “laggard”. Suspicion of gambling delayed the first betting licence until 2013 and the market remained “mostly empty” until 2016. Foreign firms are still banned. But the appointment of Abiy Ahmed, a relatively liberal prime minister, last year, and recent improvements in Ethiopia’s telecoms infrastructure, help “explain the boom”. The government, eager for new tax revenue, has allowed gambling advertisements. Casinos may follow. But the boom also reflects deepening frustration among the country’s youth. “Almost everyone is playing for money, not entertainment,” said one punter. “You could get money here that you can’t get anywhere else.”

## Money talks

**“They put me on stage, I had three lines, and I got paid \$100. I knew straight away that I liked**



**performing and hanging out with these weird, cool, adults.”**

Actress Julia Stiles (pictured) on how she fell into acting aged 12 when a family friend needed a child to deliver a few lines in a minor New York show, quoted in The Times

**“No wonder Bob Geldof is such an expert on famine. He’s been dining off I Don’t Like Mondays for 30 years.”**

Comedian Russell Brand on one of the few hits of the singer who organised Live Aid, the famine relief concert, quoted on Facebook

**“As a child I used to lie and steal a lot. [I culled my mother’s record collection]... which she kept in a cupboard. I had two and six a week pocket money and got five shillings for records.”**

Artist Lucian Freud on how he topped up his meagre pocket money, quoted in The Sunday Times

**“When I left drama school I was so out of work I can’t tell you. I didn’t have an agent; I was the only one in my year without an agent, and I had to be advised by my drama school to write letters and include 10x8-inch headshots.”**

Actress Laura Carmichael on life before she secured a role in ITV’s *Downton Abbey*, quoted in The Sunday Telegraph

**“It wasn’t mouthwatering money, but definitely a lot more than I was used to getting as a jobbing actress. I found that it wasn’t necessarily the *Blue Peter* job that paid so well, but all the spin-offs that came with it – speaking engagements, cutting ribbons at events, being a guest on other TV shows. There were also things such as fees for repeats.”**

Actress and former *Blue Peter* presenter Diane Jordan, quoted on telegraph.co.uk

©Getty Images

# Let fans take back control

**unherd.com**

Football's attractiveness to "unscrupulous characters with money to spend was once tolerated, even welcomed, as part of the natural colour of the beautiful game", say James O'Shaughnessy and Robert Wilson. But in recent years, as more and more money has flowed into the sport, "incompetent and greedy" owners have had an increasingly "destructive" influence on clubs.

Bury Football Club, for example, was recently expelled from the Football League as a result of its crippling debts. Bolton Wanderers went into administration in May and its future remains far from certain. Wimbledon has been "rebranded out of existence" and its stadium moved to Milton Keynes. "Growing numbers of clubs are becoming financially distressed and in some cases bankrupt thanks

to reckless owners chasing the riches that promotion would bring but ultimately failing and leaving clubs mired in debt."

## The people's game

But there is a way to save football from itself – fans' ownership of clubs. Clubs owned by their fans are less likely to take big financial risks, not least because no one stands to profit from them as there are no shareholders. Supporters are more inclined to take a long-term view and act as custodians.

Other leagues in the world support this – membership of Germany's Bundesliga, for example, demands that all clubs are majority owned by their fans. In Spain's La Liga, Barcelona is the "biggest fan-owned club in the world and one of the most successful".

The government here could help by creating a fund to help fans buy financially-



Unscrupulous owners needn't hobble the beautiful game

distressed clubs. The fund could be financed with the use of dormant bank and financial assets; or from an insurance fund to which all clubs pay a premium; or, ideally but most controversially, through a 1% levy on transfer fees. This fund would help recapitalise football clubs that have been pushed into administration, receivership or bankruptcy.

Treasury support would be required to make this happen quickly, but such state intervention would "surely be

justified since football clubs are not just businesses but crucial parts of the social fabric and the source of community strength and pride". The focus should be on "giving people more control over the institutions that matter to them", especially when the traditional owner-business model has failed. This could lead to the greatest transformation of football since the beginning of the Premier League nearly 30 years ago. "Football would truly become the people's game once more."

# We need more globalisation

**brookings.edu/blog/future-development**

For developing countries, globalisation – the process of lowering trade barriers and integrating with the world economy – has been "enormously beneficial", boosting investment and growth rates and reducing poverty. So why then does it elicit so much criticism? asks Shanta Devarajan. It's not that globalisation causes inequality – in some liberalising countries inequality rose, but in others it fell. One reason may be that average growth rates hide a huge amount of variation. Some countries that have liberalised have done very well out of it (India, China) – others, less so (Brazil, Mexico).

Why the variation? For trade liberalisation to have its intended effect, a host of other factors have to be in place. The production of exports relies on services from non-tradeable sectors – finance, transport, educated workers, business services, and so on. Such inputs account for about 30%-40% of value added in exports. But if these services are provided by inefficient monopolies, producing rent for politically well-connected elites, say, then trade liberalisation cannot fully deliver on its promise. If those sectors could also be opened up to international competition, then we will see bigger gains. "The problem with globalisation is not that it has gone too far; it's that it hasn't gone far enough."

# Beat the back-to-work blues

**washingtonpost.com**

After a carefree summer on the beach, getting back to work can be a shock, says Helen Carefoot. Here are a few tips on how to ease the transition.

**1. Manage your responsibilities while away.** Decide before you go on holiday what you can safely leave behind. It may make for a more enjoyable holiday and a less stressful return if you check in occasionally rather than

just worrying about the email accumulating in your inbox.

**2. Reserve a day for catching up.** If possible, take an extra day at home to catch up on cleaning and laundry and so on. It took time for you to



Keeping on top of things while you're away may be a good idea

unwind – take extra time to ease back into the routine.

**3. Empty that inbox.** When you get back into the office, take an hour or so to sort your emails. Scan for the important ones and delete the rest.

**4. Stick to the routine.** To avoid the post-holiday blues, get back into your usual habits as soon as possible. Stick to routine meal and bedtimes and don't skip regular activities such as workouts. Make relaxation a part of it – unplug from your phone and take a walk. This will help you ease back into the swing of things.

# Capitalists for Corbyn

**stumblingandmumbling.typepad.com**

Some investment bankers are saying they would prefer a government led by opposition leader Jeremy Corbyn to a no-deal Brexit. That may sound strange, but there are good reasons for it, says Chris Dillow. Corbyn may put the wind up capitalists with his far-left rhetoric and proposals, but he is also offering things that look unlikely under Boris Johnson.

Stability, for one. He cannot offer swift certainty on Brexit, but he will take no-deal off the table and put greater weight on economic interests than on conceptions of sovereignty. The second thing is growth. Labour is aware of our productivity problem and is thinking about how to end it. European history shows that capitalism can thrive with high taxes and big public sectors. Finally, capitalism requires not just growth, but also legitimacy. Inequality and crumbling public services risk undermining support for the existing order. Labour will help shore up the system. "It tells us a lot about the degenerate state of the Tory party that it might be less able than Corbyn to offer capitalism what it needs."

# Peer closely at peer-to-peer property

The interest rates may look appealing, but investors should tread carefully

**Sam Barrett**  
Investment columnist

Whether you're selling your house or buying wine, cutting out the middleman can help you secure a better deal. Peer-to-peer (P2P) lending works on this principle too. By bringing together investors and borrowers, a P2P platform can offer each party terms they wouldn't have been able to access readily through a more traditional financial institution. For the investor, who lends the money, it's the prospect of a higher return; for the borrower, it's the potential for a cheaper rate, a faster application process (hours rather than days in the case of P2P business lending) and a higher probability of getting a loan.

## A selective market for borrowers

For those seeking to invest directly in property, borrowing from a P2P is an option, but it's a selective market. It doesn't generally cater to people buying houses to live in, nor for investors who want a long-term mortgage (although some platforms, including Landbay and LendInvest offer buy-to-let mortgages with terms of up to 30 years). On the more standard buy-to-let products the rates aren't especially low. Landbay offers a two-year fixed product at 3.09% for up to 75% loan-to-value (LTV), but it's possible to secure rates of 1.59% and 1.73% from Post Office Money and Virgin Money respectively.

But go more niche and the P2P lenders come into their own. For instance, LendInvest's five-year fixed rate of 3.19% at 65% (LTV) for buy-to-letters who are limited companies is very competitive in that market. It is possible to go lower with Keystone's 2.99% rate, but this comes with a 2% fee, double the fee charged by LendInvest.

However, the primary focus for the P2P platforms is short-term lending, especially for bridging and development finance. For example, on its residential bridging products, LendInvest offers rates from 0.55% a month for up



P2P rates are competitive in some buy-to-let sectors

to 18 months on properties with an LTV of 50% or less. It is possible to edge below these rates – specialist lender Precise Mortgages offers bridging from 0.49% – but with other factors such as fees and terms also important, the P2P platforms look appealing.

## Choose your risk level when lending

These platforms rely on investors to fund their lending, so this is another way to gain access to the property market. The returns of the property-backed loans you are financing will be linked to the fortunes of the housing market.

It's possible to select the level of risk you can tolerate. Some platforms will allocate your money to a selection of loans while others allow you to select those you want based on factors such as the interest rate and LTV. Minimum investments of £1,000 are standard, although it is possible to start with just £100 with Landbay. Given the breadth of risk, rates vary. LendInvest quotes a target annual return of 4%-7%, while Landbay flags up an annualised projected return of up to 3.54%.

Importantly, however, these rates are far from guaranteed. Any defaults will erode the return and investors' capital is at risk. Sarah Coles of fund platform Hargreaves

Lansdown points out that just because your investment is secured against the properties backing the loans, it doesn't mean you would get all your money back in the event of a forced sale.

## How will P2P fare in a downturn?

Note too that P2P platforms have yet to experience a severe downturn, while they're also not covered by the Financial Services Compensation Scheme (FSCS).

There are already signs that the market is getting tougher. Demand for loans has fallen. At the end of May, property platform Lendy went into administration. This left more than 20,000 of Lendy's individual investors exploring legal action to recover the £165m plus they had invested. A catalogue of errors may lie behind Lendy's spiral into administration, but the Financial Conduct Authority (FCA), the City regulator, is keen to ensure that investors don't fall victim to the overambitious marketing claims of P2P lenders.

It is also introducing a cap on the amount they can allocate to P2P arrangements. To avoid overexposure to risk, this is set at 10% of investable assets where the investor hasn't taken financial advice. Platforms will also have to "assess investors' knowledge and experience", says the FCA.

## Expect a shake-out

The upshot, according to Matt Hopkins of accountancy group BDO, is not that the P2P market is a bubble about to burst, but that there is likely to be a shake-out over the next few years as tougher conditions lead to consolidation in the number of platforms. We may end up with a handful of larger platforms alongside a few niche ones. In the meantime, given the recent turbulence in the sector and the uncertain macroeconomic outlook, investors should tread extremely carefully.

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# What's worse – no-deal Brexit or a Corbyn government?

The UK's turbulent political situation presents a dilemma for investors. British assets look cheap, but what happens if we get an extreme outcome? John Stepek looks at how bad things could get



By the time you read this sentence, the chances are the political situation in the UK will have undergone several new last-minute reversals, generating acres of newsprint and screen rants in the process. On page 8 we give a summary of the story so far, and on page 26 Helen Thomas of Blonde Money tries to cut through the noise to the fundamental narrative. Yet if the last few weeks have made anything clear, it's that no one can be certain of anything.

Of course, any sensible long-term investor already knows that. You can't time the market. Instead, you have to focus on ensuring your portfolio (and your lifestyle generally) can withstand whatever the world is likely to throw at it. The goal is not to predict the future – it's to be prepared for it when it comes.

As Thomas argues, there's a good chance that the future for those of us based in Britain contains either a "no-deal" Brexit, or a Jeremy Corbyn government (or – less likely perhaps, but still possible – both). So what's likely to happen in each case?

## A Jeremy Corbyn government

"Why should democracy end when you walk into work? Why should the place where you spend most of your day sometimes feel like a dictatorship?" That was Labour leader Jeremy Corbyn speaking to the Trades Union Congress earlier this week about his plans to reverse the "deliberate, decades-long transfer of power from working people", with the creation of a new government "Worker Protection Agency" alongside the repeal of various bits of legislation restricting the power of unions to strike without the clear support of a majority of their members.

Now, you may well agree with MoneyWeek that egregious executive pay needs to be tackled (it's an issue we've been banging on about for years now, as regular readers will know). You may also think that real wage growth has been inadequate, and that the share of the pie going to capital rather than to labour is unsustainable (we do). However, these are not the words of a man who believes that private enterprise has much of a positive role to play in the economy – and the policies of any Labour

*"These are not the words of a man who feels that private enterprise is a good thing"*

government led by Corbyn would very much reflect this view.

In this light, Citigroup and Deutsche Bank, just two of the global investment banks who are trying to make peace with the idea of a Corbyn government – seeing it as a better bet than a no-deal Brexit – appear to be suffering a failure of imagination. No-deal Brexit might seem like an extreme outcome to multinationals who have grown used to working with a supranational organisation that is very good at protecting big companies from new competitors, but Corbyn and Labour's shadow chancellor, John McDonnell, have laid out a set of plans that are by any objective standard highly radical compared with the economic approach that Britain has grown used to over the past 35 years or so. As economist Julian Jessop puts it in *The Daily Telegraph*, "Labour is planning to tear up the rules of a liberal, free market economy".

That's not scaremongering. McDonnell himself says: "We have to rewrite the rules of our economy". Even under Labour's current plans (never mind anything they might propose if they come to power), property rights – the foundation stone of any functioning free-market economy – are under assault. There's the plan to renationalise industries from utilities to railways to postal services, without paying the market price for them. There's the plan to force companies to give 10% of their shares to staff. There's also the recent suggestion, raised by McDonnell in a *Financial Times* interview, that private tenants would be given a "right-to-buy" – the implication being that tenants could force their landlords to sell their rented property to them at a government-determined price.

