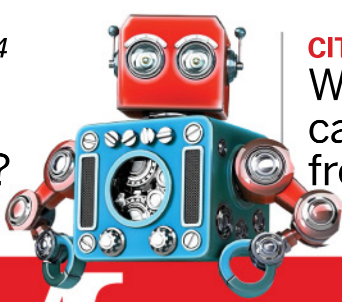
MARKETS *P4*
Can the US stock rally last?



CITY VIEW *P16*
What firms can learn from Disney

PLUS
A Polynesian paradise
TRAVEL *P36*

MONEYWEEK

MAKE IT, KEEP IT, SPEND IT

20 OCTOBER 2023 | ISSUE 1178

Happy hour

Promising pick in the pub sector

Page 28

WHAT ARE YOU **TUNING INTO?**

The past year has seen a spate of interest rate increases to quell rampant inflation. A corollary of that is growing concerns about growth, and uncertainty over the outlook for the global economy. In these fraught times, it's important to cut out the noise, and fine tune your investment choices. Our wide range of fixed income funds may be able to provide the bandwidth to match your wavelength. We call it the value of active minds. To find out more about our fixed income capabilities, visit **jupiteram.com/inflation**

Capital is at risk. This advert is for informational purposes only and is not investment advice. We recommend you discuss any investment decisions with a financial adviser, particularly if you are unsure whether an investment is suitable. Jupiter is unable to provide investment advice. Issued by Jupiter Asset Management Limited, The Zig Zag Building, 70 Victoria Street, London, SW1E 6SQ, authorised and regulated by the Financial Conduct Authority. JAM000192-002-0923

MoneyWeek

20 October 2023 | Issue 1178

Britain's best-selling financial magazine

From the editor...

"If you can't explain it to a six-year-old, you don't understand it yourself," said Albert Einstein. The financial-services industry has always enjoyed presenting perfectly straightforward concepts in intimidating jargon. The prose in articles, reports and press releases is often clunkier than a suit of armour falling down castle steps. We suffer through it so you don't have to.

Complicated investment products benefit the seller more than the buyer ("where are all the customers' yachts?", as someone asked a Wall Street broker). Sometimes nobody seems to understand them at all, but everyone deals in them all the same, as we saw with derivatives in the run-up to the financial crisis. So every now and then, a reminder of the beauty of simplicity is in order. On page 26, Dominic looks at compounding, which Einstein reportedly deemed the eighth wonder of the world. It could certainly be explained to a six-year-old. The sooner children are introduced to it, the better.

Massacre in the bond market

Investors should also remember not to be distracted from key trends by the news. The fighting in Israel and Gaza has generated a great deal of sound and fury. Geopolitical events often do, but they are hardly a key influence on the average investor's portfolio, as Alex notes on page 5. And they have deflected attention from something far more influential: the bond bear market. Just imagine, says Ben Carlson in his blog *A Wealth of Common Sense*, if the stockmarket fell by 50%. Investors "would be losing their minds".

"If you can't explain it to a six-year-old, you don't understand it yourself"

©Getty Images

"The US ten-year Treasury bond is suffering its worst bear market on record"

But that kind of wipeout has been happening in the US long-term government bond market. An exchange-traded fund (ETF) tracking bonds with maturities of 20 years and over has slumped by half since August 2020. Yields have shot up, reflecting plunging prices. Yields on 30-year Treasuries have gone from 1% in March 2020 to 5%, a level last seen in 2007.

Moreover, Bank of America points out that we are undergoing the greatest bear market on record in the benchmark ten-year Treasury. It has fallen by 24.7% from its latest peak in mid-2020. By comparison, 1979-1980 and 1980-1981 saw slumps of 15.8% and 14.6% respectively. Yields here and in Europe are rising fast, too. German ten-year yields are around a 12-year high of almost 3%.

We can expect more of the same. US core inflation and headline inflation "seem to be settling into a 4% range, double the [central bank's] target", notes Stephen Innes of SPI Asset Management. Prices in the US services sector are climbing at an annual rate of 5.7%. There is also mounting concern over towering government debt loads.

Dearer money as a result of inflation being higher for longer will undermine growth (see page 4) and compound fears of a blow-up somewhere in the vast and opaque financial system.

The towering private debt load in the global system makes the world economy vulnerable to nasty surprises, as investment strategist James Montier, whose ideas have been featured regularly in MoneyWeek over the years, points out. He is interviewed on page 24, where he also explains how investors can shield their portfolios from inflation as well as from what he describes as slow-burn Minsky moments. He suggests a simple and sensible strategy, which readers could certainly explain to a six-year-old.

