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MONEYWEEK

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MoneyWeek

21 August 2020 | Issue 1013

Britain's best-selling financial magazine

From the editor...

I've never had much luck with metals. On my seventh birthday I was given a small gold krugerrand, with the strict instruction not to spend it on chocolate. After looking up the gold price for several days in a row and seeing it fall, I lost interest, put the krugerrand in a drawer and forgot all about it. It was just as well: it later transpired that my seventh birthday practically coincided with the peak of the 1970s gold bull market. Then in 2013, about to invest in a wedding ring, I decided I fancied a platinum one. The price quoted was beyond unaffordable, so I opted for a palladium one instead. Note to self: next time, don't get married too soon after the peak of a commodities supercycle.

Another gold market cycle has finally arrived as well

©Alamy

"What goes around comes around, so you will have another chance to buy cheap"

The good news, however, is that market cycles are like London buses: if you miss one, there will be another along in a few years. From equities to collectables, prices oscillate around a long-term average. The cycles reflect human nature. People get overexcited and inevitably bid prices up too far. Boom turns to bust as they reconsider the fundamentals, decide they were too exuberant and become depressed, often sending prices back down to levels that seem unjustifiably low.

We have watched several major cycles over the years, and while journalists are supposed to remain detached and objective, it is easy to get caught up in the excitement. A few years after we set up the magazine, a long-term commodities upswing was clearly beginning. There was endless talk of "peak oil"; I remember countless persuasive articles explaining why there simply wasn't enough oil out there, and it would never sell for less than $100 a barrel after about 2005 or so. As I write, the narrative, thanks to shale and a global pandemic, has completely changed. Brent crude is at $44 a barrel, having dipped to around $20 in April. US oil futures, of course, briefly turned negative that month.

Today gold has reached a new record, as we have been predicting for some time, and is set to keep going. Farmland, often seen as the ultimate structural-growth asset ("they're not making any more of it", as the old joke has it), is also cyclical, says Jonathan on page 20. Prices have slipped over the past few years. He reviews the key trends in the sector in the post-Covid-19 world (not all that different from the pre-Covid-19 world, it turns out) and how you might invest in them. David, meanwhile, highlights the cyclicality of the peer-to-peer lending market on page 23. The outlook for the sector seems dire now, but there is scope for a rebound as yield-hungry investors (who isn't these days) seek to bolster income when the economic backdrop improves in the next few months.

The key is to be patient and remember that what goes around comes around, so you will have another chance to buy cheap. Just remember to take some profits. As JP Morgan liked to joke: "I made most of my money by selling too early". And start early too, to give yourself as many cycles as possible. Give that young relative a krugerrand (or some of your old dotcom shares you couldn't bring yourself to sell in the early 2000s). As for my own cycles, the vastly more valuable krugerrand is still with me, just in case I ever have to exchange it for a tin of baked beans. And in the past seven years, palladium has gone through the roof and platinum has halved, so I can consider a wedding-ring upgrade. Good things, like London buses and affordable metals, come to those who wait.

Andrew Van Sickle
editor@moneyweek.com

Brand-builder of the week

©Alamy

Ben Francis, the owner of luxury sportswear brand Gymshark, has become the UK's richest self-made person under 30, says The Times. The 28-year-old's recent sale of 20% of his stake in the company means his net worth is now valued at over £650m, with the business itself being valued at over £1bn. Gymshark was founded when Francis was only 19 and manufacturing clothing out of his mum's garage, but has grown to become a titan of the fitness industry. Following a unique social-media strategy using online influencers on Facebook and Instagram, the business now has offices from Denver to Hong Kong, and made an £18.6m profit on sales of £176.2m last year. Francis now hopes that Gymshark can rival the likes of Nike and Adidas in the coming years.

Cover illustration: Howard McWilliam. Photos: Casamigos/Diageo; Getty Images; Porsche

Good week for:

Dwayne "The Rock" Johnson is Hollywood's best-paid actor for the second year running, reports Forbes. As streaming services such as Netflix look to capitalise on actors' star power, Johnson has pulled ahead of the pack, being paid $87.5m for his work last year. Over a quarter of that was guaranteed by featuring in a single Netflix film.

The net worth of Apple CEO **Tim Cook** has just eclipsed $1bn, says The Verge. Cook is not a founder of his company, which is unusual among billionaire corporate executives, but he has grown the tech giant into the highest-valued publicly traded company in the world since he took over from its late founder Steve Jobs in 2011. Since then, Apple's revenue and profit have doubled and it recently reached a market capitalisation of $2trn.

Bad week for:

Actor **Ewan MacGregor** (pictured) has lost half of his assets in an acrimonious divorce settlement with his ex-wife Eve Mavraki, says the Daily Mail. MacGregor will have to hand over ownership of the £5m family home in Los Angeles, together with half of the royalties he earned starring in the Star Wars film franchise.

Former chancellor of the exchequer **George Osborne** failed in his bid to become chair of the Royal Opera House, says The Times. The role has gone to Carphone Warehouse co-founder David Ross. Last year, Osborne was thwarted in his efforts to become head of the International Monetary Fund.

©Lucasfilm/Fox/Kobal/Shutterstock

Stocks ignore US-China split at their peril

Alex Rankine
Markets editor

Donald Trump no longer feels the same way about Xi Jinping

©Getty Images

"I had a great relationship with President Xi," US president Donald Trump told Fox Sports Radio. "I like him, but I don't feel the same way now." Washington and Beijing's troubled relationship has taken a turn for the worse recently, with the two sides clashing over everything from stockmarket listings and tech to Hong Kong. Consulates have been closed and credit cards blocked. Hong Kong's leader Carrie Lam admitted this week that she has struggled to pay with plastic since she was targeted by US financial sanctions.

Ironically, trade is one of the few areas where the two countries still seem able to engage constructively, says Laura He for CNN Business. A cautious truce in January drew a line under a bitter two-year trade war. Scarred by recession, neither side appears inclined to resort to new tariff hikes for now.

The internet splits in two

On Monday, the US administration announced more measures aimed at choking off Huawei's access to computer chips. Earlier this month Donald Trump signed an executive order barring US companies from doing business with TikTok and WeChat, two wildly popular Chinese social-networking apps.

A "new digital iron curtain" is falling over the world, says Garry White in The Daily Telegraph. The internet is increasingly divided into different tech spheres centred on US and Chinese software. American allies such as Britain and Australia have joined in with bans against Huawei's 5G technology. Yet this "splinternet" is bad news for US tech giants too. They will have to "rein in their global ambitions" in a world where trading with both camps becomes nigh-on impossible. Global supply chains are also splitting apart, reports Debby Wu on Bloomberg. The chairman of Hon Hai, which assembles iPhones for Apple, declared last week that China's "days as the world's factory are done". The Taiwanese group has shifted production to southeast Asia to avoid US tariffs.

An expensive divorce

Yet unwinding all commercial ties would be prohibitively expensive. Unless either side can find "a spare $5trn to $10trn" to reconstruct their supply chains completely then the US and Chinese economies will remain bound together for years to come, says Zachary Karabell in Foreign Policy. Talk of a new Cold War is historically illiterate. The US and the Soviet Union barely traded with each other; US-China bilateral trade in goods has fallen but is still likely to be $450bn-$500bn this year. Despite a pandemic and tariffs, that figure is only back to where it was in 2011. "The United States and China are not in a cold war. They are in a bad marriage."

Once attuned to every development in the trade war drama, markets have become strangely blasé about worsening trans-Pacific relations, says Reshma Kapadia in Barron's. The rich valuations of tech giants such as Apple, which makes 15% of sales in China, will be far less plausible in a world that is segmented into "incompatible" tech spheres.

Why Warren Buffett now likes gold

Warren Buffett has long ridiculed gold as a non-productive asset that is no match for the dynamism of American stocks. Yet now it seems he thinks gold is set to shine. Buffett's Berkshire Hathaway took a $565m stake in Barrick Gold, the world's second-biggest gold miner, in the second quarter.

Gold has rallied strongly this year, reaching new all-time dollar highs thanks to fears about inflation, dollar weakness and tumbling bond yields. Yet after peaking at $2,070 an ounce on 6 August the yellow metal tumbled by 9% over the following week. It remains up roughly 30% this year, but the pullback was a reminder that gains can quickly turn into losses in this volatile market. The gold miners are "riding high" this year, but extracting the metal is becoming more challenging, says Alistair MacDonald in The Wall Street Journal. The average cost of finding one ounce of gold has more than doubled since the decade leading up to 2009, according to figures from Minex Consulting. That said, constrained supply won't necessarily mean higher prices: unlike oil, the metal is not consumed but is "virtually indestructible" once dug out of the ground.

In 1979, another year of political and monetary upheaval, gold more than quadrupled

More important for gold is demand, and there are reasons to be bullish, says Tom Stevenson in The Daily Telegraph. Bears point to 2011, when inflation failed to appear and growth exceeded expectations, for what can happen when gold gets carried away. A repeat of that scenario is possible. But 2020 reminds me of 1979, another year marked by turbulent politics and questions about the existing monetary paradigm. Not coincidentally, gold prices more than quadrupled. "Agonising about whether you missed" the rally at $2,000/oz "will seem ludicrous if we get a rerun of 1979's flight to safety".

©Getty Images

A record year for ESG funds

Environmental, social and governance (ESG) funds are coming of age. Fund network Calastone says that UK-based ESG funds saw £362m of inflows in July, a new monthly record. Investors have added £1.2bn to ESG investments since April, a figure "greater than all the previous five years combined".

One concern about ESG investing is that by excluding parts of the investment universe (such as tobacco stocks) investors are impairing their returns. Yet S&P Global Market Intelligence found that of 17 American ESG-orientated exchange traded and mutual funds, 14 enjoyed higher returns than the S&P 500 in the first seven months of 2020. Low exposure to energy stocks, hit hard by crashing oil prices, helps explain why.

ESG returns have also been driven by the outperformance of big tech stocks, says Camilla Hodgson in the Financial Times. Most of the top US ESG funds have either Apple, Amazon or Microsoft as their biggest holding.

As the tech giants have been dogged by controversies over "data privacy, labour practices and monopolistic behaviour" some question just how 'ethical' these investments really are. Yet other ESG funds refuse to hold Apple or Facebook at all. That inconsistency is a reminder that the ESG label says little about what is in a fund. If you want to know exactly where your cash is going, there is no substitute for doing your own research.

Inflation: back from the dead

Inflation has made a sudden comeback. America's core consumer price index (CPI) – which strips out volatile food and energy costs – jumped 0.6% in July compared to June, the biggest monthly rise since 1991. In annual terms, core US CPI advanced by 1.6% last month. In Britain inflation is more subdued, with prices rising by 1% year-on-year in July, but that figure still surprised on the upside. UK core inflation rose by 1.8% year-on-year last month.

Jonathan Allum notes in The Blah! newsletter that even in Japan, "where inflation went to die", producer prices rose by 0.6% in July on the previous month, although they remain down on the year. In China inflation rose to 2.7% last month. Widespread flooding in the country's south has caused a spike in food prices.

©Getty Images

Even deflation-prone Japan has seen faster price rises recently

The jury is still out

The "shocking" US inflation point is certainly a challenge to those like me who think we are heading for a deflationary meltdown, says Albert Edwards of Société Générale. Nevertheless, there is not enough data to draw firm conclusions yet. Falling rents have yet to feed through to the inflation figures, for example.

It is too early to talk of a new inflationary trend, agrees James Knightley in ING Think. Rising inflation may have been caused by an "unwinding of the strains" caused by Covid-19 shutdowns. But with 30 million unemployed in America, wages – the crucial input into prices – are going nowhere fast.

Deflation remains the greater immediate threat, says the Financial Times. The economy is just too weak to drive a classic "wage-price spiral". That said, central bankers are coming under greater pressure than ever before to bow to the will of politicians, who prefer easy money. If the bankers don't have the guts to raise interest rates "when the time comes" then we might eventually find ourselves back in the 1970s.

The pandemic has drawn the curtain on the era of low inflation, says Philip Aldrick in The Times. Since the fall of the Berlin Wall globalisation has kept labour prices low – think of all those cheap Chinese imports. Yet now trade decoupling is undoing some of those gains (see page 4) and the baby boomers are retiring to be replaced by a smaller pool of workers who will consequently have more bargaining power to demand wage hikes. "It's hard to argue against demography".

MoneyWeek's view is that the economy is heading for an inflationary denouement. The Bank of England has unleashed £300bn in quantitative easing in a matter of months, equivalent to about 35% of all government spending in the last financial year. Unlike in 2008, this new money is not being used to repair holes in bank balance sheets but is likely ultimately to find its way into the real economy, causing rising prices.

Viewpoint

"Deep-pocketed streamers are able to strike increasingly big exclusive deals for top on-screen and off-screen talent... The arrival of WarnerMedia's HBO Max and NBCUniversal's Peacock [will] further fuel hyper-inflation for premier content. WarnerMedia paid $425m for the rights to *Friends* for five years, outbidding even Netflix. Traditional broadcasters, lacking the resources to compete, [perceive a threat to] national identity, as cultural touchstones sign with the highest bidder. Last year, former BBC director-general Mark Thompson warned the talent buy-up meant the UK was facing "a total loss of culture sovereignty". Just as the Silicon Valley giants dominate... the web, from social networking to internet search and shopping, the golden age of streaming could result in an irrevocable shift in power in the TV and film industry to a small group of media and tech giants."

The Observer

■ Turkey heads for next currency crisis

The Turkish lira has sunk by around a fifth against the dollar over the past year, hitting a record low of 7.38 to the greenback this week. Investors are concerned about the impact of Covid-19 on tourism, which accounts for 10% of GDP, while an ongoing problem has been President Recep Tayyip Erdogan's insistence that the central bank keep interest rates low, fuelling a credit boom and inflation of 12%. A chronic current account deficit, which needs to be filled with foreign capital, hardly helps. The central bank seems to be running low on foreign-exchange reserves to bolster the lira. That raises the spectre of a currency crisis akin to 2018's: the central bank had to hike rates sharply to prevent a massive currency crash.

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

Six to buy

Byotrol
The Mail on Sunday
Hand sanitiser is "flying off the shelves", but regulation about what is in the products remains surprisingly lax: many are only effective for a short time and often use alcohol, which can irritate sensitive skin. This "fast-growing" Aim business offers antimicrobial products "backed by rigorous scientific research" and boasts strong commercial links with the likes of Boots and the NHS. Three positive trading updates in recent months suggest the "best is yet to come". *6p*

B&M European Value Retail
Investors Chronicle
This discount retailer sells groceries, kitchenware and furniture through its 656 UK stores. More consumers than ever are shopping at discounters and lockdown has brought new shoppers through the doors. Once they start using B&M, customers tend to remain loyal, with 82% reporting that they shop there "regularly or occasionally". The group's shares are popular with money managers and, trading on 16 times forecast earnings, the valuation is reasonable. *486p*

Clinigen
The Sunday Telegraph
Big pharmaceutical firms are in fashion. This stock offers a way to "co-operate" rather than "compete" with the industry giants. Clinigen supplies the drugs used for clinical trials, a highly regulated area that requires careful compliance. The group also makes money sourcing as yet unlicensed medicines and also invests in drug licences when it spots an opportunity others have missed. Clinigen is not big pharma, but "it is big enough to prosper". On 11.3 times forecast earnings the shares are a buy. *694p*

Spirent
Shares
This multinational telecommunications testing business is at the forefront of the rollout of 5G mobile networks. 5G should deliver much faster mobile download speeds and bigger bandwidth, satisfying the economy's insatiable appetite for data. Investment in the technology continued through the Covid-19 crisis, a testament to the "mission-critical" nature of Spirent's work for military and scientific organisations. The firm has been on a "hiring binge" to keep up with customer demand. On a forward price/earnings ratio of 25, the stock should be tucked away for the medium to long term. *301p*

Merck
Barron's
The healthcare rally has passed this American pharma business by, with the shares down by 8% for the year to date. The market is concerned about Merck's dependence on Keytruda, a blockbuster cancer drug that accounts for about 30% of revenue, but whose patent expires in 2028. Nevertheless, Merck has time to launch new treatments before then and its vaccine division is working on two potential Covid-19 vaccines. With a secure 3% dividend yield and trading on an undemanding 15 times this year's earnings, the shares offer exposure to a top-class pharmaceutical player "at a reasonable price". *$83*

Topps Tiles
The Times
Housebound DIY enthusiasts appear to be driving a revenue rebound at this tiling retailer, which is considered something of a "barometer of consumer confidence". Sales remain down compared with this time last year, but a recovery is under way, leading to hopes that Topps will manage to turn a profit this year after all. CEO Rob Parker notes that customers are using YouTube videos to prepare themselves for more ambitious home-improvement projects than in the past. The group will not pay a dividend this year as it used government help during the lockdown, but payouts should resume in 2021. Buy. *49p*

...and the rest

The Daily Telegraph
Uranium oxide supplier **Yellow Cake** stands to gain from a shortage of the nuclear fuel. A buy for the risk-tolerant "contrarian" *(213p)*.

Investors Chronicle
Mature natural gas-field investor **Diversified Gas & Oil** proved its resilience in the first half and pays a 10%+ dividend *(100p)*. These are grim times for commercial landlords, but **Helical's** prime London and Manchester portfolio and robust balance sheet bode well. Buy *(310p)*. Gym closures have driven new interest in solo exercise. That promises new business for US tech firm **Garmin**, which specialises in exercise tracking gadgets. Buy *($102)*.

The Mail on Sunday
Shares in video-games developer **Codemasters**, best known for its racing games, are up by 40% since January thanks to a surge in demand during lockdown. Take some profits *(395p)*.

Shares
Higher audience figures during lockdown have not delivered an advertising-income jump for **ITV**, but "we are keeping the faith" *(64p)*. Shares in Trinidad oil play **Touchstone Exploration** are up by 40% since June and rising production could keep the positive momentum going *(73p)*.

The Times
Balfour Beatty should be one of the big winners from Boris Johnson's Keynesian "infrastructure splurge". On about 11 times forward earnings the shares are reasonably priced *(258p)*. **BP's** new green strategy is a good start, but it remains to be seen whether it succeeds in new renewables markets, such as offshore wind, where competition is already intense. Hold *(299p)*.

A German view

Electric bicycles, or e-bikes, are on the rise, says Focus Money. In Germany alone the number sold surged by 40% in 2019. No wonder: they allow you to exercise, commute or pop to the shops without exhausting yourself (the electric motor is always there if you need it). It is also a practical option for companies delivering goods. UBS expects demand in Europe to rise by 15%-25% next year. All this is excellent news for Japan's Shimano, the world leader in bike components. More than 160 brands of e-bike are equipped with its batteries, motors and computers (registering data such as speed and location). It makes 41% of its sales in Europe and has plenty of cash for further investment.

IPO watch

Germany's CureVac, which is working on a coronavirus vaccine, raised $213m in its initial public offering (IPO) on the Nasdaq last week, say Rebecca Spalding and Echo Wang on Reuters. The biotechnology firm sold 13.33 million shares at $16 each, implying a market valuation of around $2.8bn. The German government took a 23% stake in CureVac in June for around $343m, suggesting that it deems the company's research "strategically important". GlaxoSmithKline and the Qatar Investment Authority have also bought stakes in the company. It is backed by Microsoft founder and billionaire Bill Gates and has secured a $85m loan from the European Investment Bank.

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City talk

● Lift maker Fujitec is a "test case" for Japan's shareholder revolution, says Mike Bird in The Wall Street Journal. Its shares trade at a big discount to European peers, showing how limited ambition and cash-hoarding too often reduce returns in Japan. Yet Fujitec is now under pressure from activist investors, partly because more than 37% of shareholders hail from overseas. "Sustained pressure" has slowly started to change Japan's staid corporate-governance culture. Fujitec will hopefully become another example.

● America's supermarket behemoth Walmart is "killing it", says Sabri-Ben Achour on marketplace.org. Underlying sales rose by 9.3% year-on-year during the three months to 31 July, with e-commerce

sales soaring by 97%. A multi-platform approach covering online ordering, delivery and in-store sales means it is "ready...however customers want to hand over their money". Walmart also has the government to thank: money from state income-support and stimulus programmes is more likely to end up in Walmart than anywhere else.