Even if you have sympathy for the politics behind all this, the practical problems are breathtaking and the unintended side-effects will almost certainly damage investment and economic growth within a very short space of time. If property of all kinds is up for grabs at the whim of the government, then no one will invest here. And this is before we consider issues such as the impact of a financial transactions tax on investing and the City, for example, or the risk of capital controls being imposed to prevent capital flight.

## How to boost your portfolio's resilience

Investors in the UK are facing turbulence ahead regardless of the political outcome, and this is all happening at a time when the world is in a precarious and unusual economic state.

However, as we point out on page 14, UK equities look cheap. As a result, in the event of a no-deal Brexit we wouldn't be overly concerned – current valuations represent a decent buffer against nasty surprises. We have to admit that a Corbyn government is a

tougher call, and one that probably involves being a lot pickier about what you invest in. Is a Corbyn government likely to inflict much damage on the resources sector? Probably not – the mines are mostly overseas and industrial companies are largely viewed benignly. But are utilities currently paying a sufficient reward, given the risks of nationalisation? It's also hard to see the high-street banks escaping unscathed, although the question there is more

nuanced (bans on bonuses might also drive lower wage bills, by no means bad news for shareholders).

In all, we'd suggest building a watchlist of funds or stocks you'd like to buy. Then ensure you have cash available to buy into UK opportunities as and when they look attractive, or there is a little more clarity on the current political situation.

We've also been saying you should own some gold for a long time now. As a sterling investor, do be aware that if

the pound strengthens (which is possible, given that it's currently near 30-year lows), then gold's sterling value may decline. We still think you should own it as insurance – but just be aware of this.

You can get exposure to gold via your stockbroker account using a physically-backed exchange-traded product. **ETFS Physical Gold (LSE: PHGP)** is one option; The Royal Mint is planning to launch its own gold-backed ETF shortly.



*Is he really a better option than leaving the EU without a deal?*

So a Corbyn-led Labour government would be bad news for investors and it is hard to think of an obvious upside. As the FT puts it, “at the heart of everything is one word: redistribution”. As a minimum, on a personal finance level, you would have to expect new and higher taxes, while more government intervention in the economy is likely to hit corporate profitability (and thus share prices), particularly of domestic companies less able to make money offshore.

### **A no-deal Brexit**

So what of a no-deal Brexit? Deutsche’s Oliver Harvey reckons that a Corbyn government might be less bad than no deal because it would be temporary, whereas Brexit is permanent. We’re not sure we’d agree with that. Remember that “no deal”, by definition, has to be temporary – it’s just a step on the road to “some sort of deal”. Indeed, even if we’d left (or do leave) under Theresa May’s Withdrawal Agreement, we’d still have to discuss trade terms. A Corbyn government – even a short-lived one – which managed to push through confiscatory policies such as renationalisation would surely damage investors’ confidence in the UK permanently (or at least for a very long time indeed).

As for the consequences of no deal, there’s no denying that in the short term we might see disruption. However, it is interesting that even a think tank like The UK in a Changing Europe, which is by no means pro-Brexit (it believes “no deal” will lead to “prolonged and severe political and economic uncertainty”) pointed out earlier this month that “disruption on day one may not be as immediate and visible as earlier reports have

predicted. Business, and government, have put in place contingency plans to mitigate the worst effects”. While the most obvious immediate impact would be on trade, some of this would be “minimised by stockpiling, business anticipation and a public holiday in the EU 27”. By the start of November, even the damage to the pound “may already have been ‘priced in’... The financial system overall will remain stable”.

Similarly, the Bank of England downgraded its (still hugely gloomy) forecast for no deal, due to preparations made so far. Bank governor Mark Carney told MPs last week that “real progress” had been made. Ironically, Citigroup’s European chief executive David Livingstone tells The Daily Telegraph’s Ben Wright that “we are already operating on a ‘post-Brexit’ basis” and that “the City will still be hugely important... the UK will have less access to Europe, but it still has good access to the rest of the world, and crucially, to capital”.

The long-term effects remain to be seen. We will almost certainly be negotiating some of the more detailed points for years to come, and the next recession – regardless of when it arrives – will almost certainly be blamed on Brexit whatever happens. But in all, it’s a far cry from planes being grounded (they won’t be), or unmoored derivatives contracts blowing up the financial system (that’s been tackled because it would have been a disaster for all involved). In short, we suspect that no-deal Brexit would result in less uncertainty, after the initial shock, whereas a Corbyn government could lead to a lot more. See the box for more on what investors might do to mitigate all this.

*“Even a ‘no-deal’ Brexit can only ever be a step along the road to ‘some sort of deal’”*

# Welcome to Boris' Brexit Love Island

The latest twists and turns in Parliament might look anarchic, but it's all running to a carefully scripted storyline



**Helen Thomas**  
Political analyst, Blonde Money

Where do you stand on the latest Brexit developments? Shaking your fist at the TV in outrage, or swooning with admiration at the audacity of our prime minister? As some have jokingly observed, with breathtaking twists and a cast of extraordinary characters, it's like a reality television show. And, like a reality show, eventually you will have to cast your vote on the winner, leading to eviction for the unloved.

On Boris Johnson's Brexit Love Island there is a twist, however. The director of the show is one of the players. Johnson is pulling the strings to gain the result he wants. The stars of the show might all be real people in real situations, but their portrayal is confected. Johnson needs you to think that he – and only he – is on the side of the 52% who voted to leave the European Union three years ago.

So far, his plan is working. With Johnson pivoting towards a departure, Deal-or-No-Deal, he has stolen half the Brexit Party's vote and put the Tories in the lead. But that's not enough. The opposition must be exposed as the enemy of the 52%. That's why every move now is designed to antagonise Remainers and force them to reveal their dastardly plans to stop Brexit. Then Johnson can emerge as "The Hero Of The People", standing up for them against institutions that seek to frustrate their will.

## Boris Johnson's playbook

The weaker Johnson looks now, the more he becomes the lone battler against parliamentary bullying later. Not only, he will argue, has Parliament bound the hands of the executive, but they failed to bring a confidence vote that would remove that executive when they had the opportunity. They even deprived the people of having their say, by refusing to hold a general election, twice. The cowardice! The bare-faced cheek! The failure to respect democracy!

Rather than delivering this message by text (as the *Love Islanders* prefer), it will be played out in the courts – indeed the latest drama as this magazine goes to press is the decision by the Scottish appeal court that the move to prorogue Parliament was illegal. Constitutional niceties will be bandied about with aplomb. Wasn't Speaker John Bercow breaking precedent by allowing Standing Order Number 24 to lead to a binding motion on the government? Didn't his ruling on Queen's Consent constitute overreach?

Remember the Gina Miller court case three years ago, which allowed Parliament a vote to trigger Article 50 in the first place? A Daily Mail front page printed pictures of the three judges who presided over the ruling, with the simple headline: "Enemies Of The People". Expect more of this. From Bercow, to the Opposition, to the 21 rebels within the government's own party: each must be shown to play their part in frustrating the Brexit vote. In the weeks to come, expect the judiciary and the EU to

*"The inconvenient truth is that all the other parties want Johnson to win"*



*Love Island: like Parliament, only better looking*

join their place in Brexit Love Island's Gallery of Villains.

The truth is that nothing can stop Johnson from delivering a "no deal" Brexit if he is hell-bent on doing so. And the truth is that he must deliver a "no deal" Brexit in order to win the next election. To avoid any blame in the pursuit of that goal, he must be pushed into it, first by Parliament, then by the EU. That's why the current turmoil suits him – the more snookered he looks now, the more he can argue that the behaviour of others has forced him into extreme action.

## An inconvenient truth

And the other inconvenient truth is that all the other characters want him to win this reality TV show. If the Conservatives deliver a "no-deal" Brexit, then Labour never has to face the truth of its incoherent Brexit policy, and it can pin the blame on the Tories. The Lib Dems can sweep up Remainers by campaigning to go back into the EU. The SNP can blame a chaotic Westminster government to demand independence.

More than anything else, for all the talk of cross-party compromise, this is why a deal will remain out of reach. Our MP-by-MP analysis shows that there isn't a majority in Parliament for anything, much as they all like to protest against something. If the deal sells out Northern Ireland, that loses the DUP and the Spartan eurosceptics in the European Research Group. On the other side, Remainder MPs sense that revoking Article 50 is now in sight, with this becoming Lib Dem policy. The ideological extremes have become entrenched. In the middle, there is still the divide of party loyalty. The Tories may be splitting, but the recent Extension Bill only saw two Labour defections, fewer even than the five who voted for Theresa May's deal.

The next election will be fought as "The People versus The Establishment". Each character is now playing their part. Just as reality TV ends up with the characters doing unimaginable things, so we will see with British politics until – as in the final stages of any reality TV show – voters' choices are narrowed down to two extremes. Soon it will become clear that in this case, the series finale will be "No Deal" versus "Jeremy Corbyn". Neither of which, I believe, would be positive for UK assets (more on that on page 24).

For more from Helen, visit [blondemoney.co.uk](http://blondemoney.co.uk).



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# Why you should mug up on home education

Dissatisfied with your child's school? Using private tutors to complete the course at home is a flexible and cost-effective alternative, says Dominic Frisby

"The most important investment you can make is in yourself," said Warren Buffett. He was talking about improving yourself – your skills, your knowledge, your education. This is the story of one such investment decision that my eldest son, Samuel, and I made this time last year.

Samuel was always pretty good at maths. We aren't talking about the next Pythagoras here, but he got a comfortable A\* in his GCSEs and he was put into the top set at A-level. It happened quite naturally. He wasn't pushed at home – neither his Mum nor I are remotely mathematical.

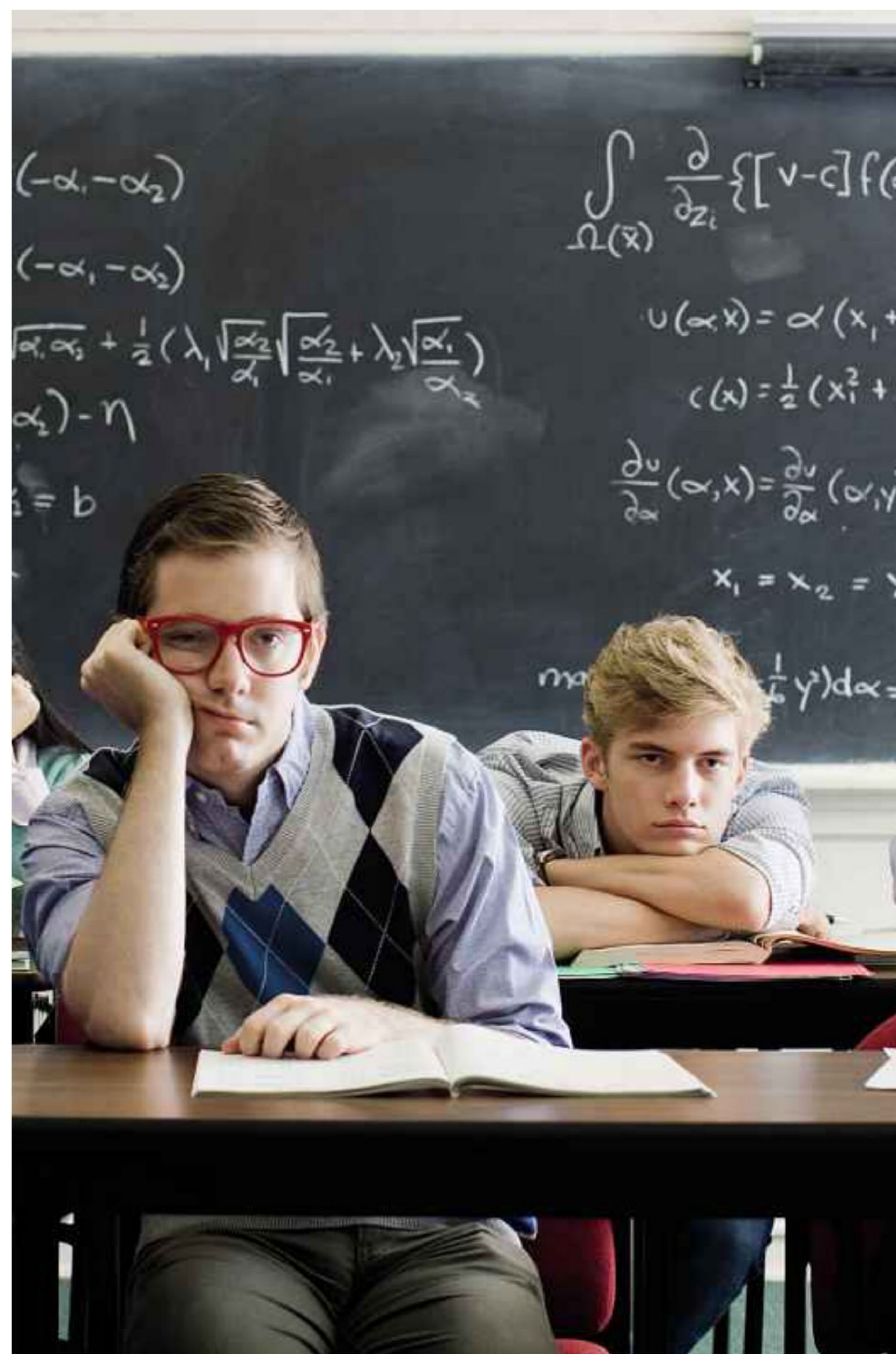
His school, a mid-range private school in south London struggling to escape from the shadows of nearby Dulwich and Alleyn's, had a deal in Asia whereby Chinese and South Korean children came over to do their A-levels. They comprised more than 80% of the top set, with Samuel and two other English kids making up the rest. The Asian children had been hothoused and had pretty much done the course before they even got here.

## Sliding down the scale

"They're so fast, Dad. I can't keep up," Samuel used to complain as he came home from school. "Some of them are correcting the teachers." By half-term he was talking about giving up. I didn't want that. I know how useful maths is, and I felt he had a talent for it.