● Grim news of job cuts at M&S has a silver lining, says Jim Armitage in the Evening Standard. Management at this "sprawling" business is finally "getting a grip". Almost one-tenth of the workforce, 7,000 jobs, will go. Ambitious restructuring is the only way M&S can survive in the post-pandemic world. There are already encouraging signs: cash flow and sales have held up better than expected of late. Resources are being sent where there is demand for them – online and food. M&S will also stock more casual wear in its clothing section as more people work from home. Things are "going in the right direction".

©Getty Images; Fortnite/Epic Games; Wizz Air

Airlines' quarantine roulette

Sudden new travel restrictions are yet another headwind for the aviation and holiday sector. Most carriers have had to cut capacity. Alex Rankine reports

The travel industry is in "a tailspin", says The Observer. While other sectors of the economy are opening back up, the government's sudden imposition of quarantine measures on people returning from France, Malta and the Netherlands last week did more than wreck millions of holiday plans. It also puts at risk the hundreds of thousands of British jobs that depend on airports and travel operators.

Second-quarter figures from tour giant TUI provided a vivid illustration of the damage done to airlines by the pandemic. The Anglo-German business reported a 98% fall in revenue in the period, which coincided with lockdown, says Christopher Thompson on Breakingviews. Operating cash flow in the first nine months of TUI's financial year hit "negative €2bn". That has forced it to take loans from the German government. TUI can only pray that a surge in advance bookings for next summer means that 2021 will be a better year.

Who will be next?

This summer has been an introduction to "quarantine roulette", says Alistair Osborne in The Times. Which destination will be banned next? Now investors can join travellers in trying to anticipate governments' sanitary edicts by gambling on travel companies. TUI says a rights issue is "one option", but few will be mad keen to buy into a share dilution at a business valued at £2bn but with debts of "€7bn if you strip out customer deposits".

Britons are rapidly concluding that the only sure path is to "stay at home in the rain", says Nils Pratley in The Guardian. Ryanair doesn't anticipate a speedy improvement – it has cut flight capacity for the coming months by 20%. The budget airline's plan to operate at 70% of normal levels in September had always been a long shot; easyJet's 40% target looks more appropriate for this pandemic-scarred summer. Ryanair can afford the misstep. A low cost

Wizz Air will open a new base at Gatwick

base and a resilient balance sheet make it one of the stronger European airlines, says Philip Georgiadis in the Financial Times. At the end of June it had more than €3.9bn in cash.

EasyJet announced this week that it will close hubs at London Stansted, London Southend and Newcastle in response to reduced demand. The airline has taken on more debt to get through the crisis, but remains one of a handful of global carriers still boasting an investment-grade credit rating, says Lex in the same paper. Fare competition between the airlines has all but disappeared. Passengers have either decided to pay up to fly, or won't go at any price. "Profitability" is "a long-haul destination".

At least one carrier, however, is looking to the long term. Hungary-based Wizz Air plans to open a new base at Gatwick, aka easyjet's "fortress", says Simon Calder in the Independent. The initial expansion is modest, but Wizz Air's UK boss Owain Jones says it is "a statement of intent".

An epic battle with Google and Apple

Epic Games, the maker of the video game *Fortnite* (pictured), has become embroiled in a showdown with Apple and Google. The group has introduced a way of paying for in-game purchases that bypasses Apple's App Store and the Google Play Store – as well as the tech giants' 30% commissions.

Epic says that it is stopping its players from being ripped off and has launched an antitrust lawsuit. Apple and Google have responded by removing one of the world's most popular video games from their stores. Game developers loathe the 30% "Apple Tax", says Chaim Gartenberg in The Verge.

Yet Apple cannot easily afford to drop the charge. While Apple executives like to talk about revenue from the likes of Apple Music, the income from such services is "dwarfed" by its App Store earnings. Last year it made about $18.3bn from its cut of these sales, nearly 40% of total service revenue. It takes chutzpah to face down Apple and Google at the same time, says Dan Gallagher in The Wall Street Journal. Yet Epic has some major industry backers. Apple will say the iPhone's minority share of the smartphone market means it is not a monopolist, but there are more serious questions about how it exploits the App Store. "No developer can get an app on Apple's devices without the company's approval."

Apple may be facing "a serious antitrust reckoning", says Alex Webb on Bloomberg. It has evolved into a near-$2tn business, but still has the mentality of the upstart underdog. It is "a 120-pound Great Dane that still thinks it's a puppy".

Exams outcry forces U-turn

The decision to tweak students' grades by computer has backfired for the government. Ben Judge reports

The government has apologised to school pupils in England after coming under heavy criticism for the way A-level grades were awarded. Students were not able to sit exams this year due to lockdown, so they were given grades calculated by a computer algorithm, based on each school's previous results, each pupil's expected grades, and a comparison with other pupils of similar ability at the same school. The expectation, says the BBC, was that grades would be broadly in line with each school's previous performance.

A similar algorithm was used in Wales, Northern Ireland and in Scotland for the broadly comparable Highers exams. However, almost 40% of the awarded grades were lower than teachers had estimated them to be, and many argued that brighter pupils from historically underperforming schools were being unfairly punished. Private schools, however, saw a big rise in the number of top grades being awarded. The government has now scrapped the algorithm, and pupils will be given grades in line with those estimated by their teachers.

Gavin Williamson: a symbol of all that has gone wrong in government

©PA Images

A predictable crisis

"If ever there was a problem that could be seen a mile off", says Melanie McDonagh in The Spectator, it was the consequences of the "disastrous decision" to scrap exams, which could have been held "if there had been the political will to do so". Indeed, says The Times's leader, the U-turn was "inevitable". The "manifest unfairness" in the algorithm was "too great to ignore", and the "outcry from pupils, parents, teachers and Tory MPs was overwhelming". What is really alarming is "the apparent failure to anticipate the problems that adopting an inevitably flawed algorithm was bound to present", especially after the "Scottish exam debacle" a week earlier. "How the government could have got itself into this muddle, or let it drift for so long, is baffling." I feel sorry for the "hapless" education secretary, Gavin Williamson, says Jeremy Warner in The Daily Telegraph. "Thrust into a position for which he is plainly unsuited", he is "somehow symbolic of everything that has gone wrong in the government's Covid response".

> *"Sacking Williamson now would be like sacking a mouse for eating cheese"*

Appointing him was certainly "a bit weird", says McDonagh –was Johnson "mad, or did he just not give a toss about the most important department in government"? As it turns out, it was "the latter". Giving the job to somebody "with absolutely no discernible aptitude for it" was "bound to end badly".

Quite, says Tom Peck at The Independent. Williamson was sacked as Theresa May's defence secretary after someone (not him, he swore "on his children's life", despite "the very large amount of very overwhelming evidence that it had definitely been him") leaked information from the National Security Council. Sacking him now "would be like sacking a mouse for eating cheese".

Putin seeks to keep the lid on unrest in Belarus

Demonstrators have struck a peaceful pose

©Getty Images

"Did the president of Belarus, Europe's longest-serving tyrant, just have his Ceausescu moment?" asks Tom Parfitt in The Times. On Monday, Alexander Lukashenko snapped at a booing crowd, "Until you kill me, there will be no other elections." He may be right – "a grisly death seems unlikely". Demonstrators in the capital, Minsk, have so far been peaceful at the behest of the 37-year-old opposition leader Svetlana Tikhanovskaya, despite being met with "police brutality".

Still, Lukashenko's claim to have won 80% of the vote on 9 August isn't fooling anybody, says The Economist. "Lukashenko has done all this before and got away with it, largely because he retained enough support to claim a degree of legitimacy." This time, however, he "appears to have lost most of the population, thanks partly to his extraordinary incompetence in dealing with Covid-19". Tikhanovskaya, on the other hand, rose to popularity after her video-blogging husband was jailed and prevented from running. No matter. Judging by "the vast crowds she attracted during her rock-star progress around the country", and by the results from the few polling stations where rigging was prevented by observers, she is thought to have won around 70%. The election result, when it was announced, was met with disbelief and rage, along with rubber bullets and stun grenades. "The Western response has been feeble."

Yes, but "as the post-Soviet state, wedged awkwardly between the EU and Nato on one side and Russia on the other, struggles for its freedom, it's worth keeping in mind who will ultimately decide its future", says Andreas Kluth on Bloomberg: Russia's Vladimir Putin. Certainly no fan of Lukashenko, Putin is driven by increasing his personal power "and reassembling the 'Russian world' that was lost when the Soviet Union broke up". Belarus is a buffer state, and the EU and Nato "must be pushed back", in Putin's view, from Russia's borders. The result will be that "lovers of freedom may soon shed tears of joy at the liberation of Belarus, only to find themselves weeping over its renewed subjugation".

Lebanon crashes into chaos

The recent explosion in Beirut was the latest episode in a sorry saga of political and economic mismanagement that has led to hyperinflation and impending collapse. Alex Rankine reports

What's happened?

On 4 August, a huge explosion devastated the port area of Beirut, the capital of Lebanon. It was caused by 2,750 tonnes of ammonium nitrate, an agricultural fertiliser and a mining explosive, which customs authorities had left stocked in a quayside warehouse for six years. The explosion killed at least 171 people and left 300,000 homeless. The disaster may cost up to $15bn, one quarter of Lebanon's GDP.

What are the political repercussions?

Angry protests forced the technocratic prime minister Hassan Diab to resign on 10 August. He is the second Lebanese prime minister to be ousted in less than a year amid a worsening economic crisis. The explosion has become a symbol of government incompetence and corruption in a city where rubbish often goes uncollected, traffic lights do not work and daily power cuts are a fact of life.

Continual political dysfunction has culminated in the recent disaster

©Getty Images

How bad is the economy?

Awful. The Institute of International Finance says that the Lebanese economy is on course to shrink by 24% this year. Unemployment has reached 35%. The Lebanese pound has lost 80% of its value against the US dollar since last October. Lebanon is one of two places in the world experiencing hyperinflation (the other is Venezuela), with prices rising at an annualised pace of almost 90% in June and food prices up 246.6%. The country imports more than 80% of its food.

How has that affected everyday life?

Some citizens have resorted to bargaining, with Facebook advertisements offering swaps of clothes for cooking oil and foodstuffs. Banks are dealing with a dollar shortage by imposing strict withdrawal limits – depositors are limited to accessing as little as $200 per fortnight of their own money. Rapidly changing and unpredictable prices are another hallmark of hyperinflation and can lead to absurdity. Beirut resident Lina Mounzer writes in The Economist that when a friend's mother went to buy nuts and inquired "how much?", the shopkeeper replied "I don't know madame… How much do you think is fair?"

> *"Inflation reached an annualised 90% in June; food prices were up by 246.6%"*

What caused the hyperinflation?

The root cause of hyperinflation is always the same: central banks using the printing presses to finance government deficits. Yet in Lebanon the story comes with a local twist. The Lebanese pound is officially pegged to the dollar at a rate that has become ludicrously overvalued (1,500 LBP/dollar, compared with about 8,500 LBP/dollar in the black market). Lebanon's heavily import-dependent economy suffers from a structurally weak balance of payments, meaning dollars tend to flow out of the country. Instead of devaluing, in 2016 the Banque du Liban, the central bank, chose another approach, ominously dubbed "financial engineering". The bank would offer generous interest rates – as high as 11% – to commercial banks as part of complex swap operations for government debt and US dollars. The financial-engineering swaps often offered bonuses and other extra sweeteners on top of headline interest rates to commercial banks.

Did it work?

No. The high interest rates attracted new greenbacks into the banking system from foreigners in the Lebanese diaspora and the Gulf. Bankers were more than happy to collect generous risk-free returns and the government, through the Banque du Liban, secured the dollars it needed to finance its external debts. The problem is that the central bank was running out of cash to pay the usurious rates it had imposed on itself, leading it to borrow even more dollars from the banks. Economists have dubbed the resulting dynamic a "Ponzi scheme". The International Monetary Fund (IMF) thinks the Bank has lost $49bn. High interest rates also diverted banks' money away from loans to businesses in the real economy and towards the central bank's financially engineered returns.

What about government debt?

In March, the Lebanese government defaulted on its debt for the first time ever. With a debt-to-GDP ratio of 170%, Lebanon is the third most indebted country in the world. Much government spending is wasted. The political class are, as David Gardner puts it in the Financial Times, largely "superannuated warlords and dynasts of the country's 18 religious sects" who survived the 1975-1990 civil war. The peace deal that ended the conflict was based on a system of "confessionalism", which ensured that the country's Christian, Sunni and Shia communities would enjoy political representation. The one-time warlords have carved out new fiefdoms for themselves and their cronies in the public sector. As Toufic Gaspard notes for Middle East Transparent, the percentage of public-sector jobs has leapt from 10% before the civil war to more than 25% today.

How can this the mess be fixed?

International partners have pledged $300m in aid to Lebanon, but that is only a drop in the ocean. World leaders fear that more substantial help will only line the pockets of corrupt politicians. In another sign of the dysfunction in Beirut, the IMF has so far been unable to offer an emergency credit line as politicians cannot even agree on how big the banking system's losses are. Further defaults are not a panacea: the "financial engineering" trick left Lebanon's banks holding about two-thirds of government debt. Figures from IHS Markit show that a "haircut" of only 18% would leave local banks insolvent, reports The Economist. Enacting economic reform and sharing the financial losses fairly between banks, depositors and the state would require the sort of political will and broad-based legitimacy that the Lebanese leadership does not have. Instead, for the time being, political and financial elites have opted to impose the losses on ordinary people through the printing presses.

Washington DC

Joe Biden officially nominated: The 77-year-old former vice president (pictured) has formally become the Democratic candidate to take on President Donald Trump in November's election. The party's attacks on Trump's character and his handling of the pandemic appear to be going down well with voters. "But the bigger issue next year will be reviving the economy from the shutdown recession, and on that score the Democrats are mostly quiet," reckons The Wall Street Journal. "Perhaps that's because Joe Biden is promising to repeat the same policy-mix that produced the slowest recovery in modern times during the Obama years." Across Obama's two terms, annual growth, adjusted for inflation, averaged just 2.3%. "Despite the length of the post-2009 expansion, it was shallow." The stockmarket, however, appears sanguine, and continues to look forward to an economic recovery after the worst drop in GDP since the Great Depression. The S&P 500 index closed at 3,389.78 on Tuesday, "capping the fastest-ever return to a record [high] after a drop of at least 20%", says Cormac Mullen on Bloomberg. Investors are focusing on fast-growing technology companies and "unprecedented fiscal and monetary stimulus".

Ottawa

Scandal claims finance minister: Canadian prime minister Justin Trudeau (pictured) is set to name deputy prime minister Chrystia Freeland as Canada's new finance minister. The news comes after former finance minister Bill Morneau announced he was resigning, says Paul Vieira in The Wall Street Journal. He is "the biggest casualty from a scandal tying the Liberal government to a charity with close links" to Trudeau's family. Morneau disclosed last month that his family accepted tens of thousands of dollars of hospitality from the WE charity, which in June was awarded a C$1bn government contract. The contract was cancelled after scrutiny about the Trudeau family's ties to the organisation intensified as it was revealed WE paid Trudeau's mother and brother nearly C$500,000 to attend the organisation's events. Both Trudeau and Morneau are under investigation from Canada's ethics watchdog for possible violations of conflict-of-interest rules.

Berlin

Europe's young find their hero: Germany recorded 1,693 new cases of Covid-19 in the 24 hours to Tuesday morning, the highest daily number in nearly four months, fuelling fears of a resurgence of infections in Europe's biggest economy. Deflation also returned for the first time since April 2016. Consumer-price growth fell to -0.1% year-on-year in July, from 0.9% the previous month. Across the wider eurozone, inflation edged up by an annual 0.4% last month. The economy is expected to have shrunk by 15% in the second quarter from the same three months in 2019. From a medical standpoint, the virus is most dangerous for the elderly, says Ferdinando Giugliano on Bloomberg. But the young are more exposed to the economic fallout. This week they found "an unlikely hero" in Mario Draghi. The former president of the European Central Bank used his first speech since leaving the post to call for more "good" debt, used to improve productivity and opportunities, and less "bad" debt, such as that used to fund early retirement.

Dubai

Historic Arab-Israeli deal agreed: The United Arab Emirates announced it is to normalise its relations with Israel following years of animosity, says Frank Gardner for the BBC. Israel and the UAE share a "deep mistrust of [their] giant, heavily armed neighbour", Iran. The alliance could "propel the UAE" to a new level of prosperity and international prestige and reflects the "changing geopolitics" of the region. Both Israeli and American officials expect other Arab Gulf states, who are also anti-Iran, to follow suit. For the UAE's Crown Prince Sheikh Mohammed bin Zayed, the deal is "something of a gamble", but the odds are heavily in his favour. While he risks making UAE leadership highly unpopular in the wider Arab world, it doesn't pose a threat to his regime. After the announcement Israel announced it aims to open a commercial mission in its future embassy in the UAE to help lift its exports to the country to as much as $500m, says Ivan Levingston on Bloomberg. That would place the UAE on the same level as Poland and Vietnam among Israel's trade partners. Israeli prime minister Benjamin Netanyahu said access to free trade zones in Dubai would benefit Israeli consumers.

The way we live now: the app that can tell when you've had enough

Smartphones already help you seek out a pub and a car to get you home at the end of the night. Now they can even help you drink responsibly. A new mobile-phone app by the Stanford University School of Medicine has been programmed to detect the drunkenness of its users, says Rhys Blakely in The Times. The app uses a phone's motion sensor to gauge an individual's movement, having determined the universal empirical standards for a drunken wobble. Taking into account acceleration, swaying and the number of steps from a variety of giddy subjects, your phone's computer can calculate (93% of the time) whether or not an individual would pass British drink-drive limits. The key now, says Brian Suffoletto, who led the university's research, is to build on this and enable the phone to "ping" to let its owner "know to leave before they do something they might regret the next day"; this could be accompanied by reminders not to drive. The app could also alert a partner or friend that the person has overdone it and needs to be picked up.

"Beep. Go home now, you lightweight. Beep"

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London

Inflation's unanticipated jump: The sharp rise in consumer prices from 0.6% to 1.0% year-on-year in July "came as a bit of a surprise", says Ruth Gregory of Capital Economics. Nevertheless, consumer price index (CPI) inflation "still looks on track to fall to within a whisker of zero in August". Clothing, in particular, ticked up, but that may have been down to the delay in holding high-street summer sales. Some of these price rises will probably be reversed over the coming months as the results of the government's Eat Out to Help Out restaurant scheme and the lowering of VAT for the hospitality sector feed into the data. "We think it will be a few years before the economy is strong enough to raise CPI inflation to the 2% target." The inflation rise is a sign that "economic life is getting back to normal", says Fidelity International's Ed Monk. Still, that will come as scant consolation to more than 7,000 employees at Marks & Spencer who are set to lose their jobs (see page 7) – "the most brutal cull of the UK retail sector since the pandemic began", say Jonathan Eley and Sarah Provan in the Financial Times. Boots, Debenhams and Dixons Carphone have also announced "thousands of redundancies".

The Eat Out to Help Out scheme may lower inflation

Tokyo

GDP in record slump: Japan's economy suffered its biggest contraction on record, shrinking by an annual 27.8% in the second quarter of 2020, says Martin Strydom in The Times. The pandemic hit both exports and domestic consumption. GDP has fallen to its early 2011 level. The pandemic has "wiped out" the benefits of the "Abenomics" stimulus policies introduced by Prime Minister Shinzo Abe in 2012. Japan entered 2020 with an already shrinking economy, says Megumi Fujikawa in The Wall Street Journal, largely due to an increase in the national sales tax that took effect in October 2019. Analysts don't expect the country's economy to return to its mid-2019 size until late 2022 or 2023. Japanese exports to China have recovered, but private consumption fell 8.2% in the April-June quarter from the previous quarter. On paper, unemployment numbers suggest the country is weathering the crisis "reasonably well", but official figures fail to portray the worsening prospects for the country's "army of temporary workers", who make up about 40% of the jobs market, say Tetsushi Kajimoto and Hiroko Hamada on Reuters. Japan's jobless rate stood at 2.8% in June, but people are increasingly dropping out of the labour market, which prevents the jobless rate from rising.