When the first big test came, just after half-term, he got a U. At the parent-teachers meeting, his maths teacher announced – with a certain amount of sadistic

*"You took an A\* student to a U in half a term, I told them. That's your achievement"*



*They would do better at home with a tutor*

relish, I thought – that Samuel was lazy, disorganised and inattentive, and he was putting him down a set. Meanwhile, the maths department was feeling rather pleased with itself, as it had just won the national schools maths championships. "You didn't win that," I told them. "Those kids' teachers in East Asia won that. You took an A\* student to a U in half a term. That's your achievement." Needless to say, the maths department and I were not friends from that point on.

## How to find the top tutors

There are several different websites where you can find tutors: [tutorhunt.com](http://tutorhunt.com); [tutorfair.com](http://tutorfair.com); [firsttutor.com](http://firsttutor.com); [uktutors.com](http://uktutors.com); [owltutors.com](http://owltutors.com), and [keystonetutors.com](http://keystonetutors.com), to name but a few.

You'll notice a lot of the same tutors advertising on each. You type in the subject, the level, the price range and so on – and up pop suggestions.

We did not go with [tutorhunt.com](http://tutorhunt.com) for any particular reason other than that it seemed fairly simple to use. You register, you can message tutors and chat about your needs, then when you decide you want to go with a particular tutor you have to pay a fee to the website (in the region of £25) to buy their

contact details. Some tutors offer the first lesson free to compensate, otherwise it can feel like you are paying twice for the first lesson.

Other sites vet their tutors a bit more carefully – [keystonetutors.com](http://keystonetutors.com), for example – and there is someone to speak to on the phone if need be, and someone to answer emails and make recommendations.

You end up paying a bit more, but quality is a bit more guaranteed. When I mentioned that Samuel may not be going back to school, Keystone were less keen, quite understandably: they didn't want the responsibility of being the sole full-time education provider. If memory serves,

there may have been regulatory reasons they couldn't do that. [Tutorhunt.com](http://Tutorhunt.com) was a bit more of a free-for-all.

You can get bargain-basement tutors for as little as £15 an hour on some sites. On the other end of the spectrum, former headmasters and mistresses will charge in excess of £50 an hour. Between £30 and £50 seems to be the norm; the more experienced, the more you pay. Former students leave reviews and these inform your decision.

We were probably taking too big a risk turning Samuel's education over to two boys who were both teenagers at the time and one who was in his early 20s. But they won my trust and they delivered.

However, if you can find other like-minded people and hire a serious pro for, say, £40 or £50 an hour, and divide that between, say, three of you, the costs fall quite dramatically. Meanwhile, with three kids in there, you also introduce some healthy competition into the classroom. That seems the best option. Advertise locally. Talk to other parents. You'll quickly find others who aren't satisfied with their school and are looking at other options. As for the exams themselves, you must sit these in exam centres. It's really important you vet these – go and visit. One of these turned into a problem: people were talking all the way through the exams. So make sure you exercise some quality control.



*“Samuel’s work was transformed. Even his handwriting improved”*

To get a second opinion, I found a tutor on a website called [tutorhunt.com](http://tutorhunt.com) to teach Samuel for a couple of lessons. An extremely efficient and disciplined young man called Lewis Harte, a student at King’s College London, showed up. We liked him instantly.

After a couple of lessons, Lewis said casually: “Yeah. He picks it up quickly. He’ll get an A”. But at the end-of-year exams, my son got a D. “There were too many questions in the paper, Dad,” he said. I doubted that. “He has to get a C, if he’s to continue with the course,” said the maths department. “He can re-sit in August.”

I watched how hard Samuel worked over the summer. Then he got an E. “There were too many questions in the exam, Dad,” he said again. “He’ll have to re-take the year,” said his teacher. “Or drop maths and do two A-levels.” We did not want either option.

### Too many marks

I got a copy of his paper from the school. In the first third he got 100%, then you could see that he was panicking as time ran out, so that in the final third he got zero. There were 120 marks. “How many marks should there be in a maths paper?” I asked his tutor, Lewis. “70,” came the reply. I asked his maths teacher the same question, when I eventually got him on the phone. “70,” came the answer. “There were 120 marks in the exam you set him.”

There was a pause. “Let me come back to you.” Several days later he came back to me apologising. “Yes, we set the wrong number of questions. And we are now upgrading him to a B. He can carry on with the course.”

moneyweek.com

“Please don’t make me go back to that school,” Samuel said. I agreed with him. The maths department had done more harm than good, it seemed to me. But we didn’t even have a week to go before term started again. I didn’t even know how to go about finding him another school at such short notice.

However, that website – [tutorhunt.com](http://tutorhunt.com) – was still in my mind. I logged on, drew up a shortlist of local tutors with good reviews, whose profiles I liked, spoke to them, checked their availability and then whittled that down to one for each subject. We stuck with Lewis for maths.

For geography we found a chap who had just graduated from King’s, and was filling in time before he went off to Sandhurst. He doesn’t want me to name him in case this creates a conflict of interest with his officer training.

For economics we had another King’s student, Emmanuel Janssens, the most positive young man you could ever meet. Remember that name because he is almost certainly going to be prime minister one day. And so began Samuel’s accidental home education.

### A radical new approach

Within a week I knew I needn’t bother looking for another school. The transformation in my son’s work was instantaneous. He was more organised, more motivated, more interested in his subjects.

The quality of his essays improved, his presentation improved, even his handwriting improved. He put in more time on his homework. The fact that he had agitated to leave the school meant he felt a greater sense of responsibility both to himself and to his parents to make it work.

As the tutors were just a few years older than him, he looked up to them, but also became friends with them. Sometimes they come to our house. Sometimes he met them at university (which was quite exciting for him), or in cafes around town. JD Wetherspoons became a favourite haunt, believe it or not: the absence of music was conducive to concentration.

He had four and a half hours with each per week – the same amount of lesson time he would have had at school. The tutors charged an average of around £30 per hour. I bargained them down on price a little as this was a long-term project and it ended up costing me about £130 per subject – say £400 a week in total, compared with roughly £580 at school. It worked out about 30% less than school fees, although we ended up doing lessons during holidays as well.

We had flexibility, if we needed it. We could increase the number of lessons. We could change teachers. We could change timetables. In fact, in economics, closer to the exam, we wanted someone with specific experience of the exam board, and hired a second tutor through the same site – Richard Slatters, a semi-retired teacher who lived nearby. Another diamond.

### The proof of the pudding

All in all the experience was so much better than school, but the final proof of the pudding would be his grades. He got a B in geography and a B in economics. Without wishing to sound greedy, we were a little disappointed. We had come so far we thought he would get As in both.

Whatever. He got his A in maths. I’m going to get his certificate framed and send it to the maths department. Even with the two Bs, in all three subjects he got at least a grade higher than he would have at school. But the main thing was that Bristol University offered him a place to read economics. After all we have been through this year, I cried when I got the email confirming his place. And so did Samuel.

# Are packaged accounts worth it?

They can be very convenient, but do your sums carefully



**Ruth Jackson-Kirby**  
Investment columnist

Nationwide is removing interest payments from its popular packaged bank account. From 1 November the FlexPlus current account, which costs £13 a month, will no longer pay 3% interest on balances of up to £2,500. The £250 fee-free overdraft facility on the account is going too, leaving customers paying an annual percentage rate (APR) of 39.9% if they stray into their overdraft.

So is the account still worth £156 a year? It comes with family travel insurance, including cover for winter sports and golf up to the account holder's 70th birthday.

This is "good cover" that "could easily cost £120 a year to buy on its own", says Miles Brignall in *The Guardian*. Account holders also still benefit from UK and European car breakdown cover, which could cost £110 a year if bought separately from the AA or RAC. But Nationwide has increased the excess on the mobile-phone



Nationwide's FlexPlus account offers golf insurance up to the age of 70

insurance that comes with FlexPlus. It will be up to £75 if your phone is damaged or broken and up to £125 if lost or stolen.

On balance, customers should stick with it owing to the excellent travel insurance and car cover, reckons Brignall. But if you don't travel regularly, "there is a case for downgrading".

The changes are a blow to fans of packaged accounts,

as the FlexPlus account had only just been named the best one. Independent consumers' organisation Which found that the perks were worth more than £300 a year, so customers could save £180 annually.

## Next on the list

If you love your perks, but think FlexPlus is no longer worth the £13 a month, Which has ranked FirstDirect's First Directory account second with

insurance cover that was worth over £300, saving customers £156 a year after fees. It offers worldwide travel insurance up to the age of 69, car breakdown cover and phone insurance for £15 a month. Older travellers should take a look at Barclays and the Co-op, which came third and fourth respectively in the rankings. Both offer travel insurance up to age 79.

"Packaged accounts can offer a cheaper and more convenient way for people to get insurance," says Jenny Ross in Which. Still, "not all are created equal. Some offer lower-quality cover and limited value for money". For example, Barclays Tech Pack account costs £174 a year, but offers no travel insurance or car breakdown cover, merely mobile-phone cover. After fees it saves you just £16 a year.

Before you opt for a packaged bank account, "think long and hard", says Kate Hughes in *The Independent*. "Question whether the fees are affordable, if you'd use the benefits and check for any cover or benefits you already have that do the same job."

## 5 Reasons to Buy Physical Gold...

- 1 Gold is a safe haven asset** - Gold is frequently used as a safe haven asset in times of economic turmoil or geopolitical uncertainty. For this reason many advisors recommend allocating around 5% - 15% of their portfolios to gold.
- 2 Gold has a history of holding its value** - Unlike paper currency, gold has maintained its value through the ages. It is an ideal way of preserving wealth from one generation to another. Plus, UK bullion coins are not subject to Capital Gains Tax.
- 3 Gold is a hedge** - Gold has historically had a weak correlation to movements in the financial markets and is frequently used as a hedge against inflation or to offset falling stock markets.
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# When the boss drops dead

Key person insurance can help firms cope with the loss of crucial staff

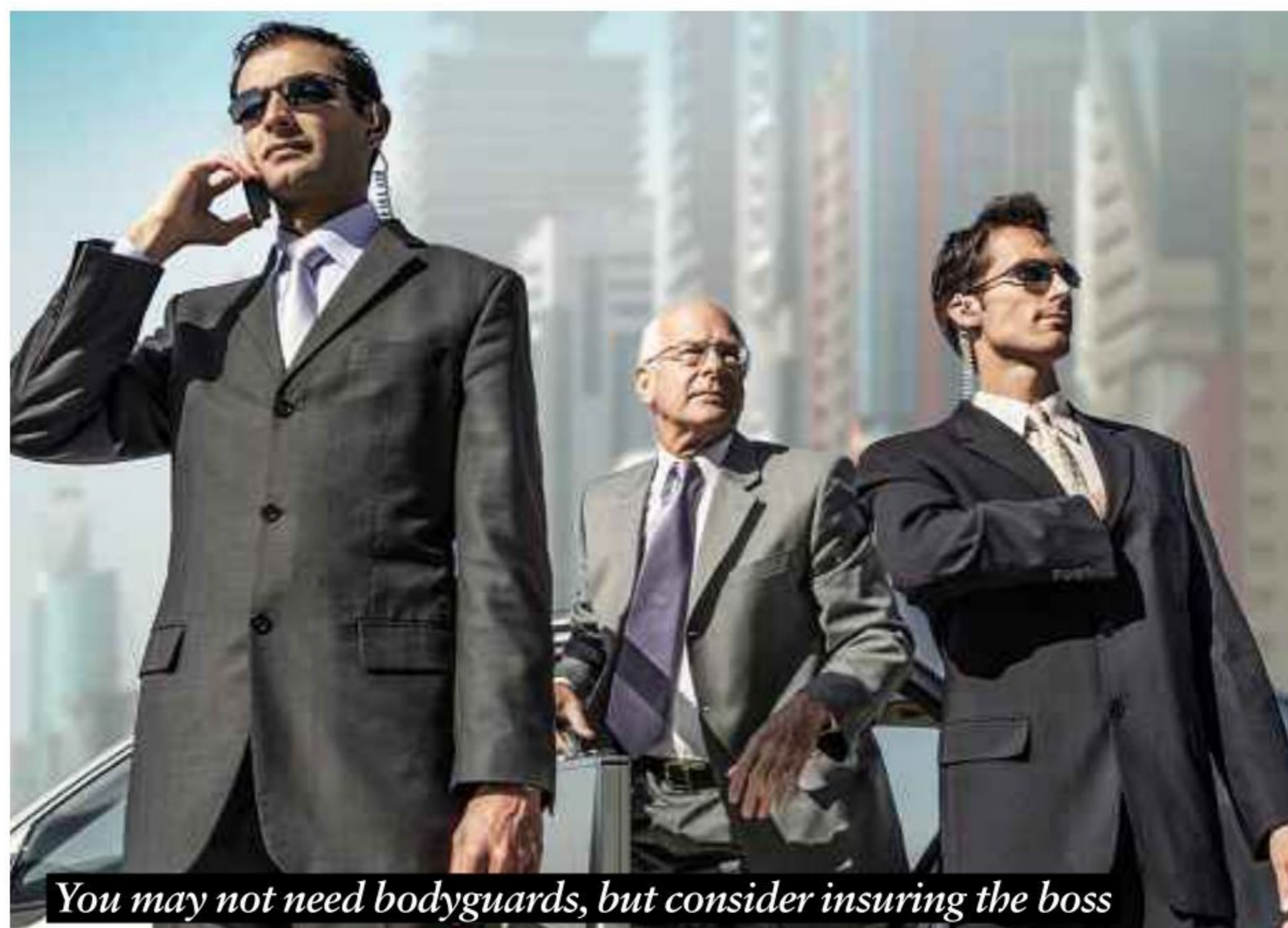


**David Prosser**  
Business columnist

What would happen to your business if its owner or a senior member of staff died or fell critically ill? A survey by Legal & General suggests that 26% of small businesses in Britain would have to close in these circumstances. The insurer reckons 15% of small businesses that have experienced these problems have already shut up shop.