Pretoria

A glimmer of hope in South Africa: South Africa may finally be getting to grips with its coronavirus crisis, says Capital Economics. Daily cases have dropped below 3,000 from over 13,000 mid-July, and although the country still has the fifth-highest number of cases worldwide, the drop allowed the government to relax lockdown measures. It's just as well. "The economy needs all the help it can get", with GDP estimated to have fallen by 22% quarter-on-quarter between April and June. The country is now facing an uphill struggle, with national income expected to fall by 11% this year and harsh fiscal austerity measures on the horizon for next year if the debt pile is to be brought under control. But the country was in a precarious position even before the pandemic struck, says Mike Cohen on Bloomberg. Jacob Zuma's "disastrous nine-year rule left a toxic legacy of endemic graft", government debt and evaporating confidence. The incumbent Cyril Ramaphosa has made only "stuttering progress" since he stepped in in 2018, edging out corrupt officials but struggling to kickstart growth or tackle unemployment. Ramaphosa has announced a $30bn package to shore up the economy and hopes to entice private investors to help with funding, but "success is far from certain". It's either a long road to recovery or "economic collapse".

Wellington

General election postponed: Jacinda Ardern (pictured), New Zealand's prime minister, postponed the country's general election by a month to 17 October as the country remains in lockdown owing to Covid-19, says Praveen Menon on Reuters. The announcement comes after parties complained they couldn't campaign effectively with nearly a third of the country's five million people largely confined to their homes. Ardern's Labour Party holds a strong lead over the conservative National Party in opinion polls. She ruled out delaying the polls any further, adding that everyone was "campaigning in the same environment". New Zealand recorded nine new cases of Covid-19 on Monday this week, taking the total of active cases to 78. There have now been 1,280 cases and 22 deaths altogether. An earlier election "would have worked in Ardern's favour" as her success in keeping the country virus-free for 102 days until the most recent outbreak, in Auckland last week, boosted her popularity. The government has extended its wage-subsidy and mortgage deferral programmes. New Zealand's central bank expects the economy to be back where it was before coronavirus by mid-2021.

Prepare for mass unemployment

As the furlough scheme comes to an end, job losses will soar. That will demand a radical response

Matthew Lynn
City columnist

Despite the severity of the slump, so far we have not seen a tidal wave of job losses. Sure, almost every day there is a fresh round of redundancies at a retailer, restaurant chain or airline. But it is usually only a thousand or two. The latest statistics showed the headline unemployment total remained close to a record low, at only 3.6%, even if, rather ominously, the total number of hours worked showed a steeper decline, as did the overall number of people in employment. Even so, given the scale and the speed of the slump, far more people are still in jobs than you might expect.

How bad will it get?

The trouble is, that is going to change very soon. Chancellor Rishi Sunak's hugely expensive furlough scheme has kept people on the payroll, but it is already starting to be phased out, and is due to come to an end by October. Firm will then have to decide whether they can afford to keep staff on. Lots of them will decide they can't continue, or, if they can, to do so with fewer staff. The redundancies will start on an epic scale.

Plenty of people will argue that the furlough scheme should be extended, as it has been in other countries. Companies certainly still need help, and if a concert hall or beauty salon is shut because of government rules, there is a case to be made for supporting it financially. Against that, six months is not temporary, and we still have no idea when this crisis will end. It could be years. If businesses are no longer viable, we are not helping anyone by keeping them artificially alive. Either way, as furloughs end, joblessness is going to rise. If you add in the staff on furlough, 33% of the workforce is already unemployed, far more than the all-time UK record (24% in 1921, during the Spanish flu epidemic). It might not get that bad. Somewhere between 10% and 15% seems a certainty, however.

Rishi Sunak is ending the furlough scheme

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It is more than three decades since we saw so many people out of work. As a result, expect to hear about job creation schemes and subsidies for employers to persuade them to take on more staff, especially young people. Higher education will probably be expanded yet again to try and massage the numbers, and the government will no doubt spend a ton of money on roads, bridges, schools and hospitals to revive demand. It will all help. But in truth we can't ignore the most obvious solution. Price.

Over the last decade, with a booming labour market, we have steadily pushed up the cost of staff. We have increased the national living wage at one of the fastest rates ever, and it is now one of the highest in the developed world. While the economy was doing well, there was nothing wrong with that. It increased earnings, especially for the least skilled workers, and the economy still created jobs at a record rate. It was a simple policy that created lots of winners, and apparently no losers. But suddenly the economy has changed. The cost of labour can no longer be ignored.

It's time for a wage cut

Price is what balances supply and demand. If there is too much of something, the price goes down, and that pushes demand back up again. If there is mass unemployment, it is crazy to keep the living wage so high. At a lower rate, a few employers would be tempted to keep people on. A socially distanced restaurant, for example, might not be able to pay waiters the same rate as before, but could break-even with lower wages. The same might be true of a shop, or a hotel struggling with fewer customers. At the same time, the new businesses starting up would find it a lot easier to hire the first one or two people if they cost a little less.

We should temporarily lower the living wage from £8.72 to £7. At the same time we should look at a round of deregulation of the labour market, and free up the gig and hustle economies too, because it is a lot easier to create flexible, part-time work than full-time jobs. Sure, that is going to be tough. And it is certainly not going to be popular. But the hard truth is that locking down the economy has made us a lot poorer. The only way to balance supply and demand is to cut prices. That is as true of labour as it is of anything else.

Who's getting what

● The pay of Jaguar Land Rover's chief executive, **Ralf Speth** (pictured), has risen by 30% to £4.4m in a year in which more than 4,000 workers lost their jobs and the carmaker suffered a second consecutive year of heavy losses, says Robert Lea in The Times. In the past four years, in which he earned a total of £18m, "the Jaguar Land Rover bubble has burst, hit by a collapse in sales in China, consumers turning their back on diesel vehicles, economic uncertainties around Brexit and now Covid-19". Speth will step down as CEO after a decade in the job, but will stay on as deputy chairman.

● BlackRock's **Larry Fink** is the investment sector's best-paid chief executive, according to the Financial Times. The boss of the world's biggest asset manager was paid $24.3m in total for 2019, 8.3% less than for the previous year. AMG's **Jay Horgan** was the next best-paid, earning $24.2m, 317.2% more than the $5.8m he took home in 2018. **William Stromberg** of T Rowe Price was third in the list, with $14.6m.

● **Mark Frissora**, the former CEO of Hertz, has agreed to repay almost $2m in incentive compensation, in addition to a $200,000 penalty, to settle claims that he pressured subordinates to meet targets, causing them to break rules, says The Wall Street Journal. He neither admitted nor denied the allegations. Hertz had paid Frissora $10.5m in cash, a majority of his bonus for 2014, the year he left the firm, and other equity-related pay, as part of a separation agreement.

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Nice work if you can get it

Charities have ignored calls from the National Council for Voluntary Organisations, an umbrella group for charities in England and Wales, to publish full details of their chief executives' pay, says Greg Hurst in The Times. Of the 100 biggest charities by income examined by Charity Finance magazine, only nine published the exact figures on their websites; 42% only did so in their annual accounts. The rest published salary bands, which is the minimum required by the regulator for those earning over £60,000 a year. Of the five biggest, only Oxfam gave the precise salary, £120,000, paid to its chief executive, Dhananjayan Sriskandarajah, on its website. The biggest charity, Nuffield Health, listed the total pay of its CEO, Steve Gray, as between £840,000-£849,000, which included a £300,000 performance-related bonus. The average CEO salary of the 100 was £155,000 last year.

Raise a toast to illiquid stocks

In nervy markets, lower liquidity can make more difference to shares in major companies than you'd expect

Cris Sholto Heaton
Investment columnist

The news that Apple is to carry out a 4:1 stock split has sent the tech giant's shares soaring again. Apple's stock price is up by 20% since 30 July, when the split was announced, having already doubled over the past year.

Stock splits theoretically shouldn't make any difference to the price of a share. Yet studies show that when companies split their stock, they tend to outperform over subsequent periods ranging from months to years. (The opposite is true for reverse splits, which is bad news for floundering voucher-deals firm Groupon: its recent 1:20 consolidation seems unlikely to check its steady march towards zero.)

The standard explanation for this is that splits improve liquidity: small investors can now join in the fun and push prices up further. This is doubtful beyond an initial frenzy (see below) and in any case Apple is already highly liquid. The more plausible argument is that firms tend to split when they are doing well, so a split is a consequence or a signal of a bullish outlook rather than a cause. If Apple keeps rising, this will probably be the reason, rather than higher liquidity.

Investing alongside the family

In any case, lower liquidity is probably a greater boon to long-term investors, especially in unsettled markets like these. You can see this in situations where firms have two share classes with different economic or voting rights and one is much less liquid (typically because it is closely held by a founder or controlling family).

Take drinks firm Brown-Forman. It has voting A-class shares and non-voting B-class shares. They get the same dividends, yet the theoretically more valuable A currently trades at an 8% discount to the B. Or chemicals firm Henkel, which has non-voting preferred shares with dividends that are set to be just two euro cents higher than the ordinary shares. The less liquid ordinary shares are 13% cheaper.

Jack Daniels whiskey is made by family-controlled Brown-Forman

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"When companies split their stock, they tend to outperform"

For a more involved case, consider brewer Heineken. It is 50% owned by Heineken Holding, which has no other assets. These stocks pay the same dividends, yet the holding company trades at an 11% discount. Or for a slightly different variant, many Korean firms such as Samsung Electronics have a small float of non-voting shares that trade at a huge discount to the ordinary shares (there is a fund, Weiss Korea Opportunity (LSE: WKOF), that specialises in investing in these).

Not all cases are useful: brewer Carlsberg's less-liquid A shares oddly trade at a premium to its B shares. But for private investors who don't need the same level of liquidity as institutions, these situations can sometimes let you buy into major companies at a better price.

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

A stock split happens when a company decides to increase the number of its shares in issue by giving existing investors additional shares for each share that they currently hold. The firm's share price falls to reflect the enlarged share base and its market capitalisation stays the same. The total value of each investor's shareholding remains unchanged as well, because they hold the same percentage of the firm after the split that they did before.

For example, assume that a company has 100 million shares in issue and a share price of £50 per share. It carries out a 2:1 (or two-for-one) split, meaning that the investor ends up with two shares for every one they originally had. Then the total number of shares increases to 200 million and the share price falls to £25. The market cap stays at £500m and an investor that previously owned 100 shares worth £1,000 will now have 200 shares worth the same. All financial ratios such as earnings per share and dividends per share will obviously be halved.

It's widely believed that stock splits improve liquidity, because smaller investors are now more able or willing to trade lower-priced shares. The argument for this is not very compelling: in practice, investors tend to buy or sell a certain value of shares (eg, £5,000) rather than a certain number (eg, 500), so it's only if the price is very high (eg, £10,000 per share) that you'd expect a lower price to make a difference to how often it's traded. The empirical evidence is mixed at best; some studies suggest that any change is short-lived and that the bid/ask spread – a more meaningful measure of liquidity than the number of shares that are traded – may get worse after a split.

The opposite of a stock split is a consolidation or reverse split, which happens when a firm reduces the number of shares in issue. These are less common and usually the sign of a company trying to make a very weak share price look better.

Guru watch

Jeffrey Gundlach, chief executive, DoubleLine Capital

Donald Trump will be re-elected as US president in November, reckons Jeffrey Gundlach, America's best-known bond investor. Polls showing his rival Joe Biden with a commanding lead are "very, very squishy right now because of the highly toxic political environment in which we live", he told a webcast for investors in DoubleLine's funds, reports ThinkAdvisor. Many conservatives "have lied about their support for Donald Trump… maybe people aren't really getting the right read from polls".

Gundlach – who predicted Trump's victory in 2016 – was also critical of Biden's choice of Kamala Harris (pictured) as his vice-presidential candidate on the basis that "she's a little too charismatic … a little too dominant with her personality" – qualities that might normally be seen as an asset in a politician.

Regardless of who wins, Gundlach isn't optimistic about US Treasury bonds, largely due to the soaring US budget deficit, which is "getting almost surreal". He believes that that the gold price "will ultimately go much higher because… the US dollar is going to go much lower" (gold is mostly traded in dollars, so a weak dollar means higher gold prices). However, that's a longer-term bet; for now, the dollar's weakness "is probably nearly over" and so gold has reached its short-term high. The stockmarket rally is "getting long in the tooth" and stocks could even retest March's lows. But investors should still hold some stocks as protection against higher inflation, together with gold and a substantial amount in cash as a hedge against deflation.

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18+

WHAT IS AVAXHOME?

AVAXHOME -

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

Unlimited satisfaction one low price
Cheap constant access to piping hot media
Protect your downloadings from Big brother
Safer, than torrent-trackers

18 years of seamless operation and our users' satisfaction

All languages
Brand new content
One site

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

Profiting from long-term trends

This thematic investment trust offers a good way to diversify a growth portfolio

Max King
Investment columnist

The exceptional performance of funds run by Baillie Gifford over the last ten years has enabled it to grow existing trusts, launch new ones and take over the management of others. Back in 2014, however, it lost one to Artemis – the strangely named **Mid Wynd International Investment Trust (LSE: MWY)**, which is now managed by the team of Simon Edelsten, Alex Illingworth and Rosanna Burcher.

Mid Wynd, named after an obscure alley in Dundee, has grown to £320m of assets, thanks to strong performance and regular share issuance. Returns of 98% over five years and 41% over three are well ahead of the 74% and 25% returns of the FTSE World index, helped by 8% outperformance in the last six months. This is still well behind Scottish Mortgage and Monks, but past returns are an unreliable guide to the future and Mid Wynd's differentiated style adds diversity for those nervous of having too many eggs in the Baillie Gifford basket.

Beware of the fads

The team seeks to "select a number of long-term trends from around the world and then construct a portfolio that can benefit from these trends over the long term, regardless of the short-term economic environment". Thematic investment has a mixed reputation as it is easy for inexperienced investors to follow popular fads only to find that these are widely reflected in share prices and are not durable. The themes in Mid Wynd are not necessarily original, but they are durable, while "a disciplined approach to valuation" is superimposed.

"Five-year returns of 98% are well ahead of the FTSE World"

This results in a growth-orientated portfolio. Online services accounts for 22%, including not just Amazon, Microsoft and Google, but also Equinix, which operates 205 data centres in 25 countries. Japanese firms, notably Difuku and Daikin, are well represented in the automation theme (12%), while the focus in healthcare (11%) is on controlling the cost to government as much as on innovation. Another 10% is in scientific equipment, including the largest holding, Thermo Fisher Scientific, at 2.5%, while 10% is in the growth of consumer spending in emerging markets (LVMH and L'Oréal). Tourism was dropped a year ago on the grounds that its success was provoking an environmental backlash but Booking.com and Amadeus were recently added back to the portfolio.

Luxury goods giant LVMH benefits from emerging market growth

©Getty Images

"We have nothing in a lot of sectors, with banks, oil and retailing the most troubled areas," says Edelsten. He describes the portfolio as "defensive as well as growth", which would have sounded contradictory until this year.

Stocks that stick to their guns

Like all good managers, Edelsten makes stock selection sound easy. He advocates "choosing companies that stick to what they are good at and invest in their own businesses", pointing to Kongo Gumi, the world's longest-lasting company, which was founded in Japan in 578, but fell into receivership a few years ago "as a result of taking on heavy debts and making dodgy investments in the 1980s real-estate bubble".

Diversification, though, isn't obviously stupid at the time. BAT spent decades diversifying away from a core business that killed people into retailing, financial services and even cosmetics before returning its focus to cigarettes. Will Shell be any more successful with its diversification into renewable energy? Companies whose core business is in decline are under heavy pressure to diversify or change direction, but the best strategy may be to manage decline gracefully.

Through analysis of evolving trends, the Mid Wynd team is thinking ahead rather than extrapolating the past into the future. This promises many more years of outperformance.

Activist watch

Investor Everest Alliance won a "bitter boardroom showdown" at miner Petropavlovsk as shareholders chose not to reappoint former CEO Pavel Maslovskiy and also removed his co-founder Peter Hambro in a vote last week, says Edward Thicknesse in City AM. The result – which was opposed by Prosperity Capital Management, another activist investor specialising in Russia – comes after months of strife. Maslovskiy was unexpectedly voted out alongside six other directors at the firm's annual general meeting in June, a decision that led to a "power struggle between rival groups of investors". Petropavlovsk has had an unstable power structure for years due to a 22% bloc of shares that gets passed from one oligarch to another, says Jim Armitage in the Evening Standard.

Short positions... only the paranoid survive

■ **The British income funds that coped best with the many firms cutting dividends in this crisis were those that bought the largest stocks or invested part of their portfolio overseas, says Jonathan Jones in The Daily Telegraph. Data from fund group Sanlam, which ranks British income portfolios based on their returns, yield, and whether they were able to protect investors' money in tough times, found that the £320m Liontrust Income fund topped the table. This fund, managed by Robin Geffen, invested 20% of its portfolio overseas, which boosted returns in recent months when the British market dropped 17% compared with the US market's 5.3% gain. The £47m Santander Enhanced Income, "which has been among the best British income portfolios for several years", took second place. The £842m Miton UK Multi Cap Income fund came third and "was the best bet for income investors who wanted to own fast-growing smaller companies".**

■ Fund manager Nick Train (pictured) feels "paranoid" about how the world will change after Covid-19, says Jeremy Gordon on Citywire. Train, who manages the £6.2bn Lindsell Train UK Equity fund and £1.8bn Finsbury Growth & Income trust, says he expects "clubbing, shopping, watching sport" to rebound. But the "extraordinary acceleration in the adoption of digital products and services" makes him worry. "This is what it must have felt like in the mid- to late 19th century when the railroads were... changing the shape of the economy... if you got caught on the wrong side... your investments weren't very successful."

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Down a rabbit hole with MMT

David Smith
The Sunday Times

Modern Monetary Theory, or MMT, is all the rage, thanks in part to the publication of a popular book on the subject, says David Smith. Pay no attention, however: the notion "requires us to be taken down a rabbit hole of implausibility". A key tenet of MMT is that the government can always print money to cover a deficit of any magnitude, and even pay off the accumulated debt pile if it wants. The only way a deficit can be deemed excessive is if inflation has taken off. But "if deficits can be costlessly funded… by issuing currency", why do governments have to raise tax? And why do governments feel the need to borrow by issuing bonds and sometimes struggle to do so at affordable interest rates? The idea that, if inflation takes off as a result of printing all this money, all government has to do is rein in spending or put up taxes also seems unrealistic. Governments have never been good at forecasting or reacting to inflation in a timely manner. And which government is ever inclined to cut public services? As financial writer Dylan Grice puts it, MMT "is a recommendation that policymakers press hard on the accelerator without knowing where the brake is".

Italy needs more capitalism

Christian Ortner
Die Presse

Italy is such a lovely country that we often overlook its faults, says Christian Ortner. But it's high time we stopped indulging its economic dysfunction and required it to get its act together. Finance minister Roberto Gualtieri mused the other day that, thanks to the European Union's new €750bn recovery fund, Italy will need to raise €10bn less in tax in 2021 than was originally planned. No doubt the citizens of highly taxed Germany and Austria will be thrilled to hear that they are financing tax breaks down south. This sort of thing is symptomatic of Italy's long-term malaise. Gross domestic product is dwindling to 1990s levels and, despite plenty of European aid, bankruptcy is looming as levels of public debt shows no sign of falling. The key problems are over-regulation, driven by lobbyists and vested interests trying to prop up cosseted sectors of the economy, a paralysing bureaucracy, and corruption. Italians spend 32 years of their life working, compared with 37 in Austria and 39 in Germany. Contrary to the opinion of Italy's elites, the country needs more competition, capitalism and market economics – not more of Europe's capital.

Microfinance heads for big trouble

Editorial
The Economist

Microcredit was touted as the next big thing in the 1990s and 2000s, says The Economist. It would allow the poor in developing nations to borrow and invest, with lenders judging creditworthiness based on expected income instead of demanding collateral. It should be part of the answer now as vast numbers of people see big drops in their income due to Covid-19. But the industry is in trouble. Today, the lending portfolios of microfinance institutions (MFIs) are worth a combined $124bn, but Covid-19 is straining their finances. More than two-thirds of MFIs have cut lending, often by at least half, and nearly a third do not have enough cash to meet outflows this quarter. The problem is compounded by deeper issues. Patchy regulation and loopholes combined with high repayment rates have attracted for-profit lenders, which demand collateral, charge extortionate rates, and use heavy-handed tactics to collect payments. This leaves more people in desperate situations at risk of turning to loan sharks or pawnbrokers. Governments need to act. Microfinance may seem a sideshow given the scale of the crisis. "But all MFIs together have 140 million customers, so nursing the industry back to health will give a big bang for the buck."

The top pay pendulum swings back

Martin Vander Weyer
The Spectator

Back in March, I suggested that all large companies should consider temporary cuts in executive salaries as a gesture of solidarity and to avert a backlash against capitalism, says Martin Vander Weyer. Research reveals that 36 of FTSE 100 companies heeded that advice, cutting the chief executive's salary by 20%, although there was no reduction to the long-term schemes that make up half of total boardroom pay. The High Pay Centre, "which hates high pay", doesn't see it as enough of a sacrifice, but the battle "to quell blatant excess in executive rewards" may have already been won. Analysis by Deloitte shows that median pay for CEOs of the top 30 UK-listed companies fell by over 7% last year, and only eight FTSE 100 firms encountered investor pushback against their remuneration proposals compared with 23 the previous year. A one-off £59m payout to Tim Steiner of Ocado distorted the average figure of FTSE 100 pay awards, but the median was £3.6m, the lowest since 2011, according to the Chartered Institute of Personnel and Development. The numbers speak of a "new awareness among directors of what the outside world thinks of them… The top-pay pendulum has at last begun to swing back of its own accord."

Money talks

"My mother used to clean toilets in a pub. Men would toss pennies into the urinals and she'd disinfect them and give them to me and my sister so we had extra pocket money."
British supermodel Karen Elson (pictured) on growing up poor, quoted in The Sunday Times

"You should never buy a stock unless you would be happy with it if the stock exchange closed down for the next ten years."
Warren Buffett, quoted in The Times

"Watch the costs and the profits take care of themselves."
The 19th-century US steel magnate Andrew Carnegie, quoted in The Economist

"Can I have a large scoop of statistically inaccurate virtue signalling with my grossly overpriced ice cream please?"
Foreign office minister James Cleverly on Ben & Jerry's after the ice-cream brand criticised Priti Patel's call for the Navy to stop Channel migrants, quoted in The Mail on Sunday

"Every good cause begins as a movement, becomes a business and eventually degenerates into a racket."
US philosopher Eric Hoffer, quoted on Twitter

"It's a mystery to me… for years, we've known that companies with more women on the board make more profit. So where's the change? Then you have to wonder, is it ennui? Is it devotion to the status quo? It's frustrating."
Actress Geena Davis on slow progress closing the gender gap, quoted in The Guardian

"Flying was bad. Until I made a lot of money. I used to be terrified of flying, but it turns out I was just terrified of flying economy."
Television presenter Richard Osman, quoted in The Sunday Times

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The greenback reigns supreme

The dollar: reports of its death have been greatly exaggerated

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project-syndicate.org
The dollar is in free fall! The greenback is doomed! So screamed sensationalist headlines when the dollar fell in July to a two-year low against the euro. But the fall is unlikely to represent terminal decline, more "a series of readily explicable fluctuations", says Barry Eichengreen.

Interest rates explain a lot

When the Covid-19 pandemic went global in March, the dollar rose on the back of safe-haven flows into US Treasuries, as it does at the start of every crisis. By May, the Federal Reserve had accommodated this "mad scramble" for dollars by pouring "buckets of liquidity" into financial markets, and the dollar gave back its gains.

The dollar's subsequent depreciation "reflects the changing prospects of the US and European economies". The US economic outlook is deteriorating so investors expect the Fed to keep interest rates low for longer. In the eurozone, propects seem better, so interest rates there seem likely to normalise earlier.

This relationship between interest rates and the exchange rate is known as "interest parity". The theory doesn't work perfectly, but then no theory of what determines the exchange rate does. "When seeking to understand events, we shouldn't make the perfect the enemy of the good."

Some observers explain the euro's strength by instead pointing to the EU's "Hamiltonian moment" – the agreement to issue €750bn of EU bonds, which seemed to some to portend fiscal union. But the result of this move is a drop in the ocean compared with the market for US Treasuries, and even if it does mark a turning point, the eventual transformation will take decades. Forex markets "trade on today's news".

The most striking thing abou the dollar is not in fact its decline, but its "resiliency". Normally, investors hold a currency when the issuer's policies are "sound and stable". With President Donald Trump at the helm, that is hardly the case today. His administration has done "more than any in living memory to disrupt US trade" and undermine global alliances.

There is no alternative

Despite that, the dollar has not lost its global appeal for banks, firms and reserve managers. The stock of safe euro assets remains segmented along national lines. Given heightened tensions between the West and China, the renminbi is not a viable choice either. The explanation for the dollar's resiliency is, then, simple: there is no alternative.

Why we prefer gloom to progress

lawliberty.org
The prevailing idea of history is that it has been nothing but a tale of woe and injustice, says Theodore Dalrymple. Nightmares have not been lacking, of course. Yet it is undeniable that there has been progress: "very few of us would care to take our chances in the conditions of the 16th century", say. So why do we prefer the nightmares? Firstly, they are more vivid to the imagination. Secondly, progress takes place slowly and is taken for granted once it's happened, so we don't notice it. Thirdly, the fact of progress is much less useful to political entrepreneurs seeking to stoke resentment against the present state of affairs. And the fourth reason is they help explain the failures and failings of everyone dissatisfied or disappointed with their life. "We do not fail the world, the world fails us. How comforting a thought!" Because resentment has "certain sour satisfactions", it is "one of the few emotions that can persist unabated for years: indeed, it tends to increase, because it exists in a mental echo chamber". An overly optimistic view has its own dangers, but at least it is more likely to encourage a desire to contribute something constructive. Resentment, on the other hand, leads us to chuck out the baby with the bathwater. An "empty bath is an uninviting place".

The jig is up for gig economy

ftalphaville.ft.com
Drivers for Uber and Lyft are employees, not contractors, ruled a court in San Francisco recently. That means that, for the gig economy, "the jig is up", says Ashley Nunes. The issue is cost. If Uber and its ilk are to make the profits expected, they will have to disrupt the car industry. Households pay out thousands annually to own an asset that sits idle 95% of the time. If Uber can offer something cheaper and more convenient, it's in with a shot.

The trouble is, a 2018 study put the cost of ride-hailing at more than twice the cost of owning your own car. That's why Uber and Lyft, which can't yet cover their cost of capital, seek to cut costs by pretending their workers aren't really workers, but contractors.

Convenient, but costly

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All hopes are on driverless technology, but this won't help. "Driverless" it may be, but human supervision will still be needed, and what the development of the technology will end up costing is anyone's guess. Robocabs too will likely prove pricier than cars. "These companies have a choice. By the virtue of raising or lowering fares they can either excite investors or thrill consumers. But they can't do both."

State-run pharmas would be worse

capx.co
Governments are currently throwing money at myriad projects, such as those seeking to develop a vaccine, and buying up ones that haven't yet been shown to work. Yet this is not a mistake, says Tim Worstall. In an emergency, you back everything that might be a winner. "Yes, this is expensive, but for the same reason war is: failure would be worse."

This shows that critics who "scream" about private companies charging more than the production cost for the provision of a public good, such as a vaccine, are wrong. Usually there would be perhaps 100 attempts to develop a vaccine, but we'd never hear about the ones that fell by the wayside. The winner who got it right would have earned their profits from the risk of failure. There's no time for this process in an emergency, so the government funds all the failures as well as the one that works. The total cost to the taxpayer, one would wager, will be rather more than the commercial process if it had been possible. "Under the usual system, taxpayers only pay for success. Under the government one, they pay for everything."

A debt few need repay

Covering the cost of your child's university tuition makes little sense

Ruth Jackson-Kirby
Money columnist

Record numbers of students are expected to head to university this year. Universities expect a drop in demand from overseas students owing to the pandemic, so they will be desperate to fill the empty places with British school leavers. But with higher education now costing around £55,000, is it worth it? And what's the best way to pay for it?

Research by the Department of Education has found that the average graduate earns £9,000 a year more than a non-graduate. The Institute for Fiscal Studies (IFS) believes that over his working life a man "would be £130,000 better off on average by going to university after taxes, student loan repayments and foregone earnings are taken into account", says Sam Benstead in The Daily Telegraph. Female graduates are estimated to be £100,000 better off.

Just be sure to choose the right course. The IFS research found that a degree in languages or creative arts had no financial benefit after graduates paid their debts, but a degree in law, economics or medicine can bring in over £250,000 over a lifetime. As for footing the bill, a student loan can cover the tuition fees, while a maintenance loan of up to £12,010 a year can help with living costs. The maintenance loan is means-tested, with the amount available reduced on a sliding scale for households (parents in most cases) earning more than £25,000 a year.

These loans carry interest rates of RPI (the Retail Price Index gauge of inflation) plus 3%, which is applied from when your first loan starts. Repayments don't begin until the April after graduation and are set at 9% of income. But graduates don't have to start repaying their loans until they earn at least £26,575, and any debt remaining after 30 years is written off. There are also grants and bursaries available, so make sure you check with the university to see what your child might be eligible for.

Subsidise their mortgage instead

It can be tempting for parents who can afford it to pay those costs to prevent their children getting into debt. But you may find there are more effective ways to bolster your children's finances.

Many students never pay their debt back and those who do make repayments rarely pay off the full amount: research by the House of Commons found that just 30% of graduates do so. "The price tag of university is mostly irrelevant," says Martin Lewis in The Daily Telegraph. "What matters in practical terms is how much you have to repay – and that's a completely separate number from the total amount of tuition fees, maintenance loan and interest." Lewis has calculated that even someone with a starting salary of £50,000 would not pay back their full loan.

Graduates don't have to start repaying their student loans until they earn £26,575

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Remember too that a student loan can be paid off in full at any time, so don't be tempted to pay it too fast. "Waiting will allow you to see if your child wants to go on to further study," says Charles Calkin in the Financial Times. "If they do a master's degree the likelihood of their paying off the debt becomes even more remote."

Calkin gives the example of giving a graduate the money for a house instead. His calculations found that a £50,000 reduction on the average mortgage would save £204 a month. A graduate would have to be earning more than £53,885 a year before their monthly student loan repayments hit £204.

How to claw back tax

Many savers opting for drawdown schemes have overpaid. Here's what to do

David Prosser
Business columnist

Refunds reached record levels in the second quarter of 2020

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Savers received record average tax refunds of £3,560 each in the second quarter of 2020 after being overtaxed on withdrawals from their pensions. Total refunds since the pension freedom reforms of 2015 have now reached £627m.

The issue affects many savers opting to use drawdown schemes to access their pension funds on reaching retirement, rather than converting savings to income by buying an annuity. While savers may take the first 25% of their money tax-free, withdrawals above this amount are taxable at their marginal rate of income tax.

Drawdown plan providers often do not have an up-to-date tax code for savers taking money out of their funds in this way for the first time and are therefore forced to apply an emergency tax code. This often results in savers paying too much tax on their withdrawals, particularly on larger sums. The money then has to be reclaimed.

The government has been urged to address this problem since the pension freedom reforms encouraged many more savers to consider drawdown plans. But while hundreds of thousands of savers have been caught out in this way over the past five years, HMRC has yet to find a solution to the problem. In the meantime, savers entering drawdown for the first time must check their tax position carefully.

Start slowly

It may be possible to avoid the problem. One workaround suggested by some pension providers is to treat your first withdrawal as a means to establish your tax position: where you're intending to make a withdrawal above the 25% tax threshold, keep the additional sum to a minimum so you pay only a small amount of tax at the emergency rate.

Your pension provider should then be able to liaise with HMRC to ensure you pay the right amount of tax on subsequent withdrawals, though it may take a few weeks for the correct tax code to come through. Alternatively, those who do pay too much tax do not have to wait until the end of the tax year to reclaim what they are owed. While one option is to claim the excess back on your self-assessment tax return, you can secure a more speedy refund by making an immediate application to HMRC.

However, you will need to complete the right form. Savers who haven't withdrawn their entire pension should use the P55 form to reclaim their excess tax; those who have withdrawn all their savings and have taxable income will need form P53Z. If you have no other taxable income, complete P50Z. The forms are at www.gov.uk/claim-tax-refund – you will need a Government Gateway account – and HMRC says refunds are paid within 30 days.

Pandemic sparks annuities panic

Savers' appetite for annuities appears to have increased sharply during the Covid-19 pandemic. Financial advisers have been reporting that risk-averse clients are looking for guaranteed income from their pension funds, rather than accepting the uncertainties of income-drawdown schemes.

Annuities, which pay a guaranteed income for life in retirement, have fallen out of favour since the pension freedom reforms, with drawdown plans becoming much more popular. Many savers prefer the flexibility of drawdown arrangements, even though these carry more risk.

However, annuity providers have seen a three-fold increase in applications for certain types of annuity in recent months, with advisers suggesting that many clients have been spooked by the pandemic-related market volatility.

Such a response is understandable, but could prove costly. One market impact of Covid-19 has been a sharp rise in the price of gilts, regarded as a safe-haven asset by many investors; this has meant a corresponding fall in gilt yields, to which annuity rates are closely linked.

As a result, the average annual standard annuity income is now 5.3% lower than at the start of the year. Pension savers may be locking into rates at the worst possible time.

Is your employer keeping up with contributions?

Thousands of employers have failed to make pension contributions for staff on time since the beginning of lockdown in March, according to a survey from the Financial Times. Its research suggests that large numbers of employers have struggled to keep up with pension contributions as the pandemic has left them facing financial difficulties. Some pension providers say one in ten employers are falling behind.

The delays could expose employers to regulatory sanctions, with the Pensions Regulator having the option of fining those that do not pay contributions on time. The watchdog said in April that it would try to take a flexible approach to enforcement, given the unique nature of the Covid-19 crisis, but warned employers that their pension obligations remained unchanged.

Employees, meanwhile, have the option of complaining to the Pensions Ombudsman if they are unhappy with how their employer is behaving. Late payments may mean missing out on investment growth in their pension funds, while some employees will be concerned that their employers will never be able to pay.

- Financial advisers warn that savers who have transferred business property into their pension schemes may have been wrongly charged stamp duty on the transaction. Small business owners and partnerships often use their pension schemes to hold the company's property, both as an investment and as a tax-planning strategy, and under HMRC's rules should not have to pay the duty when moving property into their schemes in this way. However, many pension providers do not fully understand the rules and have wrongly advised savers to pay the tax.

- An 83-year-old widow has received £115,000 in compensation after it emerged she had been paid too little state pension for almost two decades. The case is the latest to come to light in a growing scandal. But despite pension experts warning that tens of thousands of women who retired before April 2016 may be receiving too little state pension, the government has hitherto refused to review all potential cases. Any woman receiving less than 60% of her husband's state pension on retirement may be affected by the problem.

Thousands of women may be receiving too little state pension

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Invest in the farms of the future

Jonathan Compton assesses the key trends in post-pandemic agriculture and how you could profit from them

Everyone has certain expressions they particularly dislike. One of mine is "they're not making it any more". It is used by egregiously dim City sales people when promoting various asset classes, including commodities, property and especially land. For making it or not, all asset classes are cyclical.

Yet it is in farmland that the irritating saying is most alluring. How do you feed a global population that has risen from 2.5 billion in 1950 to 7.9 billion today and is projected to reach ten billion in 2050? Especially given that, as incomes and living standards have risen steadily in most countries, the result has always been that people eat more (usually more than they need) and better, switching from staples to dairy products and expensive meat.

Moreover, farmland has been one of the best and least cyclical investments for decades, beating most other investments with the current exception of gold. In the UK, for example, bare land prices over the last 20 and 50 years have risen by a factor of four and 25 respectively. Similar or even greater increases have occurred in other countries.

An unsustainable business model

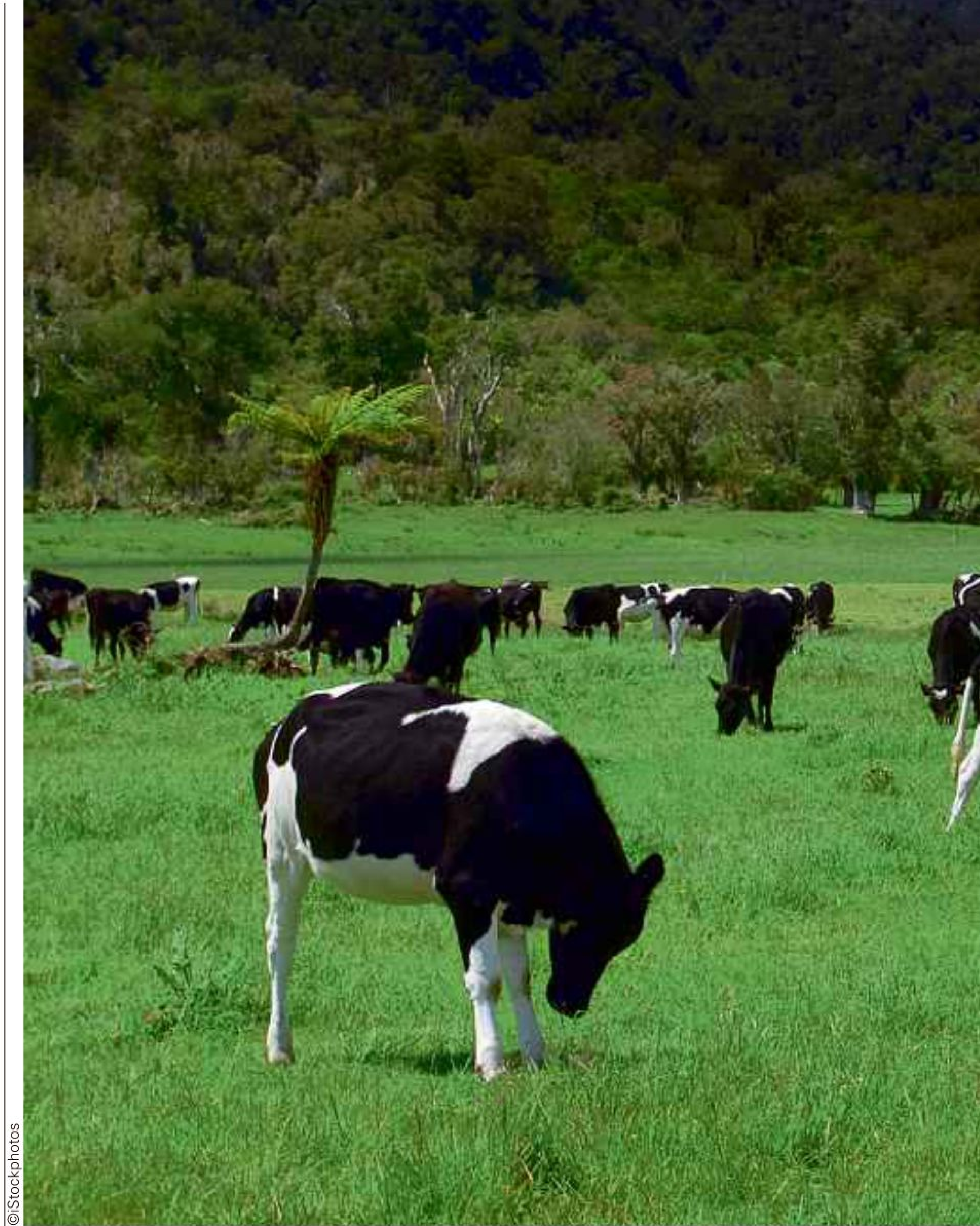
There has been much pontificating about the enormous changes that must result from the pandemic. But my guess is that the trends in place beforehand will simply accelerate and perhaps nowhere more so than in farming, where the business model is utterly hopeless and unsustainable. The hopeless part is that in every developed country farming is a marginally profitable and low value-added business, kept afloat by subsidies and owned and managed by old men (the average age of farmers in the UK is now 61). Much of what is grown is not essential or can be produced more efficiently elsewhere, but the lure of subsidies dictates land use.