No wonder. In smaller businesses, knowledge, experience and expertise are often concentrated in the hands of a small number of key individuals. If one of those individuals is no longer around, the result could easily be a dramatic loss of customers or a collapse in efficiency. As sales slump and costs rise, those left running the business may not have the know-how to save it, or the time to acquire that knowledge.

Insurance could be part of the answer, particularly for businesses where there is scope to carry on if managers can just buy themselves a bit of time. Key person insurance is one possibility. This cover pays out in the event that the business loses a crucial figure named in the policy, typically the founder, the chief executive,



*You may not need bodyguards, but consider insuring the boss*

or another vital executive. The insurance will usually cover profits lost or debts incurred as a result. It will also pay some of the expense of hiring someone to replace the executive.

Consider shareholder protection insurance too. If a director of your business dies, the remaining shareholders may want to buy their stake in the company from their heirs. This insurance provides a lump sum with which to do that.

Covering specific business loans is another option. If the founder of your business dies with loans taken out on behalf of the company still outstanding, the lender will seek to recover its money. For firms without the cash to repay such debts, insurance can help.

## Make a succession plan

In reality, however, no amount of insurance will totally protect your business from the loss of a key person. So even very small businesses need to consider succession planning and career progression for employees.

If you can build a workforce where people steadily take on more responsibility and augment their expertise, it should be easier for employees to cope with a disaster. A formal succession plan, meanwhile, sets out how the company will manage as staff move on – in the normal run of events, as well as if a key leader is suddenly unavailable. Planning ahead in this way – and insuring against especially severe risks – should be a priority for any firm and will often pay dividends even if disaster never strikes.

## In the news

Is the Bank Referral Scheme a flop? At first sight, the plan – whereby small businesses turned down for lending by banks are referred to alternative finance providers – seems to be struggling. It secured just £16m of funding for around 800 companies over the year to the end of June. But things are improving.

Launched in November 2016 the scheme was supposed to broaden small businesses' access to funding, introducing them to a range of alternative finance providers that might prove a better option than traditional high-street lenders. When such a bank turns down an application for finance it must now offer to pass the firm's details on to three platforms that serve as aggregators for alternative finance providers.

Since launch, 30,000 small businesses have had their details referred, but only one in 20 has gone on to raise finance through the scheme. However, this has increased to one in six over the past year and the size of funding packages has also risen. The positive view is that the Bank Referral Scheme is introducing small businesses to providers they might never even have heard of before; and for some of the businesses, this alternative finance is a much better fit for their needs. Critics think it needs to recruit more funding providers and warn that an automated referrals system doesn't work well for businesses that need advice and support with finance.

## Five questions for... Tobias Kormind, co-founder of 77Diamonds.com

### ● What does your business do?

We design and craft fine jewellery and sell it directly to clients. We are an online, contemporary diamond jeweller that has disrupted the fine jewellery industry.

Our technology brings the world's largest selection of diamonds directly from the source to the fingertips of the consumer (with a 360-degree view of the diamond) and allows them to create their own unique piece of jewellery, all at an accessible price.

Our clients simply hand-pick the diamond or gemstone and combine it with one of our exquisite designs, or work with our bespoke team to create a newly imagined piece. It's all made to order, fully transparent, and completely ethical.

### ● What's been your greatest achievement?

It is hard to identify a single greatest achievement, as every year has many battles fought and mostly won. We have been privileged to win multiple industry awards (the first are

always the sweetest!).

And we have reached many major milestones, such as moving our headquarters to Mayfair, opening our own workshop, and successfully launching multiple showrooms. We now have an international footprint.

### ● What has been your biggest challenge?

Dealing with the paradox of offering best-in-class

products and customer service while significantly undercutting traditional jewellery pricing.



This has been exceptionally difficult because we had no outside investment until the middle of 2018. The process has involved rigorous prioritisation, a great deal of compromise on projects and timings, and sometimes lots of frustration.

### ● What are your plans for hitting your targets this year?

Making the business more efficient, continuing to improve the process for customers, and further embracing social media.

### ● What's the one piece of advice you'd give fellow entrepreneurs?

It's always going to be much harder than you think and it will never work exactly as expected. Be flexible, formulate contingency plans, and apply the 80/20 rule (get it live and fix the kinks later).

# Hidden gems beyond stocks and bonds



A professional investor tells us where he'd put his money. This week: Alex Barr of the Henderson Alternative Strategies Trust highlights three favourites

"Alternatives" continue to be one of the smaller pieces of the pie chart in many end-of-year asset-allocation reports. This is an ironic anomaly given that alternative investments such as private equity or commodities are one of the oldest forms of investment and are often uncorrelated to the movements of traditional assets such as stocks or bonds. That means they can help investors diversify and dampen a portfolio's overall volatility. We have seen many new alternative genres emerge.

Often the right strategy is to let other investors learn the hard way first. The real risks may not be the elaborate ones listed in the placing memoranda, but rather the common-sense ones. Investment processes that emphasise diligence, debate and scenario analysis should pick up on these.

We deploy our investors' capital across a spread of strategies, and our single biggest exposure is private markets, mostly accessed through liquid or tradeable securities. This broad sector offers different shades of return profile and cash flow, but is characterised by underlying investments that are harder to research as there is little public information available about them. This can lower valuations, mitigating the risk of overpaying.

## A triple play on private equity

I first met the Harbourvest Global Private Equity Ltd (LSE: HVPE) team in 2010 when its initial public offering (IPO) took place. It follows a triple strategy. Firstly, it invests (via its own limited-partnership fund of funds) in other private-equity managers' funds; these include some exceptionally tough funds to access, such as Index Ventures, which has had several unicorns (tech start-ups that reach

a valuation of \$1bn). Harbourvest also opts for direct co-investments (minority stakes in companies) as well as secondary investments (private-equity fund interests acquired from other investors after the fund's original fund-raising). This strategy accounts for around a third of its portfolio, and it takes advantage of current discounted pricing for secondary positions in private-equity funds of funds.

## A short- and long-term bet

Oakley Capital Investments Ltd (LSE: OCI) is also a listed private-equity vehicle. Our shorter-term investment rationale focuses on the positive governance steps the manager has taken to improve the wide discount at which it trades, while the recent placing of Woodford Investment Management's full holding of Oakley has been seen as negative and dented sentiment.

**"Oakley's portfolio includes a stake in Alessi, the iconic Italian homewares group"**

Oakley's portfolio itself (via its own limited-partnership private-equity fund range) consists of a compelling group of around 15 companies, including a holding in recently acquired Alessi, the iconic Italian homewares business.

## Committed to cashing out

Part of the risk in investing in private equity is the *mañana* element: in other words, it's a paper return until it's sold. Safeguard Scientifics Inc. (NYSE: SFE), a US based provider of capital to (currently 15) financial services, media and technology companies, has committed to monetising its entire portfolio. This will need to be done in an orderly fashion to avoid significant discounts; management guidance indicates that another exit is to be completed in the remainder of 2019.

## If only you'd invested in...

### Smith & Nephew (LSE: SN)

Share price in pence



Smith & Nephew (LSE: SN) is a healthcare business that makes medical devices for three specialist sectors: orthopaedics, sports medicine and ENT, and "advanced wound management". It started out as a pharmacy in Hull 160 years ago, and now operates in over 100 countries. It has been consistently profitable and carries little debt. After a solid 2018, the group had an unexpectedly strong first half in 2019, prompting management to upgrade its full-year growth forecast and driving the share price to a 52-week high. It has increased by 44% in the last 12 months.

## Be glad you didn't buy...

### John Wood Group (LSE: WG)

Share price in pence



John Wood Group (LSE: WG) is an energy support-services company based in Aberdeen. Its main business is servicing the oil and gas industry, which has suffered as the oil price has declined, but it is diversifying into chemicals, mining and renewables. First-half revenue was lower than expected, though earnings were slightly ahead of expectations. The £250m sale of John Wood's nuclear business should help clear some debt, which rose to almost £2bn after it bought rival Amec Foster Wheeler in 2017. The stock has fallen by 50% in the last year.



# Can the turnaround king save M&S?

Archie Norman is a retail grandee with a reputation for rescuing sinking ships. There were hopes he might do the same for Britain's national high-street institution, but his old magic may be failing him. Jane Lewis reports

Archie Norman began his retail career at Woolworths, rising to become the youngest finance director in the FTSE 100. Yet that moment of triumph, if remembered at all, has sadly been eclipsed by the ignominy of his current position as chairman of Marks & Spencer (M&S), which has just been kicked off London's blue-chip index. The demotion is a big psychological blow for the 135-year-old national institution. It also piles pressure on Norman – a “retail grandee” renowned for pulling off “resuscitation jobs”. When he arrived two years ago, there were high hopes that he might restore M&S to its former glories, says *The Sunday Times*. But its shares have since fallen 37% to a 20-year low and analysts have begun muttering that this time “the turnaround king” might have “bitten off more than he can chew”.



he had such a knack for picking talent and bringing it on that his Asda nursery spawned a generation of UK retail leaders. When he sold the rejuvenated chain to Walmart in 1999 – following a helpful bidding war with his former employer, Kingfisher – he got £6.7bn for it. Hats off.

## An ill-judged foray into politics

Norman's attempt to translate his leadership brand into politics proved less successful. After being elected Tory MP for Tunbridge Wells in 1997 (“the first ex-FTSE chair to do so”, etc) he was charged with modernising the party by the then leader, William Hague (a protégé from his McKinsey days). He got short shrift from the party's “fossils” – and quit in 2005, “yearning for a return to business where he felt he could actually get things done”.

Norman went on to score another triumph as chairman of ITV, presiding over “a near-fourfold rise in the broadcaster's share price”,

says the *Financial Times*. Widely considered a frontrunner to become the next chair of the BBC, he declined to apply for the job – opting instead to perform his magic at M&S. He must be wondering about that decision now.

Norman professes to be “unruffled” by the retailer's FTSE demotion, arguing that the same happened when he was at ITV and “the sky didn't fall in then”, says *The Observer*. Indeed, you can count on him being “the last person panicking”, says the *Daily Mail*: “sinking ships, after all, are busy Archie's spiritual home”. Yet even the maestro must surely admit he's got his work cut out with this one.

## An early bloomer

Some company chairmen are “little more than fancy window dressing”, observes *The Dastardly Mr Deedes* column in the *Daily Mail* – not “little Archie”. Shrewd and hands-on, Norman, 64, is “a boardroom heavyweight” – and “what he doesn't know about retail probably isn't worth knowing”. He's always been a fast mover. The son of two doctors, he was schooled at Charterhouse, Cambridge and then Harvard. “He could hardly have wished for a better start in life” – and took full advantage. After a stint at Citibank, he joined management consultants McKinsey and – in what would become a familiar story – rose to become its “youngest ever partner” at 28. Then he jumped into retail,

## “What Archie Norman doesn't know about retail probably isn't worth knowing”

becoming finance director of Kingfisher (then owner of Woolworths, Comet and B&Q and Britain's biggest retailer) at the height of Britain's 1980s shopping boom, at the precocious age of 32.

When Norman was approached to run Asda in 1991, he accepted, later learning that “he was the only applicant”. It was soon clear why: the down-at-heel supermarket chain was on the verge of bankruptcy and staff morale had collapsed. “Norman applied eccentric, touchy-feely management gimmicks he learned at McKinsey to get employees more involved,” says the *Daily Mail*. They actually helped turn the ship. In fact,

## Great frauds in history... Tsuyoshi Kikukawa and Olympus

Tsuyoshi Kikukawa was born in 1941 and went on to join Olympus, a firm that mainly specialised in optical instruments, in 1964. Kikukawa championed digital photography and ran the team that released Olympus's first digital camera in 1996. This was a success and digital cameras became key to the business. Kikukawa was then promoted, serving successively as managing director, president and chairman.



many Japanese technology firms, including Olympus since its costs were in yen and its revenues in dollars. Kikukawa's predecessor, Toshiro Shimoyama, indulged in financial speculation to make up the difference, which resulted in large losses.

After changes to Japanese accounting rules made it hard directly to conceal those losses, the company sold the worthless assets to shell companies, which were then bought in 2008 for large amounts of money. This allowed Olympus to write off the losses as “goodwill” (the difference between the cost of acquiring a company and its

assets). Around \$1.7bn in losses were hidden in this way.

### What happened next?

In April 2011, Olympus hired Michael Woodford as its CEO, the firm's first non-Japanese leader. Although a long-time Olympus employee, he was unaware of what the company had been doing. When he heard rumours of irregularities he demanded an explanation. The Olympus board responded by firing him, prompting Woodford to go public with his concerns. The subsequent media firestorm and investigations caused mass resignations of directors and executives. Kikukawa, and two other executives, were convicted of abetting the cover up, but got

suspended sentences because they didn't set up the scheme.

### Lessons for investors

Between mid-October, when Woodford was fired, and early November, Olympus's shares fell by more than 80%. The news also led to job losses as the firm cut costs. However, despite a subsequent bribery scandal, the stock later made a full recovery. Indeed, even if you had bought in July 2011, when the first rumours were published in the financial press, you would by now have doubled your money, while those brave enough to buy in November would have made more than ten times their investment. This shows that the market can sometimes overreact to scandals.

### What was the scam?

The rise in the Japanese yen in the 1980s created problems for

# The stars of your next dinner party



It was a Saturday lunchtime when I visited Haynes Hanson and Clark's HQ in Chelsea to taste a few wines for this month's selection. I usually do all of my tastings at home at the weekends, but this retailer was open for business so I felt more like a real life punter than a wine writer as I tucked into the range. For the first time in my life, I didn't feel like spitting either. Not only were the wines all utterly delicious, but I was attacking them as I would a keen wine buyer rather than a note-taking

professional. Which wines did I want to buy, on the spot, and why? The answers are below. I put myself in the mindframe of a keen, dinner-party-hosting, fairly thirsty wine amateur (not much of a stretch, you might say) when I made my choices! I am certain you will agree, so dive deep in preparation for your autumn dinner party season.

**Matthew Jukes**

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£10.25  
**£8.80**

**2018 Parcelles Chardonnay, Christophe Réthoré Davy, Val de Loire, France**

I have been trying to think of a more accurate and rewarding sub-tenner Chardy than Parcelles and I cannot come up with one! Unoaked, bright and light thanks to its cool Loire origins, and discreetly generous in the mid-palate, this pretty wine has it all. I noticed hints of ice cool Galia melon and this will give you some idea of how slippery and refreshing it is. An all-rounder, this is an elegant, classic, 'fridge door' wine for all occasions and all punters!

**CASE PRICE: £105.60 — saving £17.40**



£10.75  
**£9.25**

**2017 Laroque, Cabernet Franc, Cité de Carcassonne, France**

It was rather exciting to find a red partner for Parcelles, and it is a rather curious 'jigsaw' piece, given that the Chardonnay is a Loire wine and Laroque uses the Loire's star red grape Cab Franc in its make-up. The reason this wine is such a success, though, is that it doesn't come from the Loire, but from a far warmer clime, down south, near the medieval city of Carcassonne. Here the grapes ripen fully and the blackberry and herb notes are juicy and mouth-filling, while not losing any of Cab Franc's trademark, refreshing acidity. This is a stellar quality, inexpensive red hero! It is simply staggering just how accurate and rewarding a seemingly simple wine like this can be.

**CASE PRICE: £111 — saving £18**



£14.45  
**£12.50**

**2018 Chiroubles, Domaine de la Grosse Pierre, Beaujolais, France**

I have followed this Domaine for many, many years and I knew the moment I dipped my hooter in the glass that this was a stunner. The label has changed, so I might not have spotted it on the shelf, but Jim Eustace, HH&C's vinous Darth Vader, guided me to the bottle using the 'force' and I didn't look back. Silky, succulent, indulgent Beaujolais is one of France's unique vinous gifts to the world and I drink it by the gallon. The price is laughably cheap given the complexity and expertise in this wine. You simply cannot avoid buying this Chiroubles this month! Forgive me if I use the 'force', too, to implement this order.

**CASE PRICE: £150 - saving £23.40**



£17.75  
**£15.50**

**2017 Lirac Blanc, Comtesse Madeleine, Château de Montfaucon, Southern Rhône**

This wondrous creation is from the left field, of that there is no doubt, but it is a ravishing beauty which starts like a pitch perfect aria and builds to the full crescendo banging out a rousing chorus with unbridled gusto. Made from Marsanne, Clairette, Grenache Blanc and Picpoul, this wine packs a flavour punch which is breathtaking, despite only having 13% alcohol. With hints of exotic fruit and fennel, this is a classic Southern Rhône white wine of exceptional poise and breeding, built for sophisticated main course fish dishes.

**CASE PRICE: £186 — saving £27**



£18.60  
**£16.17**

**2017 Mâcon-Fuissé, Les Bruyères, Domaine Dominique Cornin, Burgundy, France**

Romain Cornin makes wines with exquisite control. He cites Guillemot-Michel as an inspiration and indeed this famous Domaine makes smart wine, but Cornin's own creations are, to my mind, more precise and elegant. Les Bruyères is a biodynamically grown Chardonnay with not an ounce of too much fat or muscle. It is slender, sassy and sexy but more gamine than burlesque in its demeanour. That is not to say it lacks complexity or impact on the palate, because this is a wine that stands shoulder to shoulder with those ten or fifteen pounds more expensive from starrier appellations.

**CASE PRICE: £194 — saving £29.20**



£15.65  
**£13.50**

**2018 Lagrein, Kellerei Kurtatsch, Alto Adige, Italy**

I ducked out of France for one wine this month and it comes from an estate whose Chardonnay and Pinot Grigio I greatly admire. It was the first time that I've tasted the Lagrein from Kurtatsch, and while I am a fan of this rare grape, many are earthy or indeed a little rustic, so I don't drink it as much as I would like. This winery is famed for its gentle touch so there is nothing agricultural about this wine. It is gossamer smooth, perfumed with fruits of the forest tones and brightly crisp on the finish, too, thanks to its enlivening acidity. It is a gem of a wine and one you will adore, particularly if you're looking to vary your wine diet beyond the acknowledged classics.

**CASE PRICE: £162 — saving £25.80**

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# Four holidays for wine lovers

From a convivial estate in Surrey to a luxurious new hotel off the coast of Croatia

The recently opened Vineyard Hotel, on Denbies wine estate in Surrey, wisely “doesn’t ram home the wine theme”, says Tim Moore in the Financial Times. The only “light prod” comes from the range of vine-sourced Caudalie toiletries. “The rooms in the new timber-clad annexe are large, bright and contemporary, with views that speak for themselves: each one is graced with a splendid overview of the vineyards, radiating avenues that cut through the chalky soil like vistas in an epic formal garden.”

Of the hotel’s three dining locations, the best has to be the wooden cabanas on the lawn, and a newly installed ha-ha allows for uninterrupted views up the vines and the North Downs Way. It also separates you from the dogs that occasionally scamper past, their owners in pursuit. “It’s all gently convivial, with none of the pretentious stuffiness that can so easily infect vineyard-linked establishments.”  
*Double rooms from £155, see denbies.co.uk*

## A Unesco site on Lake Geneva

LakeView Hotel Le Rivage is almost on Switzerland’s Lake Geneva and “looks up at the Unesco-listed Lavaux vineyard terraces, which tumble down to the water”, says Holly Tuppen in The Guardian. “Families have cultivated this mosaic of steep vineyards covering 800 hectares since the 11th century.”

Guests can equip themselves with bikes to ride to the vineyards, or you can walk there along a lattice of interesting paths. Nearby, there’s “an educational walking trail between Lausanne and Montreux, electric buggy tours and the Lavaux Express

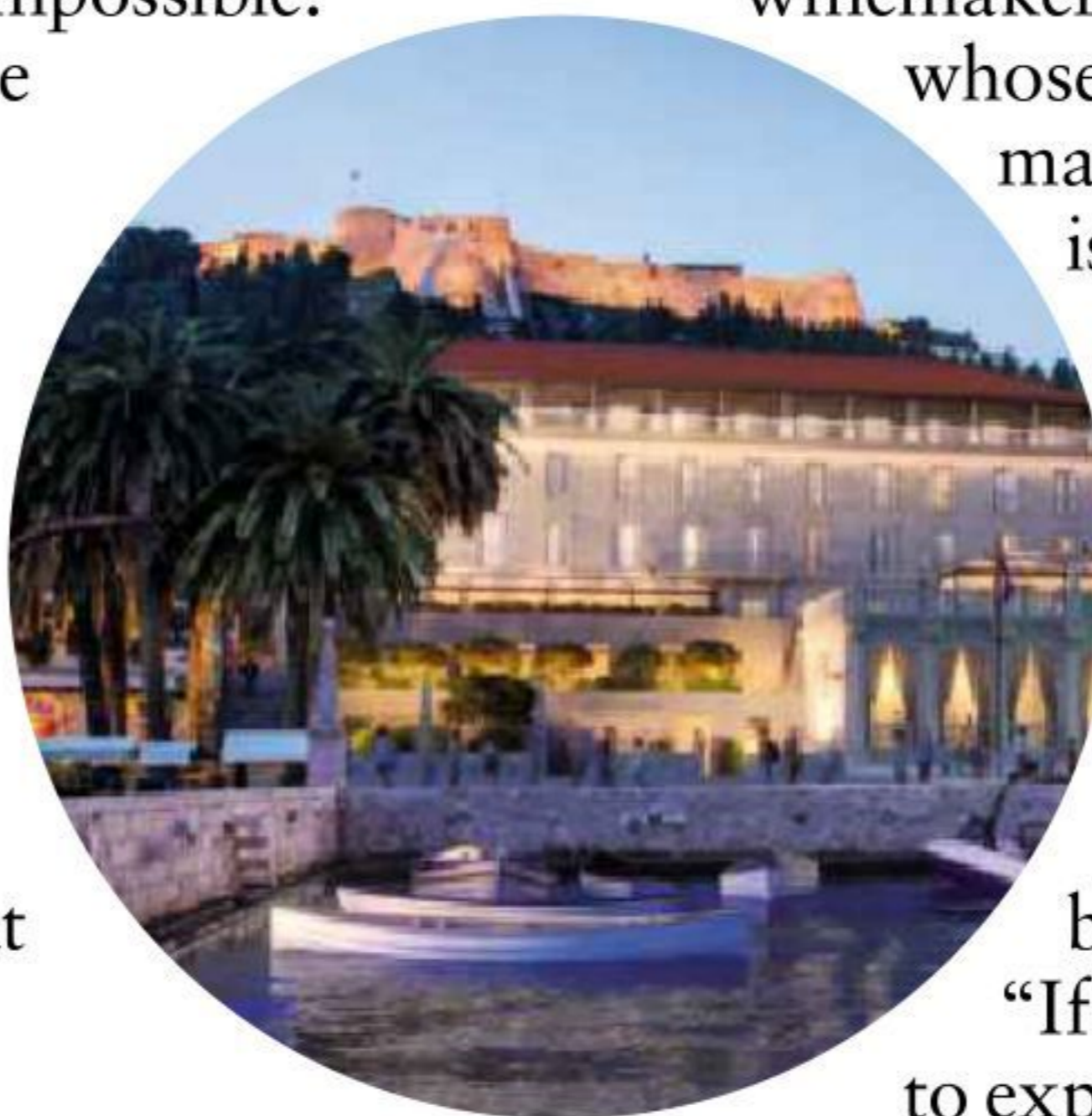


The rooms in the Vineyard Hotel overlook radiating avenues of vines

wine train”. Each autumn, volunteers are sought to pick the grapes from the steep south-facing slopes that make doing so by machine impossible. From May to the end of the year the “Lausanne à Table food festival celebrates the pairing of predominantly chasselas local white wine and food throughout the city”.  
*From £100, rivagelutry.ch*

## Ancient wine scene in Croatia

“Located off the coast of mainland Croatia is the island of Hvar (pictured above) – and if its idyllic location in the Adriatic Sea isn’t enticing enough, the island also boasts a wine scene that pre-dates the arrival of the ancient Greeks,” says Evie Carrick on Travel + Leisure. Hvar Wine Tours offers a half-day Waves



and Wine tour (€125) that combines wine tasting with swimming in the sea.

Guests can talk to winemaker Toni Bojanic, whose family has made wine on the island for 500 years. There is also a cave on the southern shore that serves as a wine cellar and can be visited. “If you want to experience the creations of Croatia’s famous winemaking pioneer, Zlatan Plenkovic, Hvar Wine Tours docks at Plenkovic Bilo Idro for four courses of wine paired with local food – think marinated prunes, smoked ham and Croatian cheeses.” Hvar’s first five-star hotel, Palace Elisabeth, has its “soft opening” this month – perfect for those “looking for a luxurious wine holiday”.  
*From €370, suncanihvar.com*

## A historic town in Oregon

In McMinnville, a historic town located in the Willamette Valley, Oregon, there are a number of wineries and tasting rooms, “the most visually impressive being Elizabeth Chambers”, says Rosemary Behan in the Evening Standard. It specialises in “hand-crafted micro-regional” pinot noir. “The high-ceilinged, red-bricked tasting room in an old power plant, and the attractive garden, set off its lavish seven-glass tasting flight in a laid-back setting.”

Nearby, Atticus Hotel “welcomes wine tourists in fine traditional style”. Behan’s 445-sq-ft suite “has a Victorian feel, with an entrance hall, lounge, screened-off bedroom... and supremely comfy bed”. On the ground floor, Red Hills Kitchen restaurant demonstrates that “food in this part of the valley has caught up with the wines (and the cocktails hold their own with anything in hipster Portland)”.  
*From \$255, atticushotel.com*

## An alternative for beer drinkers

The Aisch Valley in Bavaria apparently has the highest concentration of breweries in the world, says Andrew Bain in Lonely Planet magazine. Cycle paths along the River Aisch lead you to Bamberg, a “beautiful

medieval city” that looks like “a Shakespearean stage set”.

At the start of the 19th century there were 68 breweries located here. Today, Bamberg has the Franconian Brewery Museum (named after the

region), “hillsides drilled with cellar-caves, and a Bamberg Brewery Trail that guides visitors between the nine remaining breweries and their brewery pubs” perfect for carb-loading ahead of the next day

of bike riding. It’s just as well that cycling is a good cure for hangovers, says Bain – “or so I’m claiming”.