As for sustainability, land degradation is a major problem; the United Nation's Food and Agriculture Organisation estimates that a third of global farmland has suffered meaningful degradation. Many farm chemicals and pesticides are both hazardous to health and environmentally damaging. Then there is waste. Between a quarter and a third of all food production is thrown away or rots. Finally, consider simple economics. There has been a surplus of food every year since 1980. Any famine since then has been a function of poor distribution, incompetence or corruption – usually all three.

Eye-watering subsidies

The level of subsidies is eye-watering. No one knows the total globally, but a World Bank estimate suggests a figure of $700bn a year, or just under $2bn every day. That is four times the aid rich countries give to the poorer nations who often need support because they are barred by tariffs from exporting food.

While the EU has rightly been criticised for its farming subsidies – they comprise a third of its annual budget and a basic payment of €260 per hectare (2.5 acres) – it is not the worst offender. Countries such as Norway, Switzerland and Korea pay farmers far more. In Japan subsidies can be as high as the equivalent of $800 per 0.1 of a single acre. America last year decided to bail out its soya bean farmers because China had briefly halted soya imports from the US during the trade war. That cost more than the rescue of the entire US car industry in 2008/2009: the respective figures are around $28bn and $17bn.



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New Zealand scrapped farm subsidies in 1985 and then enjoyed a huge jump

The consequences of these subsidies have been universally bad. They include tariffs to prevent food imports from cheaper, more efficient producers, leading to higher domestic food prices; land prices soaring to uneconomic levels; corruption, and the suppression of development and food production in third world countries. Estimates vary, but the approximate cost of subsidies in the UK for a family of four is about £500 per annum.

Even with subsidies, farming is barely profitable. In England, subsidies account for over half of farm income across all sectors (the figure is higher in the other parts of the UK), with livestock and cereals being the most dependent, horticulture the least. The median farmer earns slightly less than the national average for longer working hours and sometimes awful conditions.

So why do they do it? Lifestyle and conservatism play a part, but there are hidden benefits: generous VAT rules, other subsidies (costs such as a car can be put on the farm account) and exemption from inheritance tax. What's more, even poor farmers are sitting on a valuable asset where the tax rate on a sale is not onerous.

New Zealand blazes a trail

New Zealand is often cited as an alternative to those developed countries addicted to farm subsidies. In 1985 it was effectively bust because of widespread subsidies across many industries. Farm subsidies were abolished. Until then the sector had been unproductive and inefficient. Land prices tumbled and then the recovery began. Better pasture management and improved animal breeding turned New Zealand into the world's largest exporter of powdered milk. Meanwhile, the 70-million-strong sheep flock was slashed to less than

…in agricultural productivity

30 million – yet exports have not changed. Productivity, in other words, has more than doubled.

Great leaps forward in productivity

There has been impressive progress on the global scale too. From the 1950s, farming made huge leaps to meet the demands of population growth and rising wealth. Since 1960 the world's population has increased by about 150%, but cereal yields have increased by 200% and overall production by 250%. All this was achieved with only a tiny increase in the amount of land farmed.

Moreover, there is still scope for another surge in productivity. In 1945 UK farmers were producing what was then seen as a dizzying 2.5 tonnes of wheat per hectare (tph). At the local pub today you're a loser below 7.5tph. Major potential agricultural producers such as Russia are still stuck at the 2.5 level. Rice is another important staple. China has increased its output per hectare fivefold since 1960 to 5.5 tonnes, but other rice growers in Asia, such as Thailand, have seen their output rise to a mere 2.2 tonnes. Large gains can therefore be made even before we consider better seed dressings against disease and new seed strains.

I have said I think the pandemic will accelerate pre-existing trends. For farming two of these matter: the level of subsidies and environmental concerns. The latter has gone mainstream. Before the last general election the three UK nationwide parties developed competitive tree planting fever (Labour one billion by 2030, Conservative 30,000 and Liberal 40,000 per year to 2025). All developed countries have slowly woken up to increasing public concern about pollution (from nuclear to sewage), poisons in the food chain, waste disposal and climate change – all lumped together under the term "environmentalism".

EU leads the green charge

The champion in this context is the EU, driven by the ever-greater success of "green" parties in elections. The EU has banned a range of pesticides, including one that has many organophosphate compounds – a useful herbicide and pesticide, but very harmful to humans and the environment. This lead is slowly being followed by other major food producers, including Brazil and China. Because the EU is such a large food importer its rules run beyond its borders. The US is fighting such changes (the farm lobby is very powerful), but will lose.

Modern farming practices also look increasingly old-fashioned with their reliance on a single crop or a lack of sensible diversity. Around 90% of the world's banana crop is under threat because of a lack of genetic diversity and a rapidly spreading fungus. The paucity of pig strains (swine fever is rampant in China) or varieties of apple leaves them open to the same risk.

Dabbling in farming

Although by trade a city type, I also own a farm in the UK (we were young and land was then cheap) and a much larger one in the Baltics (where land and drink were cheaper still). More recently I acquired a small share in an operation in Uruguay (nice warm winters). I am definitely not a professional farmer, but after 30 years you get an idea of what works.

Here in the UK until recently we followed the standard model of heavy machinery compressing the fields, ploughing and levelling until they look like bowling greens. It is a very expensive process.

The clay soil is gradually breaking into sand and has a nasty smell. Lots of nitrogen and dubious chemical sprays are applied yet most years there is only a tiny profit, even after subsidies. In the Baltics we plant nearly half the seed numbers per hectare compared with the UK. Our fertiliser is mostly chicken muck. We spray rarely and selectively. We rotate crops. Our yields are better than in Britain, profits are peachy and soil improvement dramatic. In Uruguay we are mostly renting and do even less, but I expect the profits to be higher still. Yet in the UK we get the full fat subsidies, in the Baltics a third of that level and in Uruguay, none. All subsidies are on the block following the pandemic,

Continued on page 22

"Britain produced 2.5 tonnes of wheat per hectare in 1945. Now this figure has reached around 7.5"

Continued from page 21

not least because government deficits and debt levels are rocketing. Farm lobby groups still mutter about food security, but given the continuous global surplus and that during the pandemic the supply chain worked remarkably well, their case is weak.

What happens next in the UK and Europe is easy to forecast from the mood music. Big farmers and giant agribusinesses are bad. But small mixed farms with grass-fed animals and operating in the sensible, but unfashionable way (such as crop rotation), will be the winners from a smaller subsidy pot.

Step away from that steak

There is one other change that will transform farming even more than environmental concerns and subsidy cuts: the trend towards lower meat consumption. As someone who needs at least two steaks a week to function I am not keen, but the vegetarians are largely on the money. Around 70% of the world's land is habitable. Of this, half is used for agriculture; forests comprise a third and the rest scrub. Built-up land and freshwater lakes and rivers make up only 1% each.

Of the agricultural land, three quarters is used for animals – beef dominating, followed by dairy, with only a fraction for sheep, pigs and poultry. Eating less beef would free up enormous quantities of land twice: there would be less cattle and lower demand for grains. It takes seven pounds of grain to produce one pound of beef. Most other animals are far more efficient converters: pigs 3:1, chickens 2:1 and salmon 1:1.

Expect bargains next year

So is there any money to be made by investing in farming? Yes, but selectively. Overall UK land prices started to slip immediately after the Brexit vote and continue to weaken. The peak for good arable land was around £11,000 per acre in England. Now the price is around £8,500. It gets into value territory below £7,000. Outside England there are two areas where land prices are already low: much of France and central Scotland, where some large parcels are a snip.

One area where I want to buy is woodland, which in no particular order will be a big beneficiary of changing grants, is likely to maintain its highly favourable tax treatment and will be a winner from environmental awareness. One day the government will wake up and notice that wood (including pulp, paper and furniture) is the UK's sixth-largest import, yet we could be almost self-sufficient. Woodland is also relatively easy to manage, while professional sub-contractors are plentiful. There are also potential sidelines in camping and eco-tourism. Depending on the age (the closer to felling, the higher the price) valuations look appealing and one can expect a yield of around 3%. England looks fine, while Scotland and France offer better value.

©Getty Images

Woodland is an asset likely to see faster growth in future

"Wood is our sixth-largest import, yet we could become almost self-sufficient"

The next two years will give us a better idea of the government's plans, but even the most optimistic outcome will compress land prices further. Many farmers will sell up and leave and one weak harvest would force out more. The bargains should appear as soon as late next year. Buy small (less than 80 hectares), buy mixed and chase the eco-money, including organic. However, don't buy a listed farm fund; historic returns were bad even in the good times because management charges ate the profits. And don't buy unlisted agri-funds, you will be shark food. In the box below I look at listed investments in agriculture.

What to buy now

I can find no suitable fund providing broad exposure to agriculture, forestry and environmental improvement. All are either too small, suffer from lacklustre performance, or are too widely diversified. Thus the only option is to invest in listed companies directly. I recommend mostly larger companies that are the best in their class.

In agricultural machinery two stand out. The first is New York-listed **Deere & Co (NYSE: DE),** which with a market capitalisation of $56bn is the largest listed manufacturer. Offerings range from combine harvesters to forestry equipment. Extra profits stem from machinery add-ons and financing for buyers.

Many farmers tend to be repeat buyers of a trusted brand such as Deere. Its share price has easily beaten the leading US S&P 500 index over the last three and five years.

I prefer (and own) the much smaller ($5bn) competitor **AGCO (NYSE: AGCO),** even though it has underperformed Deere recently. It is also headquartered in America, but most of its sales (combines, tractors and grain-storage equipment) and production are based in Latin America, eastern Europe and East Asia. Economic problems in some countries (such as Argentina) have held back sales and profits. In most of its markets it's number one or two.

Local manufacture can be risky, but it means AGCO is also much closer to clients and local governments. Last year earnings per share reached $4.40, giving a historic price/earnings (p/e) ratio of 15 – cheap for the sector. This year profits will be about a fifth lower, but 2021 should see a strong recovery.

In nitrogen fertiliser – it will never be "green", but many crops won't grow without it – the standout is America's **CF Industries Holdings (NYSE: CF)**. This is based both on performance and better management than its competitors. When cereal prices enjoy a cyclical upturn (currently they're flat), fertiliser firms boom. The stock is at a three-year low, on a trailing p/e of 19 and yields 3.5%.

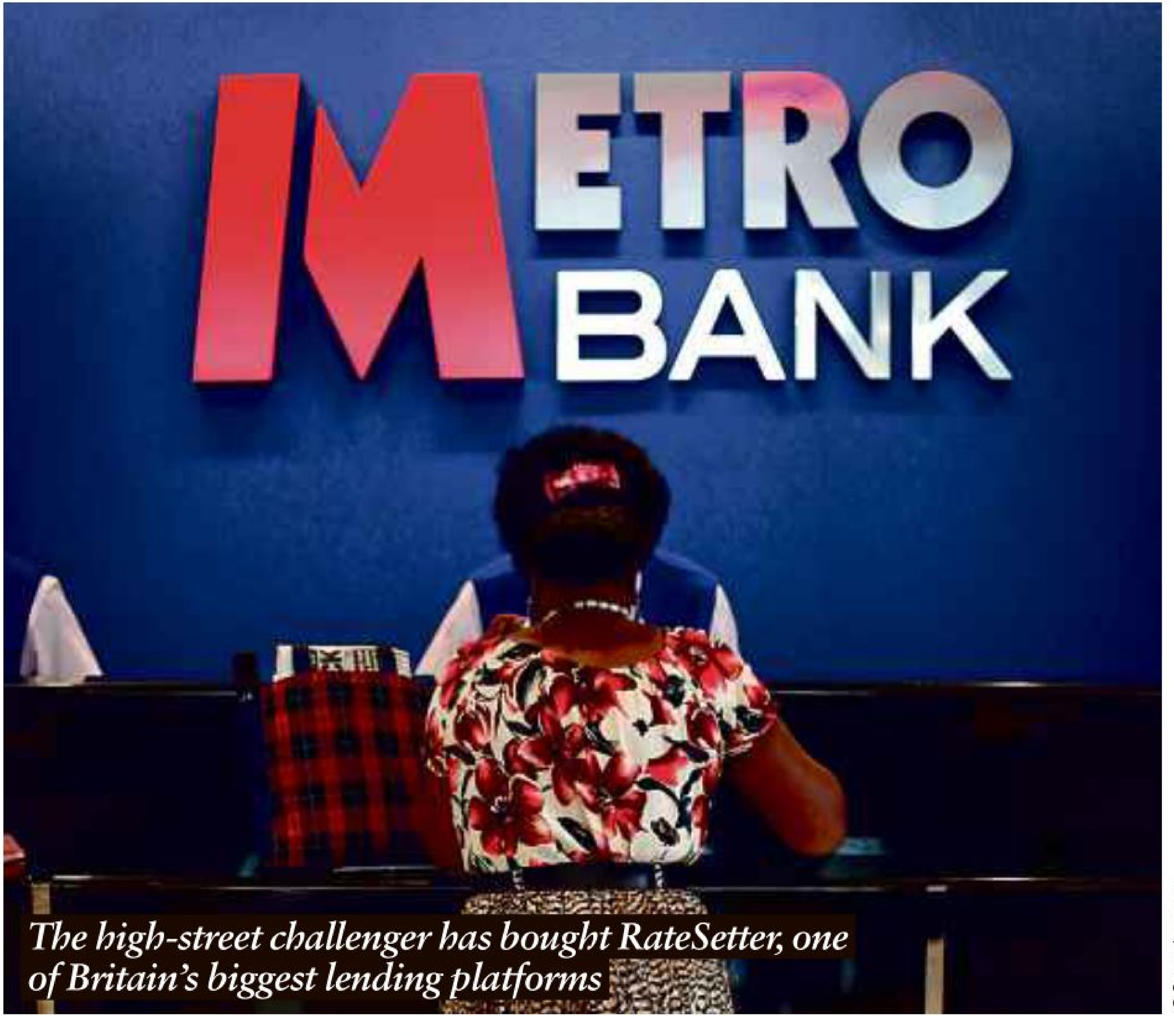
Viniculture is often ignored, yet is a huge industry. The three largest companies in this subsector are all based in North America, but the fourth – which also produces far better wines – is Australia's **Treasury Wine Estates (Sydney: TWE)**. A star performer for five years to 2019, it has since fallen dramatically from A$18.50 to A$10.90 because of reduced demand from China, two profit warnings (one Covid-19-related) and some seemingly tendentious legal actions. These will pass; demergers and sales of non-core divisions should herald a recovery.

The UK has few listed agriculture-related companies, but in forestry one stands out: **Gresham House (LSE: GHE)**. Small, with a market cap of only £220m, it was until early last year an "alternative asset manager", but made a transformational acquisition when it bought Forestry Investment Management. It manages funds in the forestry sector, which now accounts for half of assets under management. In the half year to 30 June these increased by 17%. It's not cheap, but seems to have the growth mojo.

Peer-to-peer sector's growth spurt on pause

The online direct-lending revolution has run into trouble, but don't write it off just yet

David Stevenson
Investment columnist



The high-street challenger has bought RateSetter, one of Britain's biggest lending platforms

©Getty Images

The news last week that RateSetter has been sold to challenger high-street bank Metro is yet more confirmation that the peer-to-peer (P2P) investment revolution has been delayed, if not cancelled. Metro, which has its own challenges, has agreed to pay £2.5m, with an additional £0.5m after 12 months and up to £9m on the third anniversary of the deal subject to performance criteria, for one of the UK's largest P2P lending platforms.

Industry website AltFi reports that RateSetter's retail-investor marketplace of loans will be closed to new investors, with all future unsecured personal loans funded by the bank's own deposit base. RateSetter's rival Zopa is still offering a marketplace in loans, but is now focused on becoming a digital bank.

The share price of Funding Circle, which specialises in loans for small businesses, has plummeted. It has also stopped taking retail investors' money, as property specialist LendInvest did years ago. Add in the liquidation of property-lending platform Lendy, a process that keeps exposing more problems, and it is not hard to understand why the internet is full of stories featuring the phrase P2P RIP. And just to rub salt in the wound, every month seems to bring news of yet another online platform closing. The latest is an outfit called CrowdLords.

Retreating into a niche

In truth the story is little more complicated than this bleak picture. P2P growth will almost certainly stall, but the sector isn't entirely going away. It's just becoming more niche. Online lending platforms such as Assetz Capital and Folk2Folk continue to grow and there are still relatively new players, such as Fitzrovia Finance, building a customer base in areas such as property lending. The idea of lending money directly to borrowers via an online platform isn't about to vanish – it's just not about to storm the citadels of modern banking and investment and grab huge market share.

Nevertheless, it is worth asking what went wrong. Why hasn't P2P lending become much more mainstream? I, like many other observers, thought that the internet offered the perfect platform for cutting out the middlemen: the big lenders and all their excessive charges and bad practices.

I assumed it would provide direct access to a decent, differentiated source of income for investors. My hunch was that these platforms were especially interesting for the more experienced investor looking for more yield than traditional savings accounts protected by the Financial Services Compensation Scheme (FSCS), the state-backed guarantee, had to offer.

However, offering services to retail investors has proved problematic. Chasing customers online is an expensive business, as the online robo-wealth advisers are now discovering, and it is not made any easier by increasingly stringent regulations by the Financial Conduct Authority, the City regulator, designed to stop mass marketing of illiquid securities to private investors.

> *"When the economic outlook brightens, investors may rush back into the P2P sector"*

Many platforms such as MarketFinance (formerly known as MarketInvoice) and LendInvest made the decision earlier on to focus only on big institutional investors, and they have continued to grow. Catching the attention of the UK high street is expensive, time consuming and probably best left to big brand names whom the public "trust" – haltingly – with their valuable capital.

Even if these challenges are overcome, problems remain. Most investors are only willing to spare a small amount of capital as an experiment, making it hard to see how the numbers add up for online platforms. No wonder. Over the last few years the net return after fees and potential losses on lending has tended to be between 3% and 5%.

That's better, but not vastly better, than nearly every savings account protected by the FSCS. Many investors have concluded that an extra 1% or 2% a year isn't worth the bother. And there is also, of course, the nagging fear that a recession always seems to be around the corner, at which point losses would suddenly increase rapidly, perhaps wiping out any yield that year.

One final challenge arguably makes that worry about risk even more acute. For most of the last decade the big legacy banks have had access to astonishingly cheap funding from the Bank of England. That has allowed them to lend at incredibly low rates to all manner of borrowers, including the small businesses P2P lenders often target. With banks creaming off the prime borrowers, the nagging suspicion has been that alternative lenders have been chasing ever-riskier borrowers who are more likely to default when the going gets rough.

A light at the end of the tunnel

That said, at some point in the next 12 months the potential storm of defaults that is on its way will fade from view and prospects for online lenders will suddenly improve. With interest rates probably still stuck close to zero, and the economic picture brightening, a boost in yields from direct lending online might seem hugely attractive to investors who are always desperate for more income – especially if stockmarkets have already priced the brightening outlook into share-price valuations. At that stage we might witness a sudden recovery in the online-lending market as investors intensify their scramble for yield.

One final observation. Even investment trusts became involved in the P2P lending revolution. One, known as P2P Global Investments (P2PGI), raised close to a billion pounds to invest in the sector. A few years ago it ditched that strategy and brought in a new manager called Pollen Street. It also renamed itself Pollen Street Secured Lending (PSSL). The fund is now the subject of a merger offer from another listed lending fund called Honeycomb, also managed by Pollen Street.

The offer is on a shares-for-shares basis and would create a monster lending fund. In my opinion, though, it is a dreadful deal for existing PSSL shareholders, as it's just a paper deal and leaves the fund manager Pollen Street in control – even though the board at PSSL has already started the process to replace it, as I noted in an article for MoneyWeek a few weeks ago. If I were a PSSL shareholder I would reject this offer and wait for a better deal, or push for a wind-down of the fund and return of cash. If you happen to be a shareholder, sit tight.