*Rooms from €118 at Hotel Nepomuk, hotel-nepomuk.de*

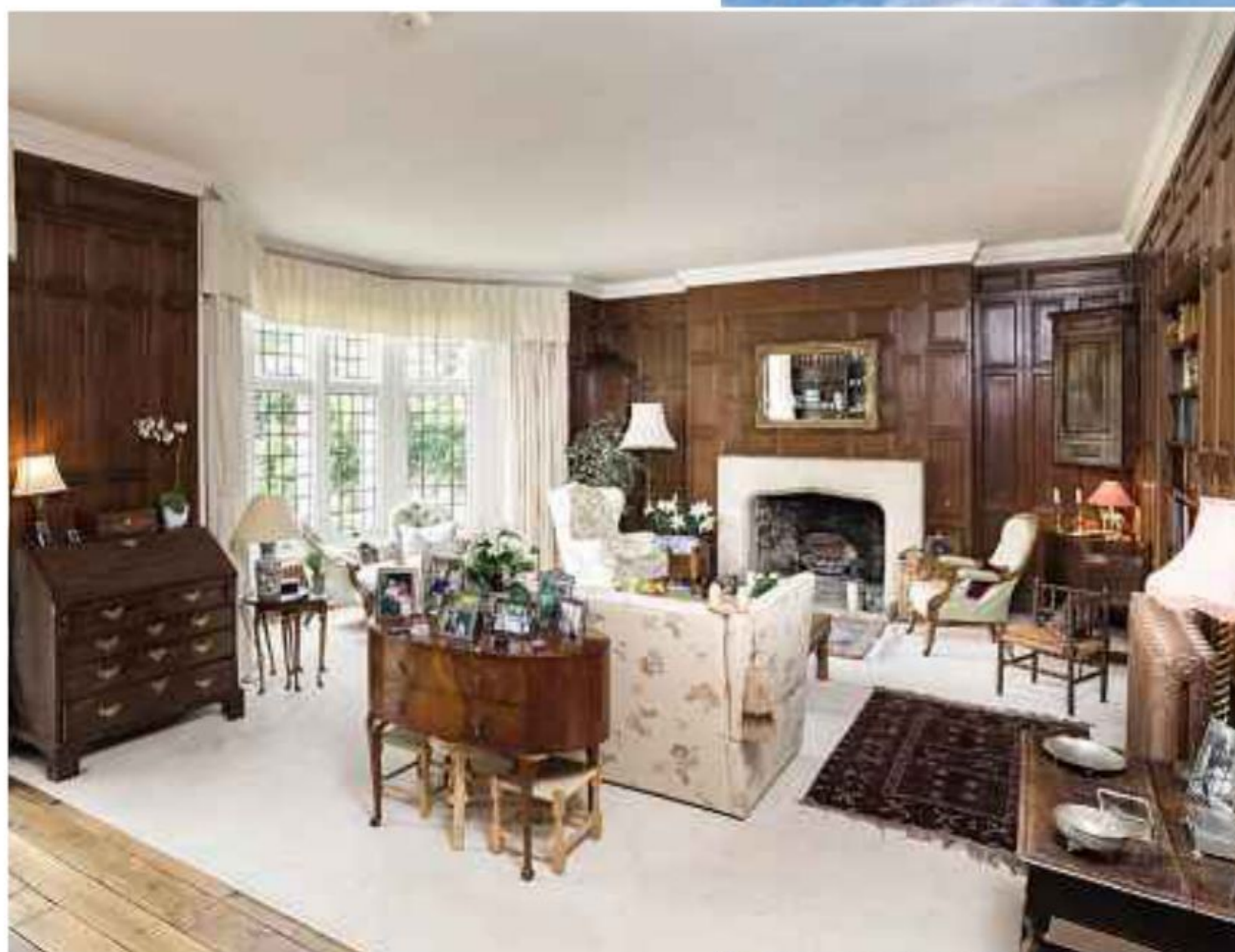
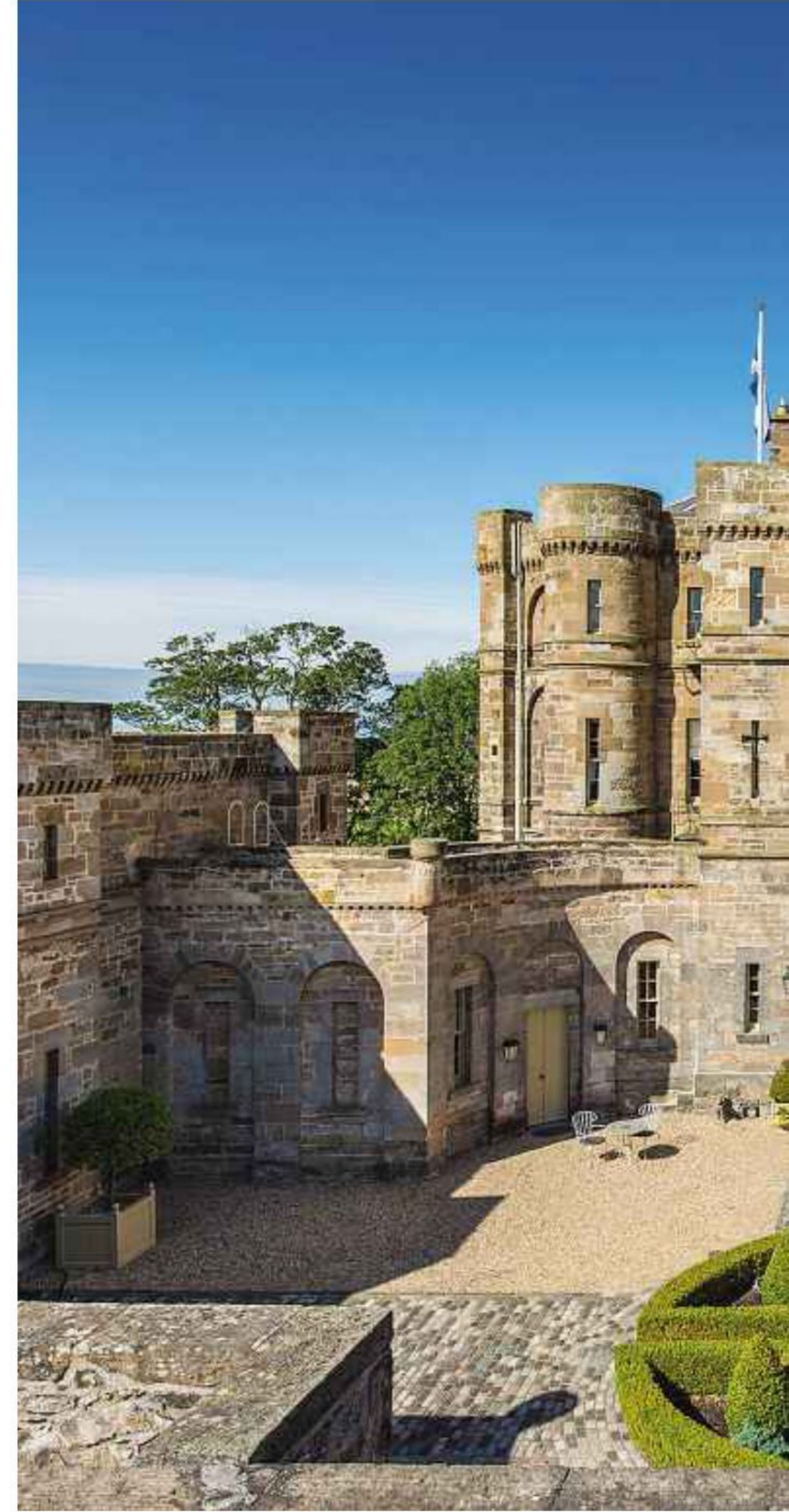


This week: houses with famous connections – from the former home of Jane Austen in Chawton, Hampshire, to



▲ **Little Hill, Hanover, Jamaica.** A 1950s house on top of a hill with 360-degree views of the Caribbean Sea. It is built around a circular swimming pool and famous guests have included the late Queen Mother. 5 beds, 6 baths, 3 receps, 5-bed staff house, 1-bed flat. Sale includes all furnishings. \$6.5m Christie's International Real Estate +1 561 805 7327.

▶ **Seton Castle, Longniddry, East Lothian.** Renowned architect Robert Adam used the remnants of Mary Queen of Scots' favourite palace to construct this imposing property in 1789. 6 beds, 4 baths, grand hall, 3 receps, library, office, music room, billiard room, wine cellar, two 3-bed cottages, stables, 13.4 acres. £8m+ Savills 0131-247 3738.



▶ **Stanton Court, Stanton St. Quintin, Wiltshire.** The principal part of a 1780s, Grade II-listed former rectory where the writer P.G. Wodehouse once had a study and which once counted Queen Victoria's granddaughter, Princess Marie Louise, as a frequent visitor. It has oak panelled walls and leaded light stone-mullioned windows. 7 beds, 4 baths, 3 receps, gardens, woodland, 3 acres. £1.33m Carter Jonas 01225-747250.



a castle in East Lothian built by Robert Adam from the remnants of Mary Queen of Scot's favourite palace



◀ **The Clock Tower, Thurstaston, Wirral.** A Grade II-listed clock tower once owned by Thomas Ismay, owner of the White Star shipping line, which included RMS Titanic in its fleet. The tower was built in 1892 and converted into a family home in 1960. It has panelled walls, beamed ceilings, curved dressed-stone walls and open fireplaces with period surrounds. 3 beds, bath, 2 receps, attics, 2-bed annexe, outbuildings, greenhouse, paddock, 1 acre. £1.25m Jackson-Stops 01244-328361.

▶ **Ponden Hall, Stanbury, Haworth, West Yorkshire.** This 1540s property was extended in 1801 to include a library that was used by the Brontë sisters. It has flagstone floors, beamed ceilings and a large kitchen with an Aga. 9 beds, 8 baths, recep, cellar, gardens, 4 acres. £1.25m Fine & Country 0113-203 4939.



▶ **Flat 3, Aurora, Sidmouth, Devon.** This large, two-bedroom flat in a Grade II-listed building built in 1805 was used as a summer home by J.R.R. Tolkien from 1934 until 1938, and was where he wrote part of *The Lord of the Rings*. It has Gothic-style sash windows with views over open green areas towards the sea, a feature fireplace and a bespoke, fitted kitchen. Bath, recep, parking. £375,000 Bradleys 01395-578444.



▶ **The Dower House, Chawton, Alton, Hampshire.** A Grade II-listed house originally built in 1450 with a mock-Tudor façade added in 1890. It was the home of Jane Austen for the last eight years of her life and she is thought to have written or revised the majority of her novels here. 6 beds, 2 baths, 3 receps, 1-bed annexe, Victorian stables, hay barn, swimming pool, landscaped gardens, paddocks, woodland, 7 acres. £1.75m Savills 01252-729000.

▶ **Bluntisham House, Bluntisham, Huntingdon, Cambridgeshire.** This Grade II-listed, 1720s former rectory was once home of the crime writer Dorothy L. Sayers and more recently of jazz musician Chris Barber. The house has shuttered sash windows, period fireplaces and a grand entrance hall with fluted Corinthian columns. 8 beds, 3 baths, 3 receps, 2 studies, conservatory, breakfast kitchen, gym, indoor heated pool, triple garage, workshop, gym, gardens, 1.83 acres. £2.35m Savills 01223-347147.



# The Rolls-Royce of cameras

The Leica doesn't come cheap, but this compact version is affordable and enjoyable, says Matthew Partridge

Even if you have no interest in cars, or don't drive at all, the words "Rolls-Royce", "Aston Martin" or "Bentley" will still conjure up images of luxury and refinement. The equivalent brand in the camera world is Leica. Some of the world's most renowned photographers count themselves fans, as does the Queen. Sadly, with even used Leicas costing several thousand pounds, Leicas are a luxury most of us aren't able to afford.

The good news is that there are Leicas you can buy without having to take out a second mortgage – the D-Lux range of budget Leicas, part of a collaboration with Panasonic. Its latest model, the D-Lux 7, is based on Panasonic's LX 100 Mark II, which was released last year. Technically, the D-Lux is a "compact" camera as it has a fixed lens and a slightly smaller sensor, though a bigger one than you'd typically find in many "point-and-shoot" cameras. For purists, this means it isn't a



"proper" Leica, but it will be perfectly good enough for the rest of us.

The D-Lux 7 is compact enough to stuff in a coat or trouser pocket and the image quality is much better than you'd get on a smartphone. You can operate it in silent mode and with automatic eye-recognition, and it will produce compelling photos, even in challenging dimly-lit environments. It also produces crisp videos at up to 4K quality. You can't connect an external microphone, but this isn't

a problem as the internal one is good enough for most uses.

The camera also comes with a variety of filters and modes that you can play around with. The limited range of the lens (equivalent to 24-75mm) means that this is a camera to complement rather than replace a DSLR, but I enjoyed using it enough to buy a second-hand copy of the original LX 100 2014 from eBay. The current model has better image quality than the original Panasonic.

*Leica D-Lux 7, RRP £995*



*"The D-Lux 7 is compact enough to stuff in a coat or trouser pocket"*



## Wine of the week: a bottle of vinous Viagra

**2017 Cent Visages, Touraine Côt, Jean-François Mérieau, Touraine, Loire, France**  
£15.45, reduced to £13.65 each by the case, Haynes, Hanson & Clark, 020-7584 7927, [hhandc.co.uk](http://hhandc.co.uk)



**Matthew Jukes**  
Wine columnist

A couple of years ago I wrote six columns for the short-lived, highbrow, erotic magazine The Amorist. Its editor, Rowan Pelling, is a pal of mine and I relished the chance to write about wine and erotica. I think my articles turned out well, if a little lightweight in comparison with many of the other features in this sophisticated, arthouse journal. There is an undeniable link between well-chosen wine and sex – they are both sensual, pheromonal, indulgent, heady and memorable. In short, wine makes

you feel particularly great when it tastes particularly delicious.

Cent Visages is, by a long way, the sexiest wine I have tasted in a very long while. Leaving the mildly titillating label aside (Georgia O'Keeffe would be proud), it is the perfume and flavour here which is nothing short of vinous Viagra. The earthy, liquorice and violet notes smell

aphrodisiacal and the sleek palate makes for a virtually gluggable wine on account of its refreshing stance and lack of overt tannin. It has acidity in spades and this is the bitter snap on the finish that electrifies the senses. The wine is made from côt, the Loire Valley synonym for malbec. Malbec loves warm climes and yet remarkably, in this cool, breezy region of northern France, Jean-François Mérieau has managed to transform it into a positively carnal creation.