Drink to Diageo's growth

The group operates in 180 countries and has just increased its dividend. The shares look cheap too

Stephen Connolly
Investment columnist

Over the years investors have become very fond of global drinks giant **Diageo's (LSE: DGE)** shares as well as its brands, which include Johnnie Walker, Gordon's Gin and Guinness. A history of rising sales and dividends has kept the market happy.

But disruption from Covid-19 appears to have undermined Diageo's reputation for reliability. The group's annual results earlier this month left the market unimpressed and the shares down by over 10%.

It's not just that the market was expecting better than the 8.4% fall in sales to £11.8bn for the year to June. The shortfall also appears to have prompted questions about whether Diageo is quite as resilient as widely assumed.

It has long been an outperformer, earning its "premium" stockmarket valuation because its well-established and diverse drinks range is seen as strong in the face of economic ups and downs. But this year the shares have failed to shine compared with the FTSE 100 index; they have slid by 16%.

The nervousness seems overdone, however. Diageo may not have lived up to the expectations of a group of analysts on this occasion, but does it matter in the midst of a pandemic? Given none of them has ever before experienced a global economic shutdown, they are arguably just as clueless about the future as the rest of us. Any worries about Diageo's resilience could prove short-lived as the recovery gains momentum around the world and the business gradually regains its footing.

A strong increase in tequila sales, thanks to brands such as Casamigos, boosted revenue in North America in Diageo's first half

©Casamigos/Diageo

A bold decision

A sign of Diageo's own confidence that things will get back to normal is the bold decision to lift the dividend despite the difficult trading. Some commentators had cautioned that there could be a cut. The shares now yield over 2.7%, a strong draw for many investors seeking a progressive income that is well supported by cash flow and has been growing much faster than inflation (at more than 4% a year) over the past decade.

Certainly, before the lockdown it had been business as usual. The group talks of a "good, consistent performance" in the first half of its financial year, before Covid-19. And despite the pandemic, the North America business managed to lift sales 2% for the year as a whole, thanks largely to a 36% jump in tequila sales from its Don Julio and Casamigos labels, along with growth in pre-mixed drinks such as Smirnoff vodka fruit seltzers. However, sales in the region are heavily skewed towards supermarkets and stores. Diageo's other markets depend more on bars and restaurants.

Meanwhile, early signs following the end of the financial year in June are positive. Chief financial officer Kathryn Mikells has spoken of an improvement in July compared with June and enough recovery in sales volumes coming through to make up for the economic downturn.

Drinks never go out of style

News from some of Diageo's rivals also bodes well. In France, for example, both Pernod Ricard – which owns Beefeater gin – and Rémy Cointreau said the pandemic would affect their businesses less than originally believed.

Just as the pandemic is unique, there is scant knowledge of consumers' psychology and behaviour after such lengthy, isolating lockdowns are eased. Some people say they enjoyed the tranquillity, while for others it has left scars. We're in uncharted territory.

Pubs and restaurants are slowly gaining ground and while some cities might still be ghost towns, anecdotal evidence suggests suburban and village pubs are doing much better. Tourists, big sport and all manner of events will be back too. Drinks are key to social interaction, which will intensify as the pandemic eases, making Diageo a solid long-term bet on getting back to real life.

A dependable and diversified giant

Valued at over £61.5bn, London-headquartered Diageo is a leading global alcoholic drinks business selling in 180 countries. It was created relatively recently, in 1997, emerging from the merger of two major players, Grand Metropolitan and Guinness.

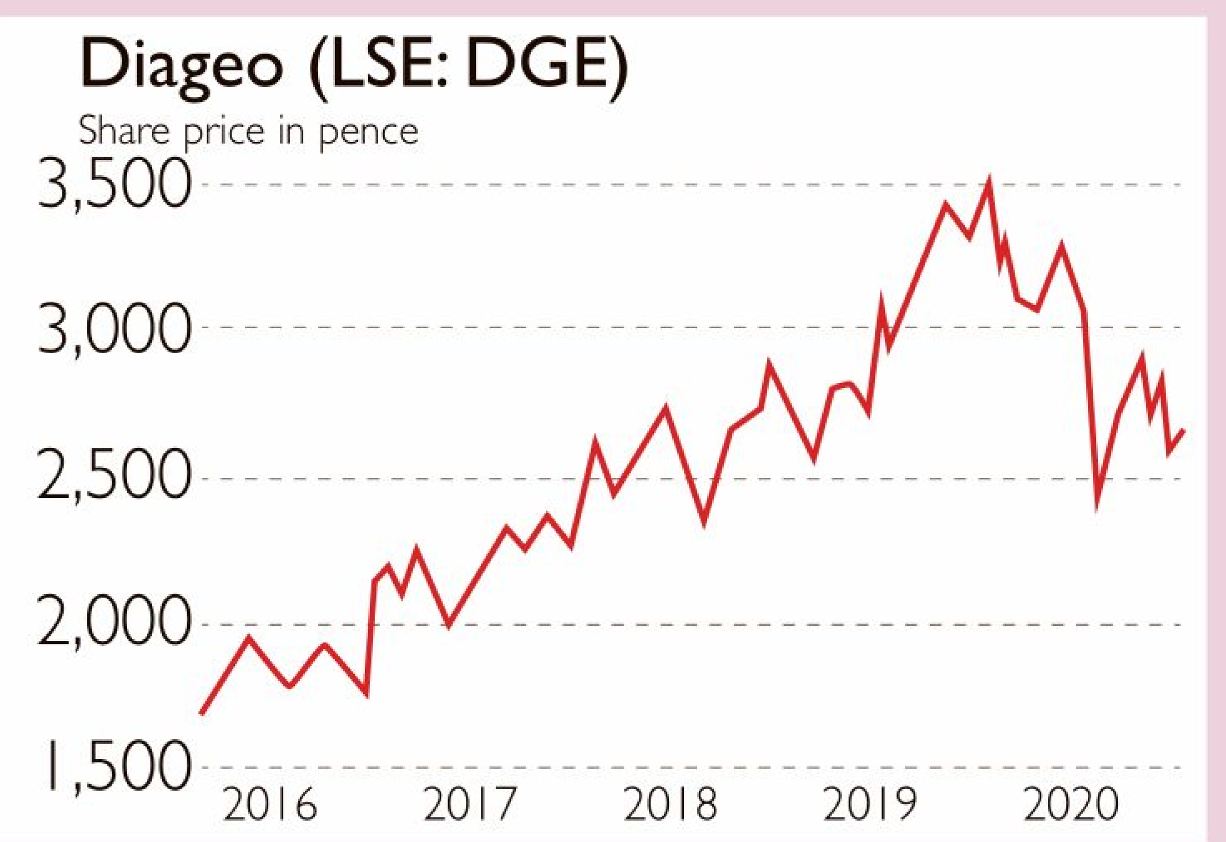
Its history goes back much further: Haig Scotch whisky first appeared in 1627, for instance, while Arthur Guinness started brewing ale in Dublin in 1759. Diageo also has interests in established brands such as Hennessy Cognac, Moët & Chandon, Krug, Veuve Clicquot and Taylor's Port. This is due to a joint venture with Moët Hennessy, which is owned by the global luxury group LVMH.

The portfolio of over 200 durable brands – this week it added Aviation American Gin to the mix – makes Diageo quite rare and is the foundation of its consistent long-term returns of around 10% annually over the past ten years.

While this may pale relative to the earnings growth of Microsoft or Visa, say, the steady growth and progressive dividend payout come together to offer an attractive total return for long-term investors.

Buttressing the strong brand foundations is the global spread of sales, with about 35% in North America, 23% in Europe and the remaining 42% in emerging markets.

It boasts a 36% market share in India and 23% in Latin America, for example. And the breadth of products, from aged Scotch whisky to stout, adds further diversification. The impact of lockdown has varied, depending on the region and the route the group's products take to reach the market – whether through retailers or bars and restaurants. Early forecasts suggest a return to double-digit earnings growth next year, implying a price/earnings ratio of about 20. That represents a near-20% discount to its valuation over the last few years.



British stocks are in the bargain basement

A professional investor tells us where he'd put his money. This week: Richard Penny, fund manager, TM Crux UK Special Situations Fund, picks three favourites

The UK stockmarket is cheap. The cyclically adjusted price/earnings ratio (Cape), which uses average annual earnings over the past ten years to smooth out the impact of the economic cycle, is very close to the level it reached in 2009 after the financial crisis. Historically, a Cape this low has flagged up double-digit annual returns over the next 15 years. Of course, the market could go lower before it goes higher, but in general we believe it is a market to buy for the long term.

The US, by similar valuation measures, is expensive and offers much smaller prospective returns. There is a reason for this: the US has much greater exposure to long-term, or structural, growth stocks such as Facebook, Amazon, Netflix and Google. The UK has very few large structural winners and those that have done well in recent years, such as Spirax Sarco, Halma and Games Workshop, change hands for around 40 times this year's expected profits.

Mixing growth and value

Growth stocks have outperformed now for ten of the last 12 years and many of them are now looking unjustifiably expensive.

We think investors do not have to make a choice between expensive growth and pedestrian value. Our predominantly mid- and small-cap approach seeks to buy out-of-favour long-term winners and smaller companies that often grow faster and have much cheaper valuations.

One to consider is **Whitbread (LSE: WTB)**. The Premier Inn budget-hotel group had a great recession in 2009, taking market share from weak competition. The same looks likely to happen this time. Budget hotels are the one sector of the hotel market that have seen long-term growth. Of course, hotels have recently been in lockdown and will take some time to return to a "new-normal" level of demand, but this is hurting competition such as Travelodge and independent operators. Whitbread has a very strong balance sheet with lots of freehold property and cash, and looks well placed to emerge from the downturn stronger. The shares have halved from recent highs and should recover nicely for patient investors.

An energy consultancy charging ahead

Inspired Energy (Aim: INSE), an energy consultancy, has an excellent record of helping firms find the best deals from energy utilities. Recently it has started to help firms save energy as well, a market that is twice the size. This should lead to faster growth and stronger relationships with customers; it will also burnish its green credentials. It boasts a financial record of steady growth and good margins, and the shares are very modestly valued. With growth accelerating and a growing interest in environmental stocks, we think Inspired Energy should do well in years to come.

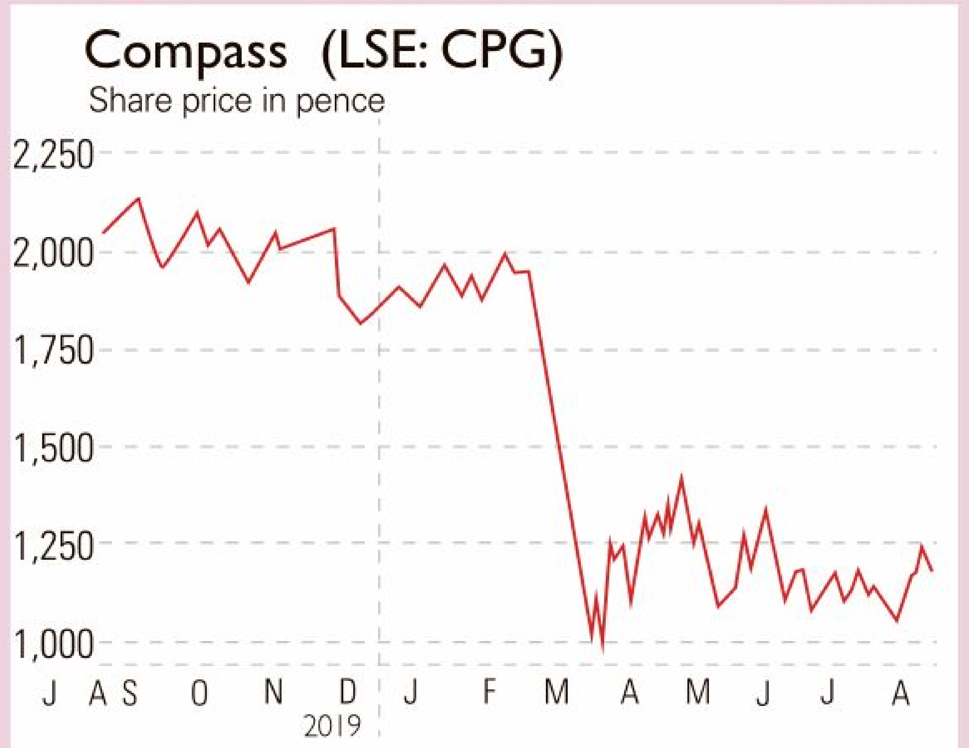
"Gene-therapy instruments maker MaxCyte is growing sales by 30% a year"

MaxCyte (Aim: MXCT) is an American company listed in Britain. Its business making gene-therapy instruments is growing at 30% per annum and having a good lockdown. These instruments are used to boost the immune system in diseases such as cancer. MaxCyte also benefits from reaching financial milestones and from royalties on more than 100 drug-therapy programmes. Companies of this kind are out of favour in the UK, but highly prized in the US. MaxCyte intends to list in the US during 2021 and we believe this will lead to a rerating.

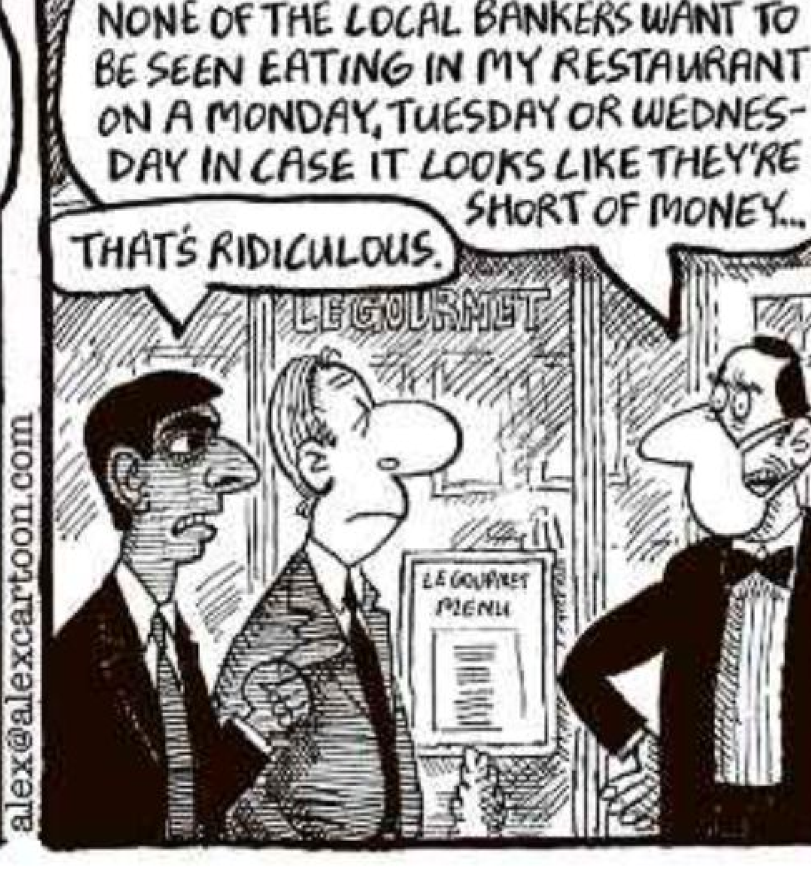
If only you'd invested in...

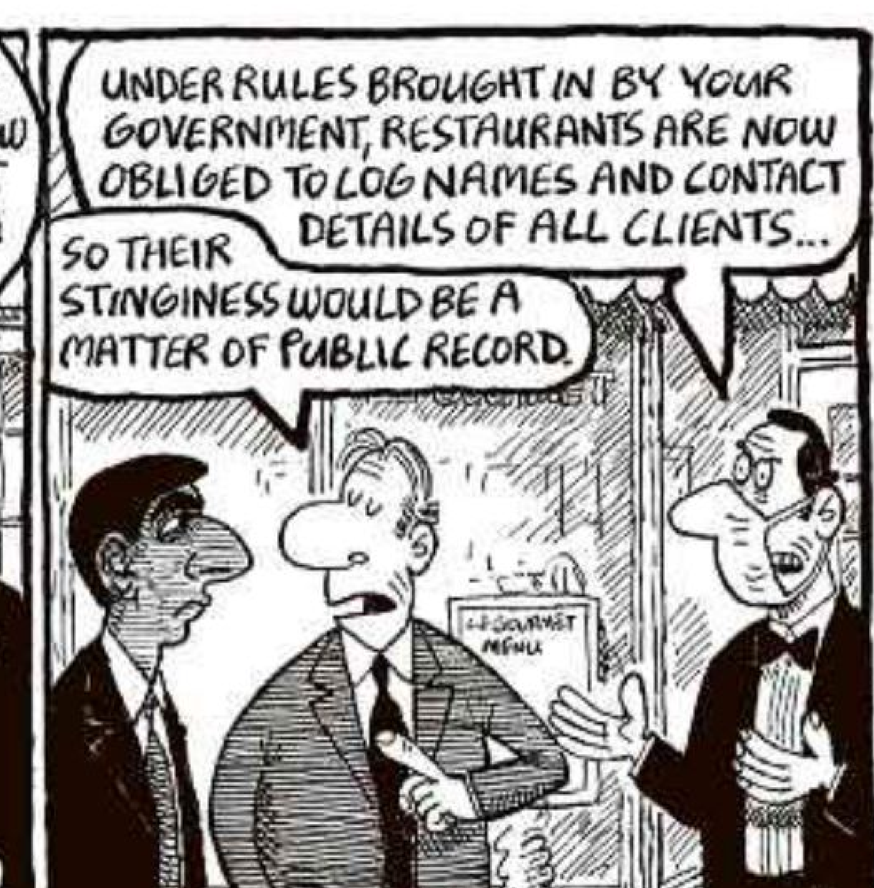
Kainos (LSE: KNOS) is a software company headquartered in Northern Ireland. It develops IT products for the public, healthcare and financial-services sectors. Shares in the company have been in an uptrend in recent months, and it has performed well against the market over the past year, says Ben Hobson on Stockopedia. Trading boomed in the first four months of its financial year (April to July), which will give full-year turnover and profits a fillip. Investors have also been pleased to hear that Kainos will not cancel its dividend. The stock has gained 130% in a year.

Be glad you didn't buy...



Compass Group plc (LSE: CPG) is a British catering firm. The share price has slid by around 40% over the last year, far worse than the overall market's 8.4%, says Simply Wall St. It has fallen by a third in three years. The group said that during lockdown its performance was dented by the widespread closure of businesses and education, sports and leisure facilities. The company said it was encouraged by the improvement in its performance in June, but the outlook remains murky. Revenue in its third quarter, which ended on 30 June, dropped by 44% year-on-year.





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The media mogul who cheated death

Sumner Redstone, a legendary dealmaker and eccentric star of the film industry, said that he was never going to die. It's one of the few things he was wrong about in his extraordinary career. Jane Lewis reports

The death of Sumner Redstone, "a ferocious dealmaker who elbowed his way into Hollywood", robs the movie industry of one of its most eccentric and influential characters, says the Financial Times. Redstone, who built the Viacom-CBS empire and coined the phrase "content is king", was one of the last great media moguls. A cantankerous man, who insisted well into his nineties that he was "never going to die", he strove to fend off the grim reaper on a diet of "goji berries, tomato juice and fish". At 97, death caught up with him.

Living the American dream

Redstone's life story, which began in a Boston tenement, had all the makings of the American dream. And he lived it like a protagonist in a drama – never backing down from a fight. Over the years, Redstone waged war on everyone from fellow moguls and actor Tom Cruise to former lovers and his children. Indeed, "his brash manner and family feuds helped to inspire the character Logan Roy on HBO's *Succession*". In 1979, Redstone survived a deadly hotel fire, says the Los Angeles Times. He later described how he had crouched on a narrow ledge as the flames seared his flesh. "The pain was excruciating but I refused to let go." He suffered third-degree burns over 45% of his body and spent months in hospital – later citing his recovery as proof of his grit and determination. "The will to survive is the will to win too."