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





## Book of the week

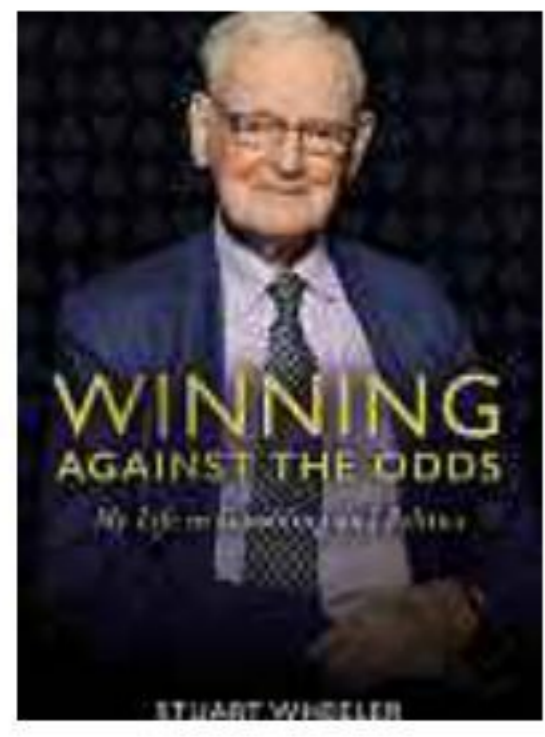
### Winning

### Against the Odds

My Life in Gambling and Politics

By Stuart Wheeler

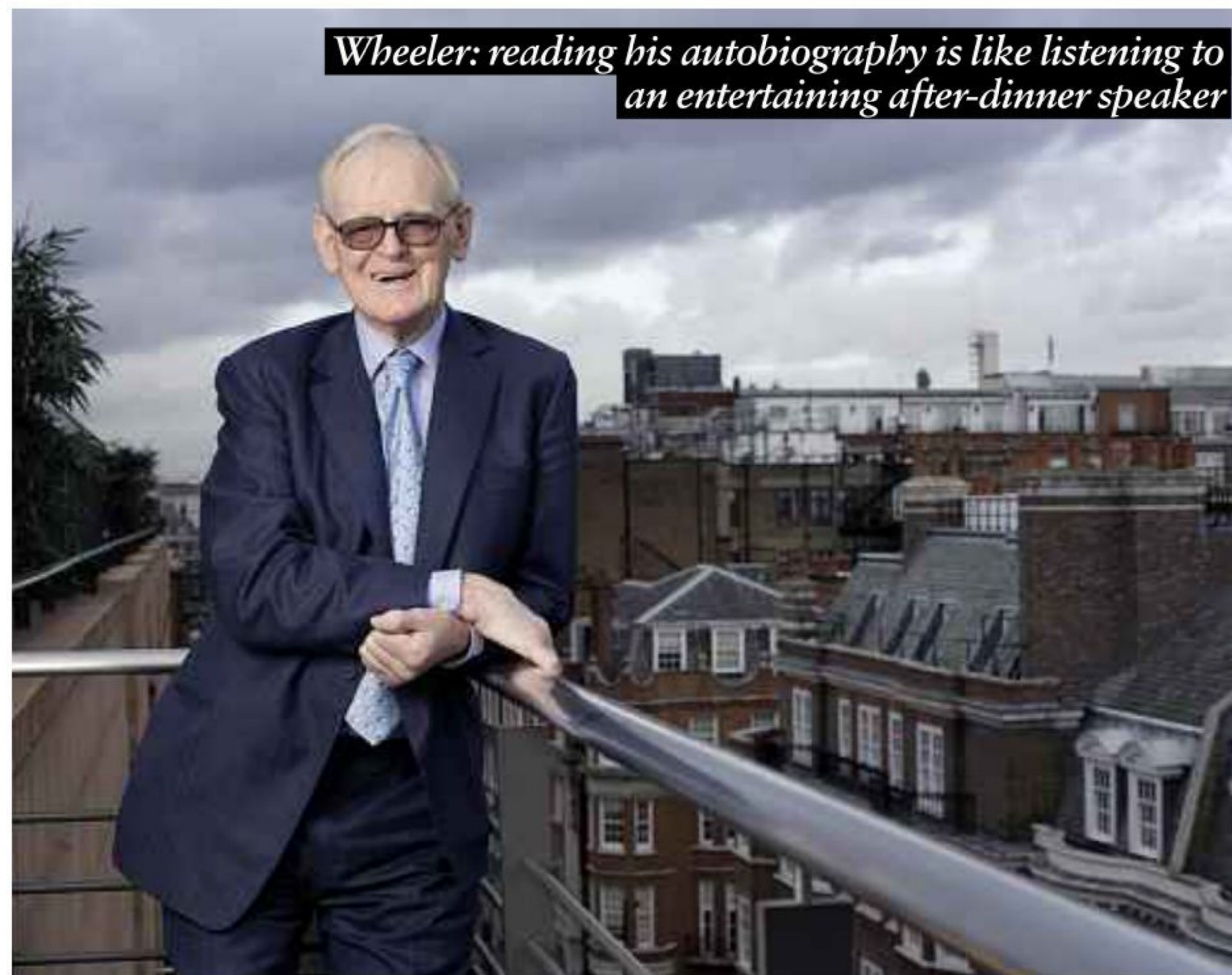
Quiller Publishing, £20



Financial spread betting is regarded with disdain by many commentators and regulators, who regard it as

a dangerous form of gambling. It has, however, undoubtedly made some of the more exotic financial strategies more accessible to the everyday investor and spurred ordinary brokers with competition. The industry was effectively created by Stuart Wheeler and his business partner Tommy Richter, who set up IG Index in 1974 to take advantage of the surge in the price of gold following the end of the gold standard. This book is Wheeler's autobiography.

Adopted by a wealthy family, Wheeler enjoyed the benefits of an Eton education, which helped him get into Oxford. Stints as a trainee barrister followed, as did a brief spell as a merchant banker, but those jobs failed to capture his heart in the way that gambling did. As a result, he became a professional gambler, making his living from playing blackjack in casinos, as well as backgammon with society figures. This brought him into contact with a range of characters, including Edward Thorp, the inventor of card counting, and Lord Lucan, who later went on the run after killing his children's nanny.



*“Wheeler draws on a wide range of stories and anecdotes, which he tells in a characteristically forthright style”*

Wheeler went on to make his fortune with IG Index, then devoted himself to politics. This began with various large donations to the Conservative party, before he increasingly focused on eurosceptic causes. His disillusionment with David Cameron's approach would lead him to move to Ukip, where he eventually became treasurer. Wheeler ended up playing an important role in the Brexit referendum, helping persuade people to make large donations to the Leave campaign, as well as working with many influential figures.

Wheeler's colourful and varied career means he can draw on a wide range of stories and anecdotes, which he tells in a characteristically forthright style. He is very blunt about the weaknesses of the politicians and business leaders he has

met along the way. Even those politicians he admires, such as Nigel Farage and political strategist Dominic Cummings, come in for some trenchant criticism about their leadership qualities. Wheeler holds himself to the same standards, however, and is quick to point out his own many mistakes and errors.

The book isn't particularly long, yet it would benefit from being trimmed in places (the chapter on Wheeler's driving habits for one) and bulked up in others. Still, it is a bit like attending a good after-dinner talk by a speaker who has an interesting story to tell and is willing to throw caution to the wind. If you have an interest in gambling, politics or finance, or all three, you should enjoy it.

Reviewed by  
Matthew Partridge

## Hansard

Written by Simon Woods, directed by Simon Godwin  
*Running at the National Theatre until 25 November*

With all the real-life political drama going on, you might feel there's little room left for the fictional kind. *Hansard*, though, is worth your time. The play, currently running at the National Theatre, takes an oblique look at contemporary politics by moving back three decades in time to one morning in May 1988. Robin and Diana Hesketh, played by Alex Jennings and Lindsay Duncan respectively, are a long-suffering couple. Robin is a junior minister; Diana is his mistress-turned-wife.

Over the course of the 90-minute running time, the couple bicker and spar over everything from the affair Diana suspects Robin is having to Conservative economic policy on declining industries. The row is nominally prompted by Robin's support for Section 28, legislation that prevented schools from promoting homosexuality, but the wider contest is between Diana's left-liberal sympathies and Robin's defence of Thatcherism red in tooth and claw. It's clear that the author sympathises with Diana, but he allows Robin to put forward his side of the argument, presenting a surprisingly persuasive defence of Thatcher and what he sees as her dogged determination.

Jennings and Duncan are convincing as the warring couple, but in the end their jousting doesn't seem enough to sustain an entire play and the conclusion, involving the death of their son, seems contrived and melodramatic. *Hansard* is worth catching – fans of Noel Coward and Edward Albee will enjoy it – but it is ultimately a little on the light side.

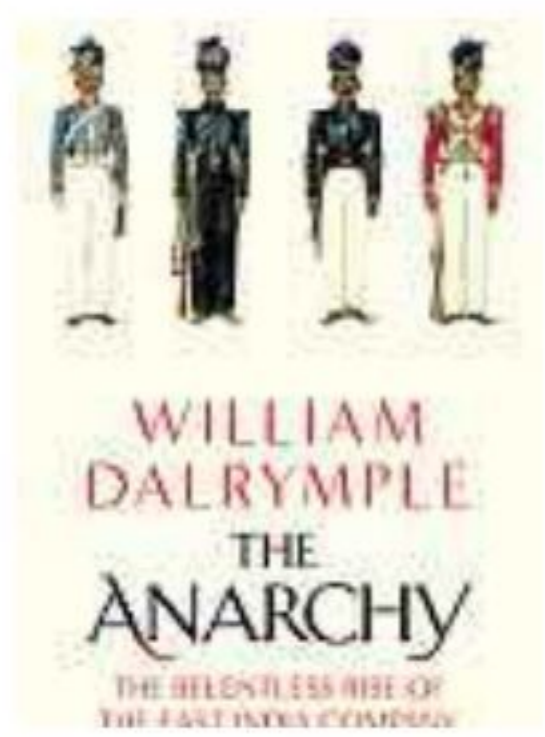
## Book in the news... a modern moral drawn from an old tale

### The Anarchy

The East India Company, Corporate Violence, and the Pillage of an Empire

By William Dalrymple

Bloomsbury Publishing, £30



At the height of its powers the East India Company had a private army numbering nearly 200,000 men, which it used to subdue or seize almost the entire Indian subcontinent through a

“combination of collaboration, coercion and conquest”, says John McAleer in the *Evening Standard*. This enabled it to assume powers normally associated with governments – indeed, Adam Smith called it a “company state” – such as collecting taxes, administering

justice and waging war. This new account of the history of the company by William Dalrymple tells the story of its “extraordinary transformation” from an “unlikely business venture in Elizabethan London” to “one of Victorian Britain's most influential institutions”.

Dalrymple has already written about the company in *White Mughals*, a social history focusing on the “warm relationships” between “those early merchants and the people they traded with”, says Anne de Courcy in the *Daily Telegraph*. *The Anarchy* takes a “far less sympathetic standpoint”, showing how the firm took advantage of “shifting allegiances” to become a colonial power. The book generally avoids “outright censure”, but it “leaves readers to draw the obvious conclusion” – having achieved an “unbreakable” hold over Bengal, for

example, Dalrymple portrays the company as beginning a period of “looting”, “asset-stripping” and “extortion” that bled the region “almost dry”.

Dalrymple clearly finds the behaviour of the company “repulsive”, says Gerard DeGroot in the *Sunday Times*. But his book is more than just a “superficial story of rapacious imperialists and their innocent victims”. It makes clear, for example, that the Indians were, to an extent, “architects of their own misfortune” as they “could easily have destroyed the company” if they had put selfish interests aside. In the end the book is more about the “insidious means by which the interests of shareholders can become those of the state”. Given how the likes of Google, Amazon and Halliburton have come to dominate modern states, this is not just an “old story”, but also a “very modern” one.

# The rise and fall of "Gucci Grace"

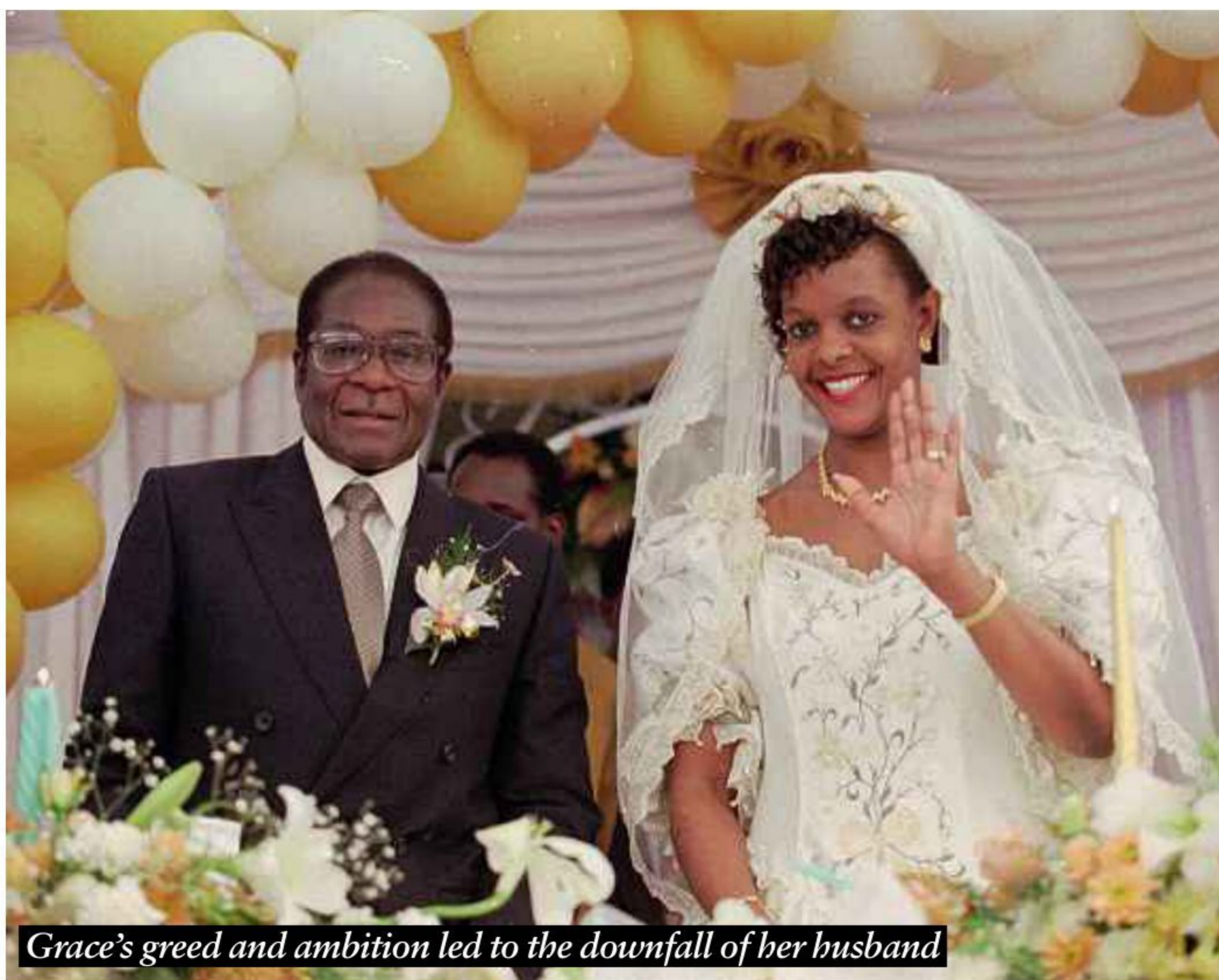
The death of Zimbabwean dictator Robert Mugabe leaves his spendthrift wife in a precarious situation

They say that behind every successful man stands a strong woman, but what happens when that man has made his fortune by (shall we say) less than legal means and then bows out? Grace Mugabe, the wife of the late Zimbabwean dictator, is about to find out. Robert Mugabe, who died last week aged 95, may have been a "brutal despot who left his country divided and impoverished", say Farai Sevenzo and Tara John on CNN, but many Zimbabweans still regard him as the "founding father of the nation" for his role in ending White minority rule. His spouse, by contrast, is so "unpopular" that "her assets and future in the country could even be at risk" following his death.