Born Sumner Murray Rothstein in 1923, Redstone lived in fear of his "demanding" father – a linoleum salesman who built a small chain of drive-in cinemas and later changed the family name to Redstone, says

"The will to survive is the will to win too"

The New York Times. "Whatever we did was not quite good enough," Sumner later wrote. "I did nothing but study… I had no social life. I had no friends." After winning a scholarship to Harvard to study law during the second world war, he was invited to Washington to join a team of army cryptographers. But spying didn't suit Sumner; neither, he found, did law. He returned to Boston in 1954 to join the family business.

Redstone's first great "insight" was perceiving a big shift in US cinema-going in the early Sixties – he saw that the future lay in big out-of-town complexes and coined the term "multiplex" to describe them. The company, renamed National Amusements, swiftly became a cinema powerhouse, says The Guardian. His rise to mogul status" began in 1987 – the year in which both his parents died – when he spent $3.5bn on a hostile takeover of Viacom, in a deal financed by junk-bond king Michael Milken.

The success of youth channels MTV and Nickelodeon cemented Redstone's conviction that content was all-important. In 1994, he defeated industry heavyweights Barry Diller and John Malone in a battle to acquire movie studio Paramount, four years later adding the CBS TV network to his empire in a $37bn deal that was then the biggest in media history.

A disappointing end to the drama

The pursuit of Redstone's ambition came "at the expense of those close to him": he waged a bitter power-struggle with his brother Edward, and his heirs, to keep control of the company. Towards the end of his life, this "personal soap opera" coincided with "seismic shifts in technology" that ravaged Redstone's "treasured investments", says the FT. As he increasingly retreated from public view, succession-planning became "fraught" – culminating in a high-stakes 2016 lawsuit that saw his daughter, Shari, take the reins. She now inherits a "decidedly smaller and more vulnerable" empire. It probably wasn't the grand finale Redstone hoped for.

Great frauds in history… *the crypto-queen's bitcoin killer*

Ruja Ignatova was born in Sofia, Bulgaria in 1980, before moving to Germany with her family when she was ten. In 2005 she was awarded a doctorate in law from the University of Konstanz. She went on to work for management consultancy McKinsey & Co in their eastern European office.

In 2014 Ignatova set up OneCoin, which she claimed was a cryptocurrency that would become a "bitcoin killer", and began promoting the currency at large public conferences around the world, including one at Wembley Stadium.

What was the scam?

Ignatova invited investors to buy "packages" that would give the owner tokens that could be used to "mine" OneCoin. The price of OneCoin was displayed on a website. Although this website showed the currency soaring in value from £0.43 in January 2015 to over £25 in 2019, this wasn't based on any real transactions, but solely determined by the people running OneCoin. Ownership of the currency was stored on an ordinary database, rather than the blockchain (digital ledger) underpinning other digital currencies. Those who wanted to withdraw their money were paid out of money flowing in – in other words, it was in effect a Ponzi scheme.

What happened next?

Almost immediately after it began, OneCoin generated controversy with regulators around the world, who warned it could be a scam. Despite this, Ignatova's charisma continued to lure in large amounts of money. Some likened the organisation to a cult. It was not until she mysteriously disappeared in 2017, just before she was due to give a talk, that the scheme started to unravel. Ignatova is still wanted by the US Department of Justice. Her brother Konstantin was convicted of fraud and money laundering last year, along with a number of other people connected to the scheme.

Lessons for investors

Overall, the US authorities estimate that, between 2014 and 2017, OneCoin took in at least $4bn of investors' money; some believe the final amount could be as much as $12bn. Investors are unlikely to get much of it back. One big red flag was the use of multi-level marketing techniques, where investors were encouraged to recruit friends and family into the scheme by giving them a small commission based on the additional money that was invested. Many of these commission payments were reinvested in OneCoin.

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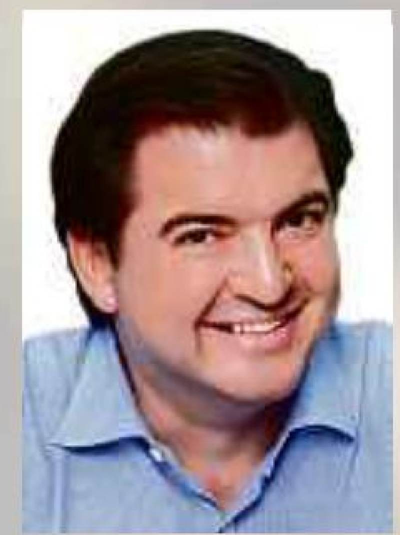
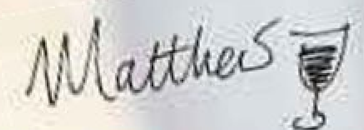
MoneyWeek Wine Club

Six Summer Beauties

from Lea & Sandeman



Every one of the six wines below is a sensational example of its kind. Aussie Riesling, Verdicchio, white Graves, red Burgundy, Southern Rhône and Aussie Shiraz, these are wines which power my wine passions and fire up my olfactory system. They are six of many hundreds of delicious bottles on the Lea & Sandeman shelves but my job each month is to reduce large swathes of bottles down to six absolute belters and, in this often-quiet month of August, these are the loudest and proudest wines for your ultimate delectation. These are also wines which, outside of my wine writing job, I drink with my family and friends and this summer I strongly believe that we should do our best to spoil those closest to us and so I have selected precisely the right wines to achieve this aim.

Matthew Jukes 

- **All wines come personally recommended**
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Prices shown below are per case of 12 bottles. Wines are also available in a 12 bottle mixed case (2 of each of the wines) **excellently-priced at £200 (saving a huge £33.60).** It's a chance for you to try them all, and it is the most popular choice with readers of *MoneyWeek*.

2019 Pikes, Riesling Traditionale, Clare Valley, South Australia

I always find it easy to write tasting notes for the great, dry Rieslings from Pikes and this 2019 is a top-class example of their epic, lime pith-imbued, insanely tight and resonant wines. These are electrifying brilliant whites which drink wonderfully in their youth and age gracefully, too. If you have yet to taste Pikes Riesling then you are in for a treat as they are so fine and so long. The only difficulty I encounter when writing about these wines is typing the price – it seems so incongruous that such a stellar creation has such a ubiquitous price point.

CASE PRICE: £191.40

2018 Verdicchio, Classico Superiore dei Castelli di Jesi, Andrea Felici, Marche, Italy

I am a huge fan of Verdicchio and for some reason, these classic Italian whites never seem to test the credit card too much. The Verdicchio grape is supposed to be light, smooth, refreshing and elegant, but lesser versions often end a little hollow and short. Felici's version is anything but, with a mesmerising, extra dimension of haunting pear juice fruit and a longer finish than I could ever have expected. There are faint hints of violets and rhubarb here, too, making it one of the most expressive versions of this grape I have tasted in a very long while.

CASE PRICE: £198

2018 Château de Cérons Blanc, Graves, Bordeaux, France

While the other two whites are sensual aperitif whites and perfect for lighter dishes, this white Graves is an extremely grown-up main course number with terrific gravitas and breeding. Often white Bordeaux can be insipid, dry and gutless or, at the other end of the spectrum, massive, oaky and overbearing. The finest examples dwell in the sweet spot between these two extremities. This is an exquisite example of a perfectly balanced white with super sharp, bright and lean citrus coupled with stony minerality and a refreshing, finish. The class on display here is indisputable.

CASE PRICE: £215.40

2018 Bourgogne Pinot Noir, Domaine François Raquillet, France

While the world strives to make accurate, affordable, well-balanced Pinot Noir, with varying degrees of success, it is always encouraging to know that Pinot's home in Burgundy can still manage to pull a rabbit out of the hat every so often. While prices climb inexorably, elite Bourgogne Rouge from less famous estates occasionally dips under £20. I love Raquillet's Mercureys and his Bourgogne Rouge manages to step up in ripe vintages and this 2018 is insanely delicious. Finely balanced, blackberry and beetroot-tinged with lip-smacking freshness, this is an amazingly rewarding wine.

CASE PRICE: £227.40

2018 Lirac, La Dame Rousse, Domaine de la Mordorée, Southern Rhône, France

Mordorée is a world-renowned Southern Rhône estate specialising in Tavel Rosé, Liracs, Châteauneuf-du-Pape and a marvellous Côtes-du-Rhône, and all of these wines can be found at L&S. Every wine here is magical and this Lirac combines both a staggeringly beautiful palate and also a surprisingly affordable price. It is also drinking wonderfully now, so you can crack on today and be assured of a highly-polished, deeply fruited and accurately spiced red wine. It is heady, indulgent and also finely detailed and you simply must taste it.

CASE PRICE: £227.40

2019 Tim Smith, Bugalugs Shiraz, Barossa, South Australia

You will be familiar with this wine if you follow my work, not least because its name is unforgettable! It's whimsical title might make you think it's a light-hearted wine, but it's not. This serious creation is hewn from top-flight Barossa Shiraz grapes. What sets this wine apart from a typical Barossa Shiraz is that it's forward-drinking and not a wine which you need to guard in your cellar for a decade before feeling confident to unscrew its cap. Bugalugs is a time machine wine which celebrates immediacy and joy and it is about as good as it gets with a top-flight 'butcher's barbecue'.

CASE PRICE: £203.40

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Deserted tourist hotspots

Popular destinations are more attractive than ever as the crowds stay away. Nicole Garcia Merida reports

The magic of Venice

The rules about where you can go without having to endure quarantine change by the day, but at the time of writing, Italy was open for business to the UK. Few Brits, however, are braving the journey, says Maria Shollenbarger in the Financial Times. For those who do choose to go, that makes the situation "pretty delightful": "empty squares, queue-free museums, hill towns and seaside ports largely returned to their inhabitants".

Of all the country's celebrated destinations, Venice is "the most genuinely extraordinary to experience right now". A city that has suffered the most "at the hands of the tourism that feeds it" is now breathing easily. On a walk through St Mark's Square you'll encounter only a "smattering of mostly Venetians"; the Giudecca Canal is close to empty. "Only the *traghetti*, a few fishing boats and the odd water taxi plied its jade-hued expanse." The walk from the Aman Venice in San Polo, past the Salizada San Samuele, through San Marco and along the Riva degli Schiavoni, is less crowded; on a "windblown, sun-saturated day" it is "truly magical". The city can't survive like this forever, but at the moment it is a wonderful break from the norm – not to be missed, and very likely not to be repeated.

Venice: an even more extraordinary experience than usual

©Getty Images; iStockphotos; Igor Brautovic

Croatia without the crowds

Croatia reopened to tourists in May, but although they have started flocking back, the numbers are still half of what they were last year, says James Butler on iNews. Visitors will have "the rare opportunity to enjoy Dubrovnik's red-roofed Renaissance majesty without the cruise crowds".

A short distance from the Old Town is Lokrum, an island where you can escape even the tourists who are still arriving. The nature reserve, which is the site where Richard the Lionheart reputedly washed ashore in 1192 on his way home from the Crusades, is made up of rocky coves and secluded beaches. Crowning Lokrum's highest point is the 18th-century fortress, Fort Royal. This is a "low-key alternative" to the popular cable car to the top of Mount Srd, and gives panoramic views of the walled Old Town – "even if the scramble up did make me feel like a mountain goat".

Holiday boltholes in the British Isles

If the constantly changing rules on quarantine make you feel nervous about venturing abroad, fear not – there are plenty of beautiful spots in the less touristy areas of Britain. For many, a British holiday means a trip to "well-known holiday boltholes such as Devon and Cornwall, the Lake District or the New Forest… but there is real beauty in slightly less trodden parts of coastal, urban and rural Britain", says Josh Halliday in The Guardian. The Peak District's spectacular hills and rolling rivers are often "unfairly overlooked". A short hop from London lies Mersea Island in Essex, "a somewhat-secret place of pilgrimage for seafood fans for years". But while most UK holidays involve coast and countryside, you may be missing a trick by not visiting cities. "York is one of the UK's most popular tourist destinations in normal times, but its visitor income has disappeared virtually overnight." It is well worth a visit to see Clifford's Tower alone, the biggest surviving remains of York Castle.

The Peak District is "unfairly overlooked"

Finding nirvana in Sardinia

In ordinary times, Cardedu, a town in Sardinia, feels so remote it's like it's scarcely there at all, says Chris Leadbeater in The Daily Telegraph. Sardinia itself, Italy's second biggest island, is not the best known of Mediterranean destinations. It has a "defiantly rustic backwardness… goats bleating on hillsides, stone houses crumbling on the peripheries of vaguely cultivated fields, granite bluffs punching the sky". In ordinary times, such remoteness would be "relaxation incarnate". Thanks to Covid-19, it "sounds like nirvana".

Cardedu has the soundtrack of the countryside – "a chatter of insects in the bushes, the grumble of a tractor somewhere unseen, the burble of the Rio di Quirra" – and hosts the unpretentious Perdepera Beach Resort, with 170 cabins in shades of pink, yellow and aquamarine covered in bougainvillea. The beach itself feels like an extravagance — one of those "arcs of silver-grey that haunts... Instagram feeds". Beyond the gates of the resort, you can hike a trail into the Monte Arista, an outing that will reward you with views stretching far up the coast, "the land an olive-brown against the dark blue of the sea". (Seven-nights full-board at Perdepera Beach Resort costs from £3,968; see markwarner.co.uk.)

Is this the world's most desirable 911?

Porsche's halfway house between coupé and drop-top is an attractive proposition. Daré Mustapha reports

The Porsche Targa, when it first appeared in 1965, was "cutting edge", says Curtis Moldrich in Car magazine. The original idea was to design a safer version of the drop-top. Rather than stripping the roof off completely, the Targa had a removable roof panel. The result was a stiffer and safer car. Now that drop-tops are routinely much safer and sturdier, the Targa would now seem only to combine all the drawbacks of a cabriolet and a coupé. Still, it remains "one of the most desirable" 911s you can buy, even if only for the looks.

The latest model, the Targa 4s, combines a comfortable ride with an almost instantaneous throttle response and signature constant linear acceleration. It produces 443bhp from a six-cylinder, three-litre engine with twin turbochargers and "puts it to the road" via a refined all-wheel-drive system. "As in the vanilla 4S, Porsche's four-wheel system is a non-intrusive wonder, quietly diverting power between the axles for the perfect blend of grip and driver engagement."

That four-wheel-drive system will put off purists looking for a classic 911 driving experience, says Stuart Gallagher in Evo. Still, the all-weather traction and security it brings makes it an attractive proposition for most users and it means that, "when opportunities allow and speeds climb", it feels "as planted and sure-footed as you would both want and expect". And the removable roof is stashed away under the rear seats by a slick automatic mechanism in only 19 seconds, making it ideal for English stop-start rainy weather.

The Targa "rides with plenty of purpose", says Simon Davis in Autocar, but it's "not so firm that you'd think twice" about using it as a long-legged grand tourer too.

This is a sports car in which you could "quite happily endure big-mile schleps". The rear-driven coupé may be the better driver's car. The Carrera S Cabriolet is £5,600 cheaper. But the Targa remains an attractive option for those after an all-wheel-drive drop-top. True, much of its draw is its "poser appeal". "But there's more driver appeal to go along with that than ever before."

Price: £109,725. Top speed: 189mph. 0-62mph in 3.6 seconds.

> *"This is a sports car in which you could quite happily endure big-mile schleps"*

Wine of the week: a top-level vermentino that just keeps giving

2019 Vermentino di Sardegna, Antonella Corda, Sardinia, Italy
£19, woodshirewines.com; £19.95, oldbridgewine.co.uk

Matthew Jukes
Wine columnist

Ten years ago, after finishing her masters in viticulture at the prestigious Fondazione Edmund Mach Foundation in Trentino, Antonella Corda, the grand-daughter of famed viticulturalist Antonio Argiolas, founded her winery, a few miles north of Cagliari in the village of Serdiana. Antonio, who lived to the age of 104, left Antonella two of his prized vineyards, and this wine comes from his favourite, Mitza Manna.

Top-level vermentino is a rare beast as, more often than not, it runs out of puff around the £15-mark. This wine, however, is a "Grand Cru". I first tasted Corda's wines on a mini-break to Sardinia a few years ago and I have never forgotten the vitality and racy, stone-fruit-bitterness which they bring to a fine lunch. There is mid-palate weight here, too, which means that there is fascinating sleight of hand in play. You can pour and drink this pin-sharp white as an electrifying aperitif, but if you bring canapés into view, it grows in the glass. Keep going and move to sashimi and ceviche dishes and it blossoms even more. Then launch a volley of lobsters or a cavalcade of serious quality fish mains and it, again, steps up like a pole-vaulter clearing ever-higher bars. They make a wickedly refreshing raspberry and fresh-herb soaked Cannonau here, too (drink this with vitello tonnato), but we will have to wait a few months for the 2019 to arrive because the '18 is sold out. I, for one, cannot wait.

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

This week: houses for around £1m – from a Grade II-listed, 18th-century coach house and stable block in Richmo

The Clock House, Stanwick St. John, Richmond, North Yorkshire. A converted Grade II-listed, 18th-century coach house and stable block. It has open fireplaces, a modern fitted kitchen and a large pond in the garden. 7 beds, 3 baths, 3 receps, breakfast kitchen. Stables, paddocks, 9 acres. £1.2m Strutt & Parker 01423-706771.

The Old Sunday School, Coppice Hill, Bradford-on-Avon, Wiltshire. A Grade II-listed former school to a Wesleyan methodist chapel. It has arched sash windows, a part-vaulted reception room, a contemporary kitchen, a modern floating staircase and a mezzanine. 2 beds, 2 baths, recep. £1m Hamptons International 01225-312244.

Trefuge Farm, Coads Green, Launceston, Cornwall. A Grade II-listed farm and attached former mill in need of some modernisation with views towards Bodmin Moor. It has planning permission to be separated into two houses and an annexe. The house has exposed stone walls, flagstone floors, beamed ceilings and open fireplaces. 7 beds, 2 baths, 2 receps, kitchen, farm buildings, 11 acres £950,000 Savills 01872-243201.

nd, North Yorkshire, to a property in a Gothic Revival-style terrace in the centre of Brighton

◄ **The Old Vicarage, Yarcome, Honiton, Devon.** This former vicarage was built in the late Georgian period and remodelled in a Victorian style in the late 1800s. It is set in over 2.5 acres of gardens overlooking the Yarty Valley and surrounding hills and woodland. The house retains many period features, including its ornate ceiling roses, large sash windows and open fireplaces. 6 beds, 3 baths, 3 receps, study, breakfast kitchen, games room, workshop. £1m Greenslade Taylor Hunt 01404-46222.

► **Farmhouse Cottage, Whitwell, Oakham, Rutland.** A Grade II-listed, converted farmhouse and outbuildings with two one-bedroom cottages close to Rutland Water. 4 beds, 4 baths, 2 receps, study, breakfast kitchen, 1-bed annexe, gardens, grounds, 0.6 acres. £1.05m Strutt & Parker 01858-438723.

◄ **The House On The Green, King's Lynn, Norfolk.** A Grade II-listed Georgian house in a prime location overlooking the village green. The interior has been remodelled to create an open-plan feel to the ground floor with the rooms leading into each other. It has wood-panelled walls, a feature fireplace, sash windows and French doors leading onto a south-facing walled garden. 3 beds, 2 baths, recep, dining kitchen, games room. £995,000 Bedfords 01328-730500.

▲ **St Bernard's Row, Stockbridge, Edinburgh, Scotland.** This Georgian-style house was built in the 1980s to match the surrounding architecture and benefits from modern double glazing and insulation. The house has wooden floors, large living areas, a generous-sized kitchen and breakfast room, and a reception hall. 5 beds, 3 baths, 3 receps, parking, front garden and patio area. £ 900,000+ Knight Frank 0131-222 9600.

► **Wykeham Terrace, Brighton.** A renovated property in a Grade II-listed, Gothic Revival-style, four-storey city-centre terrace. It has paired leaded-light windows and parapets, oak engineered floors, a dual-aspect reception room with wooden shutters and two Ancaster fireplaces, and an open-plan kitchen and living room with Shaker-style cabinets and French doors leading onto a private courtyard garden. 3 beds, dressing room, 2 baths, recep, study. £975,000 Fine & Country 01273-739911.