## A mountain of shoes

It's obvious why she is disliked, even among Mugabe's remaining apologists, says The Times. Although he was capable of brutality and seemed relaxed about all the corruption going on around him, Robert Mugabe was himself frugal and something of an enigma personally. His previous wife, Sally, who died in 1992, was respected as a "calming and moderating influence on her husband". Grace Marufu, on the other hand, a former secretary with whom he had had an affair and two children before Sally's death, was her "polar opposite". Following a "lavish" wedding in 1996, Grace quickly became notorious for her extravagant lifestyle and shopping sprees.

Grace's spending over the years was "epic to say the least", says Patrick Knox in



Grace's greed and ambition led to the downfall of her husband

The Sun. She had the presidential plane on standby to "jet her to European capitals to allow her to satisfy her formidable material needs". She famously spent £60,000 in one department store and amassed "a mountain of Salvatore Ferragamo shoes". Her children didn't do badly either. Her son, Bellarmine Chatunga, has posted pictures on Instagram of him pouring a £400 bottle of Armand de Brignac Champagne over his diamond-encrusted, \$60,000 watch.

Ironically, it was Grace's greed and ambition that led to the downfall of her husband, says Alan Cowell in The New York Times. Mugabe's cronies were willing to put up with the "flashy spending of his second wife and other family members", but when "he sought to establish her as the head of a dynasty", by appointing her to "high office" within the ruling party, this unsettled the very people in the "military and security elite" who had backed him "in

return for a share of the spoils". As a result, the army officers who had once helped solidify his hold on office "pushed him from it" and Mugabe and his family were forced to leave Zimbabwe in late 2017.

So, what's going to happen to "Gucci Grace" now? The family's Harare mansion has apparently been taken over by the government and one of Grace's farms has been "illegally" occupied by more than 400 gold-miners, says Tim Stickings on Mail Online. But the Zimbabwean president has assured them that they will be "left in peace" to enjoy their wealth, estimated at around \$1bn. Whatever happens, Grace and her children are likely to end up better off than most of their fellow 16 million Zimbabweans, who remain mired in "poverty and unemployment".

Quintus Slide

## Tabloid money... "Boris has never worked a shift at a Harvester"

● Emma Thynn, Viscountess Weymouth, is to appear on this year's *Strictly Come Dancing*, says Jan Moir in the Daily Mail. The daughter of an English socialite and a Nigerian oil baron, Thynn (pictured) is married to Ceawlin, Viscount Weymouth, the heir to Longleat in Wiltshire – "one of the most spectacular stately homes in Britain" with a world-famous safari park. "For this glam-aristo, being on *Strictly* is a dream come true." Thynn is a model, former actress and sometime food blogger – and she is certainly no stranger to the lure of reality television, as she freely admits: "I've been offered many shows," she says. "I always turn them down, but this is different."



● Last Sunday was National Waiters' Day, says Saira Khan in the Sunday Mirror. "I worked as a waitress when I was at uni to supplement my cider drinking so I know what it's like to be standing on your feet for hours, dealing with grumpy customers and still grinning because, apparently, they 'are always right'." The day is the brainchild of Fred Sirieix, the maître d' from TV dating show *First Dates*. Sirieix wants to shake off the "masters and servants" image of waiting and give the profession back its respect and dignity. After all, serving others is "character building" and provides "crucial life skills". You get to meet new people and it teaches you patience and tact. "Something tells me Boris has never worked a shift at a Harvester."

● More proof if any were needed that animal rights enthusiasts are "not completely right in the head", says Jeremy Clarkson in The Sun. "They tried to claim in an advert that wearing wool is just as cruel as wearing fur – forgetting, perhaps, that to make a woolly jumper, the sheep doesn't actually have to be killed." Sheep need to be sheared before the summer gets too hot, because very few breeds are actually capable of moulting by themselves. You've got all that wool lying around anyway, so what are you going to do? Throw it away and make a jumper out of nylon? "Great idea. Because nylon is made from crude oil." It's basically plastic, so we'll end up with a load of jumpers "floating around in the oceans, choking turtles".

## Bridge by Andrew Robson

### Plum elegance

One of the great characters of the World War II era was Adam "Plum" Meredith. Plum was a conscientious objector to the core, but no coward, driving an ambulance through the heaviest of the Blitz. As a Bridge player, Plum mixed brilliant card-play with outrageous and irresponsible psyches, his particular favourite being opening One Spade with not the vestige of a real Spade suit. Here, Plum bid Spades and actually held them.

Dealer North

East-West vulnerable

<p>♠ 876543 ♥ Q106 ♦ - ♣ KQ109</p>	<p>♠ 2 ♥ KJ ♦ A6 ♣ AJ875432</p> <table border="1" style="margin: auto;"> <tr><td></td><td>N</td><td></td></tr> <tr><td>W</td><td></td><td>E</td></tr> <tr><td></td><td>S</td><td></td></tr> </table> <p>♠ AKQJ109 ♥ A932 ♦ Q3 ♣ 6</p>		N		W		E		S		<p>♠ - ♥ 8754 ♦ KJ10987542 ♣ -</p>
	N										
W		E									
	S										

#### The bidding

South	West	North	East
5♠	pass	1♣	5♦
6♠	double	6♣	pass
pass		pass	pass

West led the King of Clubs and East's double black-suit void was telegraphed when he could only discard (a Diamond) on dummy's Ace. It took all six rounds to draw West's trumps and this gave declarer, Plum, no easy route back to his hand. He found an elegant solution, discarding dummy's Ace of Diamonds on one of those trumps (key play).

Declarer successfully finessed dummy's Knave of Hearts, then cashed the King. West correctly false-carded with the Queen, but his failure to lead a Diamond at trick one marked him with a void. Therefore, East's shape was known to be zero-four-nine-zero, meaning West had to have a third Heart, presumably the ten given his play of the Queen.

At trick ten, declarer led dummy's low Diamond. East won the King, but had to give declarer access back to his red winners. He actually led a Heart, in the hope of suckering declarer into finessing the nine. However, declarer knew to rise with the Ace, felling West's ten, and took the last two tricks with the nine of Hearts and Queen of Diamonds. Twelve tricks and slam made.

For all Andrew's books and flippers – including his new hardback *The Next Level* – see [andrewrobson.co.uk](http://andrewrobson.co.uk).

### Sudoku 964

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

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

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

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[moneyweek.com](http://moneyweek.com)

## Tim Moorey's Quick Crossword No. 964

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 23 Sept 2019. Answers to MoneyWeek's Quick Crossword No. 964, 31-32 Alfred Place, London, WC1E 7DP.



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

Across clues are mildly cryptic whereas down clues are straightforward

#### ACROSS

- 1 Seasoned sailor? (4)
- 3 Aristocrat one's seen in pubs (8)
- 9 Run into power cut and show anger (7)
- 10 Knocked back royal beer (5)
- 11 Fancy dates embraced by a Frenchman herein? (5-1-5)
- 13 Tall, strong woman in online retailer (6)
- 15 Coloured pencil made with carbon fibre (6)
- 17 Brexiteer rubbishes cup-tie score (11)
- 20 What revolting types do (5)
- 21 Having a high position, managed to get before monarch (7)
- 22 Heard people waiting in A&E? They'll need this! (8)
- 23 Tropical disease – not mine by the sound of it (4)

#### DOWN

- 1 Native of Edinburgh (4)
- 2 Illuminated (3, 2)
- 4 Disinclined (6)
- 5 Destroying completely (12)
- 6 Keenly (7)
- 7 Consultants for Operating Doctors (8)
- 8 French miss (12)
- 12 Agent on the road? (5, 3)
- 14 Gymnast entertainer (7)
- 16 Kind of unit relating to length? (6)
- 18 Crockery (5)
- 19 Long, long time (4)

Name \_\_\_\_\_

Address \_\_\_\_\_

#### Solutions to 962

**Across** 1 Badger two definitions 4 Pathos Pa Thos 9 Avarice anagram 10 Acute a cute 11 Ernie E Wise 12 Theatre hidden 13 Central line 18 Ketchup *ketch up* 20 Mango anagram 22 Rings *R(id)ings* 23 Reading two definitions 24 Sparse *pars in SE* 25 Hassle anagram. **Down** 1 Beaten 2 Drain 3 Eminent 5 Adage 6 Houston 7 Sweden 8 Central Park 14 Estonia 15 Lambada 16 Skirts 17 Google 19 Hoses 21 Nails.

The winner of MoneyWeek Quick Crossword No. 962 is: Brenda Healy of London.

Tim Moorey is author of *How To Crack Cryptic Crosswords*, published by HarperCollins, and runs crossword workshops ([TimMoorey.info](http://TimMoorey.info)).

Taylor's, a family firm for 325 years, is dedicated to the production of the highest quality ports. Late Bottled Vintage is matured in wood for four to six years. The ageing process produces a high-quality, immediately drinkable wine with a long, elegant finish; ruby red in colour, with a hint of morello cherries on the nose, and cassis, plums and blackberry to taste. Try it with goat's cheese or a chocolate fondant.



# Fuddy-duddy has the last laugh

Has time-honoured wisdom been supplanted by data? Don't bet on it



**Bill Bonner**  
Columnist

When we began writing about investment 20 years ago, we knew next to nothing about economics. We discovered the economic world along with our long-suffering readers, dot by dot, error by error, claptrap by claptrap. Now, we know a little more than next to nothing. But what we know most of all, and are absolutely confident about, is that next to nothing is about as good as it gets.

Neither we nor anybody else will ever know, in detail, how an economy actually functions. An economy is a natural thing, evolved, not designed. It responds to billions of inputs, past, present, and future, far too numerous, ambiguous, and subtle for any person, group, or computer algorithm to master, and aggregating the desires, fantasies, and desperate midnight terrors of billions of people. Any attempt by a few people to impose their own vision on it only distorts it and corrupts it.

Back when we began writing in 1999, it was widely believed that "information" would make us all richer. Dotcom stocks were "information companies" and were being valued not by how much

money they made, but by how many "eyeballs" they had watching them. Companies that had been in mining or *schmatta* simply added a dotcom to their names and suddenly they were worth twice, three times, ten times as much.

We wondered what the hell was going on. "You just don't get it," replied Silicon Man. Your humble correspondent certainly didn't. In his experience, from having a large family and starting a business, he often lacked time, talent, wisdom, brains, energy or resources. But not

*"Not once can we recall having a shortage of information..."*

once could he recall a shortage of information. On the contrary, he was often overwhelmed by too much of it – too many facts, too many opinions, too many possibilities.

We had learnt that building wealth was a long, hard process of saving, learning, developing skills and habits,

discovering what people wanted and figuring out how best to give it to them. Then suddenly, none of that seemed to matter. Computers and information technology had replaced the need for discipline, rules, forbearance, saving – and all the other virtues that made civilisation possible.

When your columnist expressed his doubts, many readers were upset. They were already counting the money the New Era would bring them. They said they'd no need for his fuddy-duddy views. One of his own partners predicted that his business – providing financial ideas and recommendations, based on old-fashioned analysis and classical economics – would soon

be made obsolete by the new technology. "It's all on the internet already.

All the information you could possibly want."

But the world is not always kind or easy. Sometimes those who "get it" best... get it good and hard.



*Our monkey minds can't cope with too many facts*



## The bottom line

**\$10m** The damages Ariana Grande is seeking from US clothing retailer Forever 21. The US singer (pictured) says the fashion chain employed a lookalike model of her for an online advertising campaign. She had declined to take part in it because the brand was unwilling "to pay the fair market value for a celebrity of Ms Grande's stature", the law suit states.



**£220m** How much Amazon paid in direct taxes in Britain last year on total revenues of £10.9bn. It was the first time Amazon has published details of its tax payments in 21 years of trading in the UK. Its 27,500 locally based staff were its biggest direct tax expense, followed by business rates and corporation tax.

**£2m** How much the BBC has agreed to pay towards Cliff Richard's legal

costs. Last year, the singer won a High Court case against the broadcaster over its reporting of a police raid on his home. The payout is still less than the £3m the singer said he spent in clearing his name.

**19** The amount in percentage terms by which London's economy has grown since 2012 to the end of last year, according to the Office for National Statistics. The north-east was the slowest-growing region at 5.9%.

**26p** The proposed cut in the price of a pint of beer following Brexit. The Social

Market Foundation think tank, which has culture secretary Nicky Morgan on its board, has argued for duty to be raised on higher-strength drinks bought for home consumption, while cutting tax duty on weaker drinks bought in pubs.

**£7.8m** The record fine handed to high-street bureau de change Touma Foreign Exchange by the taxman for breaching laws aimed at preventing money laundering. The fine concluded a month-long operation conducted by HMRC, police and the City regulator, the Financial Conduct Authority.

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