School's out for ever

At least it would be if nervy teachers had their way. That's good news for private tutors

It's time to get the blighters back to the classroom

©iStockphotos

> *"Online tutoring firm Class Action has seen plenty of demand for its programme, which costs £125 for a half day; a rival firm charges £35,000-a-year"*

Having spent the last six months cooped up with their offspring, even the most loving of parents must surely be looking forward to getting rid of the little blighters, at least for a few hours in the day, and packing them off back to school. Sadly, the schools remain shut in those countries where nervy teachers hold sway.

In large swathes of the United States, including California, for example, teachers are refusing to return to work, citing fears of a "second wave". Parents are worried too, says Melinda Wenner Moyer in The New York Times – that the remote education they are having to rely on instead will prove to be inadequate and isolating, and that they will not be able to return to work as long as they are having to stay at home to provide childcare.

Impromptu in Moribundia

Faced with another few months of "balancing their jobs with the demands of guiding children through Zoom classes", it's no surprise that "home-schooling pods" – impromptu private schools led by privately hired teachers – are emerging as an "attractive idea", says Emily Oster in The Washington Post.

However great they may sound in theory, though, they are not cheap. Hiring an experienced teacher to work full time for a year in the US could easily set you back $100,000 or more per year once you factor in all the additional taxes. Even if you were able to split the cost with five other families, that's still $20,000 each. Face-to-face education may end up "out of the range of most parents", especially those with larger families.

Still, the cost hasn't stopped many parents from trying to salvage something of their children's education, says Mario Koran in The Guardian. There has been a big boom among wealthy and even some middle-class Americans for "Zutors" – private tutors who teach your children over Zoom. Demand for these has been so great that agencies are now charging initial fees of between $700 and $1,000 simply to interview tutor candidates, run background and reference checks, then match them with families. By the time all the fees have been included, parents can end up paying as much as $125 an hour.

This isn't just an American phenomenon either, says Luke Mintz in The Daily Telegraph. Research from the Institute for Fiscal Studies suggests that around one in five of the richest British families paid for a private tutor during lockdown, including many who are already "spending thousands each month on school fees". Online tutoring firm Class Action has seen plenty of demand for its programme, which costs £125 for a half day; a rival firm has seen several families sign up to its £35,000-a-year offering. One family in Dubai went further, offering to pay £24,000 a month to a tutor to live on their superyacht in the Mediterranean.

Still, this is hardly an option for the average family. Waiters, construction workers and hairdressers have now gone back to work. Why shouldn't teachers?

Quintus Slide

Tabloid money… how to holiday like Joan Collins

● **"Every summer, millions of us suffer from the annual malaise called holiday-itis," says Jan Moir in the Daily Mail. It is brought on "by overexposure to everyone else's holiday snaps on social media, while personally remaining marooned and working in a hot, sticky city". We feel inadequate looking at the snaps of singer Rita Ora (pictured) with Kate Moss on Formentera, for example, or "the Beckhams tanning their tattoos in Puglia". More cheering was the sight of Joan Collins and Brigitte Macron "in their swimming cossies, both looking marvellous despite having ten grandchildren between them, not to mention a surfeit of decades". "How do they do it? Brigitte eats a mixture of ten fruits and vegetables every day, while Joan drinks one vodka martini with dinner and always wears sun protection." Let's have what they're having.**

©Getty Images

● Au pairs are virtually extinct, says Vanessa Feltz in the Daily Express. The "perfect storm" of Brexit and Covid-19 is keeping them from our shores and that has led to a supply crisis, according to the British Au Pair Agencies Association. Whatever will Britain's "beleaguered working families" do? "My au pair memories include one who smuggled her boyfriend in through a window for coital purposes; one who stole tins of beans and hid them under her bed, and one who kept the shepherd's pie warm by folding it up in her duvet." But there were the good ones as well. "Patti from the Netherlands, Sabine from Germany and Annette from Sweden – all of whom were lovely, great company, magical at children's bath-time and who all became long-term friends."

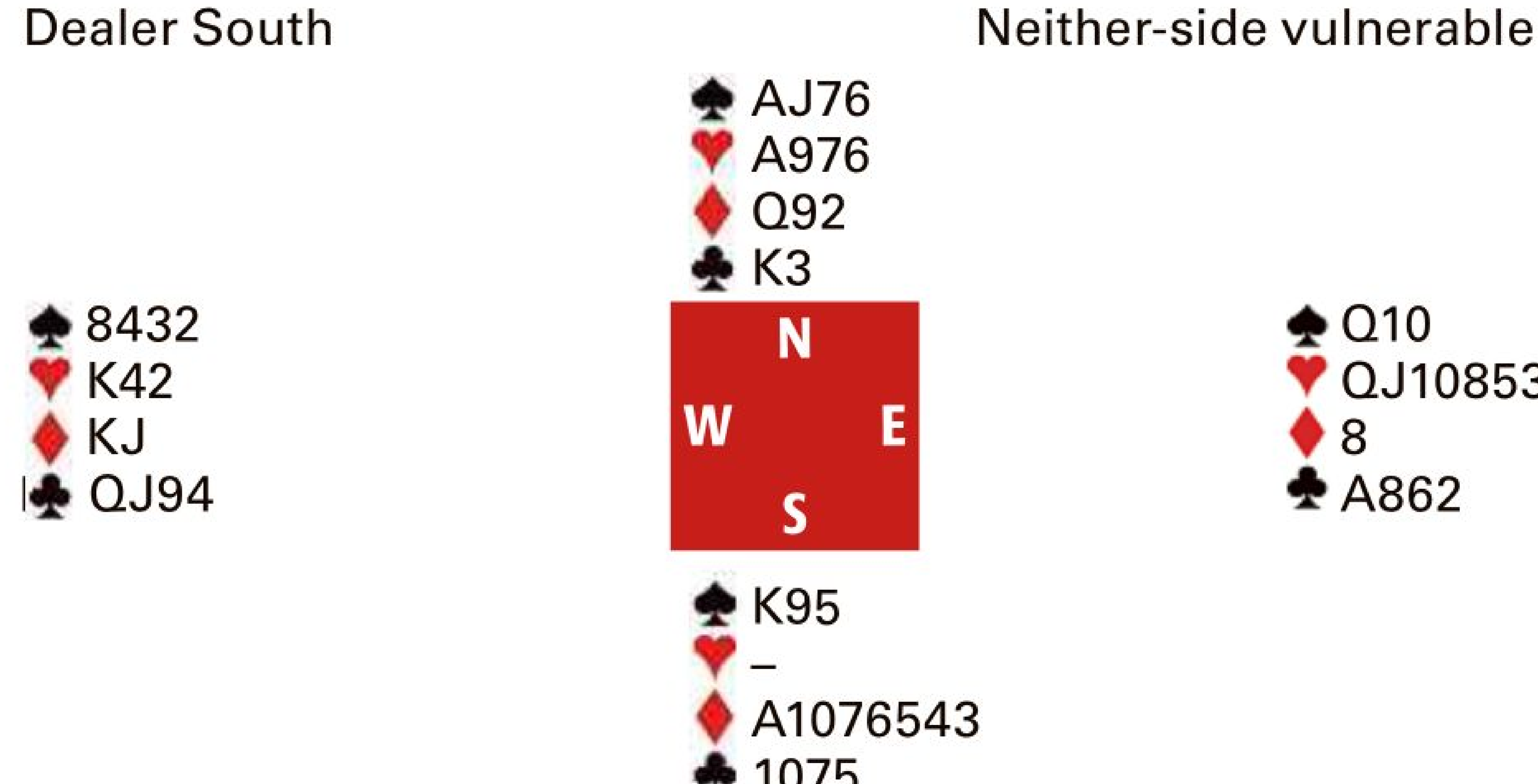
● Last week, I ate out to help out, says Douglas Murray in The Sun. The bill was half of what it would have otherwise been. Cheers to the chancellor, Rishi Sunak! "And then the small thrill started to wear off. 'When was I going to pay for this?' I thought." After all, there is no such thing as a free lunch, or even a half-price dinner for that matter. When we're bribed to eat out, it's easy to forget the government only has the money we give it or the money that it borrows – and borrowing has "increased this year faster than at any time on record". One day, all of this money is going to have to be paid back. "I don't know when I'll pay down my lemon chicken from last week," or when the thousands of other diners will do likewise. Perhaps we never will.

Bridge by Andrew Robson

Taking the extra chance

At Table One on this week's deal, declarer (in 5♦) won the Heart lead with dummy's ace, discarding a Spade, crossed to the Ace of Diamonds (no King falling), then led a Club to dummy's King. No good – East won the Ace and returned a Club to his partner. Down one.

Dealer South Neither-side vulnerable



The bidding

South	West	North	East
3♦	pass	3NT*	4♥**
pass	pass	5♦***	pass
pass	pass		

* Hoping for seven Diamond tricks and two Aces.
** Buccaneering.
*** Tempting to double.

Table Two's declarer saw a cost-nothing extra chance. Taking advantage of West's Heart lead (the Queen of Clubs would have scuppered his game), declarer ruffed in hand, cashed the Ace of trumps, then, before relying on the position of the Ace of Clubs, tested the Spade suit. He cashed the King of Spades, East dropping the ten, and followed with the nine of Spades to dummy's Ace.

If nothing had happened, declarer would have thrown his third Spade on the Ace of Hearts, ruffed a major, and led towards the King of Clubs. However, when East's Queen of Spades fell under the Ace, declarer's care was rewarded. He ruffed a Heart, led his remaining five of Spades to the seven (note how essential that unblock of the nine had proved to be), cashed the Knave of Spades throwing one Club, then followed with the Ace of Hearts throwing a second Club. All he lost was one Club and the King of Diamonds. Eleven tricks and game made.

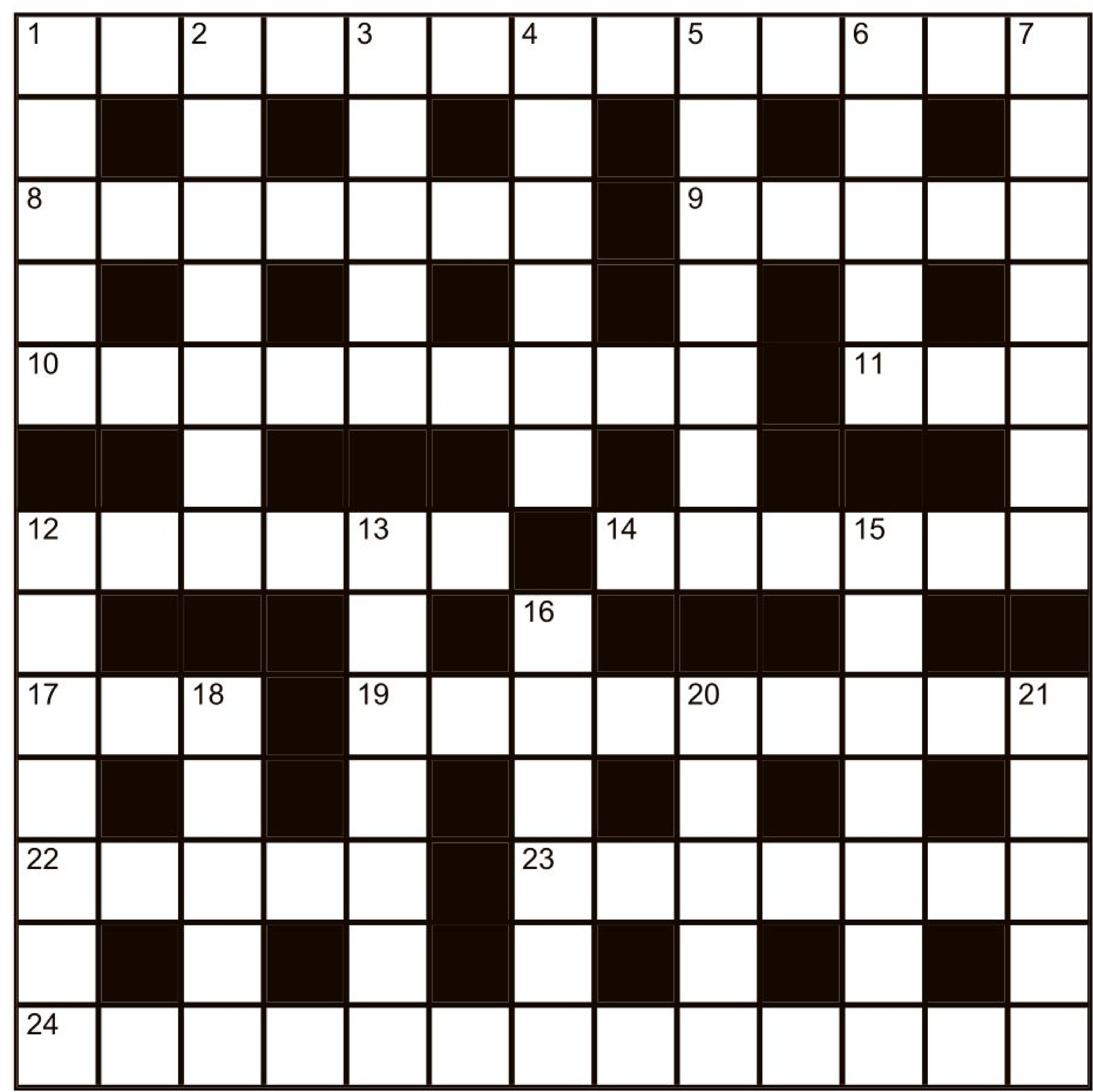
One final thought – what if East had thrown the Queen of Spades under the King? Might not declarer have run the nine – and so failed in his game?

For Andrew's three daily BridgeCasts, go to arbnh.com/bridgecast

Tim Moorey's Quick Crossword No. 1013

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 31 Aug 2020. Answers to MoneyWeek's Quick Crossword No. 1013, 31-32 Alfred Place, London, WC1E 7DP.

TAYLOR'S 325 ANNIVERSARY



Across clues are mildly cryptic whereas Down clues are straight

ACROSS
1 Primary school teacher peels off jumper (13)
8 Opposing benefits in a way (7)
9 Extremist, found in adult racket (5)
10 Right away, one living abroad to speak at length (9)
11 Port and whisky (3)
12 Man coming from hot spring reportedly (6)
14 Vegetable for the party (6)
17 Reading is one part of communication (3)
19 Stupid having no support up front around home (9)
22 Ed appearing in promos especially (5)
23 Prisoner cheated making excuse (7)
24 Affirmative votes from detectives mentioned (3, 4, 4,2)

DOWN
1 Edible fish (5)
2 Specimen (7)
3 Variety of grape (5)
4 Minor temporary actors – bye-bye! (6)
5 Arrogance (7)
6 Large Indian lute (5)
7 University lecturers (7)
12 Lover of good food (7)
13 Mission (7)
15 Ugly building, for example (7)
16 Meeting of local party in US, say (6)
18 Matter of debate (5)
20 Expert in Japanese martial art (5)
21 Winter driving hazard (5)

Name ....

Address ....

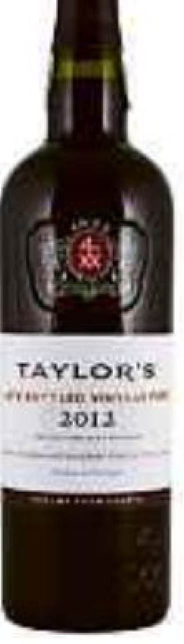
Solutions to 1011

Across 1 Shaw *homophone* 3 Bandanas *d in bananas* 8 Riposte *anag* 10 Cache *homophone* 11 Ace of hearts *anag* 14 Eva *middle letters* 16 Roast *double defs* 17 Aga *hidden* 18 Showstopper *shows topper* 21 Largo / *Argo* 22 Postman *anag* 23 Stand-ins *cryptics* 24 I-spy *is party less art.*

Down 1 Streamer 2 Apple 4 Ale 5 Decorations 6 Nicosia 7 Sled 9 So far so good 12 Exams 13 Warranty 15 Austria 19 Pumps 20 Alas 22 Pun.

The winner of MoneyWeek Quick Crossword No. 1011 is: Mr Gwyn Bennett of Cardiff

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



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

Sudoku 1013

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

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

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

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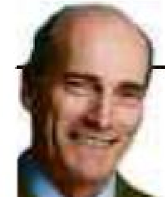
What the left gets right

It's true, a greedy elite has pillaged and looted the economy. The answer is capitalism



Bill Bonner
Columnist

The elite are on the menu

©Reuters

The crowd at a recent rally of leftists spontaneously broke into a chant: "Eat the rich… Eat the rich…" The slogan is now all over social media. You can even get a recipe on Twitter. One tells you to "Simmer £100,000 cash in the blood drained from the carcass. Serve on a bed of rocket".

We will decline. We have never much liked rocket. Yet tastes change. The newspapers are full of reports that Americans are "gunning up". Our guess is that many of them will be gunning for the rich. The social contract – the generally accepted principles that bind rich and poor together – is giving way. And why shouldn't it? The system is corrupt. A few people get richer than ever, while most people fall behind.

Leftist intellectual Chris Hedges describes well the plight of many of the non-rich. Some 41.7 million workers in the US, a third of the workforce, earn less than $12 an hour, he says, and most of them do not have access to employer-sponsored health insurance. The average middle-class family's net worth is more than $40,000 below what it was in 2007. Real unemployment is probably close to 20% – the official figure of 10% excludes those furloughed or those who have stopped looking for work – and some 40 million people are at risk of being evicted by the end of the year. Banks are expecting a wave of bankruptcies and defaults.

> *"The 'Eat the rich' slogan has gone viral. Now you can get a recipe"*

Hedges thinks he's describing a failure of capitalism. But it wasn't the capitalists who set interest rates near zero, who jacked up the stockmarket, who transferred trillions of dollars to their favoured clients, or who printed the fake money. The inequality, unfairness, corruption and dishonesty of the system could easily be erased. All it would take would be a return to an honest money system, without any meddling by the feds. Stocks would crash to less than half of what they are today. Bonds, too, would implode. The Swamp would drain. The giveaways would come to an end. Hey, presto! Problem solved.

Of course, there would be a depression, too; it would take time for the economy to adjust. And there would be some long faces as people realised they now had to earn their money honestly. This is why the elites don't want to acknowledge or solve the real problem: the fake money lines the plush chair in which the elites rest their fat derrières.

Hedges might not understand how the flimflam works, but he knows that "the system" is controlled by the "ruling elites" who "wantonly pillage and loot". Like the rest of the intelligentsia, he doesn't want to think too deeply about how they do it. He just insists that something be done about it.

"Eat the rich," for example. The elites will now get out their forks and knives, tuck their napkins under their chins and, for the benefit of the hungry masses, put "the rich" on the menu.

The bottom line

$1.1bn The estimated collective value of seabird droppings every year worldwide. The deposits, known as guano, can be used for fertiliser and can provide nutrients to coral reefs, boosting fish numbers, according to researchers at Brazil's Universidade Federal de Goiás.

€247,280 The value of undeclared money that Aki, a Malinois sniffer dog, found for German authorities at Frankfurt airport in late June and early July. Cash amounts of €10,000 and more must be declared when entering or leaving the European Union.

£25m How much McCain is investing in Britain's £1bn potato-growing sector over the next four years to support the industry against coronavirus and extreme weather. The Canadian frozen-chip company buys 15% of Britain's potato crop every year.

$14.7m How much the Duke and Duchess of Sussex are believed to have paid for their new home in California – a 1,765-square-metre mansion with views of the Pacific and the Santa Ynez mountains. It has nine bedrooms, a small cinema, sauna and a gym.

$26m The sum raised for Democratic presidential hopeful Joe Biden's election campaign in the 24 hours after he picked California senator Kamala Harris to be his running mate. In July, Biden raised $140m compared with President Donald Trump's $165m.

£500,000 The donation Amazon Prime Video has made to the Theatre Community Fund, set up by Phoebe Waller-Bridge (pictured) and Olivia Coleman, both of whom starred in the TV comedy *Fleabag*. The fund will help support struggling theatre workers in Britain, locked out of work due to Covid-19.

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