Andrew Van Sickle
editor@moneyweek.com

AI bot aims for straight As

©Alamy

Cottesmore School in West Sussex has deployed a deep-learning chatbot as its new headteacher, says Louisa Clarence-Smith in The Telegraph. The artificial intelligence (AI) program, named Abigail Bailey by the private boarding school, will advise headmaster Tom Rogerson (pictured) on issues ranging from how to support fellow staff members to helping pupils with ADHD and writing school policies. It works in a similar way to ChatGPT, the online AI service where users type questions, and they are answered by the chatbot's algorithms. Rogerson first became interested in the technology at the suggestion of his nephew, who is a pupil at the £32,000-a-year school. "The introduction of AI is not about replacing our dedicated educators but about augmenting their capabilities," he said.

Cover illustration: Howard McWilliam. Photos: ©Alamy; Getty Images

Good week for:

Sami Gam, a 22-year-old law graduate, has won his legal battle against the French government for the right to bring 800 cigarettes into France from another European Union state before incurring excise duties – 600 more than French rules currently allow, says The Connexion. The court agreed the government would have to comply with EU rules setting the limit at 800. A packet of 20 cigarettes costs €10 in France, twice as much as in Spain.

Amazon founder and executive chairman **Jeff Bezos** (pictured) has bought the 19,000 sq ft estate located next door to his mansion in the Florida neighbourhood known as "Billionaire Bunker" for $79m, says The Telegraph. Bezos bought the first property earlier this year for a reported $68m. Other residents of Indian Creek, a village on a private island, include former American football star Tom Brady, singer Julio Iglesias and Ivanka Trump.

Bad week for:

Officials at Glasgow Museums, a charity which runs the city's museums, are unable to account for a plaster version of Auguste Rodin's *Le Bourgeois de Calais*, valued at £3m, says BBC News. The sculpture, depicting the plight of the French port's residents during an 11-month siege by the English during the Hundred Years War in the late Middle Ages, had been bought in 1901. It now joins a list of 1,750 items whose whereabouts are currently unknown.

Former Barclays boss **Jes Staley** has been fined £1.8m and banned from holding future jobs in the City after "recklessly" misleading the Financial Conduct Authority and his own board over his relationship with the sex offender Jeffrey Epstein, says The Times. Staley had claimed he and Epstein were not close, only for an investigation to uncover emails describing Epstein as one of his "most cherished" friends, according to the regulator.

©Getty Images

AI hype props up a struggling market

Alex Rankine
Markets editor

The "magnificent seven" of technology mega-caps (Apple, Microsoft, Google-owner Alphabet, Amazon, Nvidia, Tesla and Facebook-owner Meta) have accounted for the bulk of the S&P 500 index's 14% gains so far this year, says Ryan Ermey on CNBC. These seven firms have jointly grown to comprise 28% of the US stock benchmark (larger companies are weighted more heavily than smaller companies).

On an equal-weighted basis, the S&P 500 is up by just 1% – a sign that the average company has struggled. That reflects an unhealthy market. A bull run supported by "just a handful of influential stocks" is vulnerable to sudden shifts in sentiment. As technical analysts say, "the generals are charging while the soldiers are in retreat".

Shares in Amazon slid by more than 80% in 2000

©Alamy

Bonds' relative appeal rises

Investors buy growth stocks like tech because they hope to enjoy big profits in the future. But with US ten-year Treasury bonds yielding 4.8%, they can now lock in decent future income without the risks of backing speculative technology ventures. The fact that the magnificent seven have continued to rally for much of this year regardless is thus all the more impressive.

The tech rally is testament to the enormous excitement surrounding artificial intelligence (AI), says The Economist. OpenAI's ChatGPT program gained 100 million users within two months of its launch late last year. "More than $40bn in venture capital flowed into AI firms in the first half of this year alone." ChatGPT initially "wowed users with its user-friendly interface and human-like answers", says a Deutsche Bank note. Yet the "limitations of a service" that relies on "a mish-mash of sometimes unreliable training data" have since become apparent.

Big Tech is "struggling" to turn the "AI hype into profits", say Tom Dotan and Deepa Seetharaman in The Wall Street Journal. Software companies are hugely profitable because of economies of scale: it costs them almost nothing to sell an extra copy of a computer program. Yet those economies don't apply to AI, which requires "muscular servers" with expensive computer chips to perform an "intense new calculation for each query".

Take GitHub Copilot, a popular AI assistant that helps coders. Users pay $10 a month to subscribe, but the company was "losing on average more than $20 a month per user" earlier this year. Some heavy users "were costing the company as much as $80 a month."

Some also question how long it will be until AI has major economy-wide impacts, adds Neil Shearing of Capital Economics. "Technological changes don't happen overnight." For example, "it took around half a century" for "electricity and telephone usage" to become common.

Even if AI does eventually change the world, early investors may not get rich from betting on it, Will Denyer of Gavekal Research tells Teresa Rivas in Barron's. "The new technologies that drove the late-1990s" dotcom bubble "did – eventually – deliver enormous profits. But buying Amazon... for $5.30 at the end of 1999 would still have been a painful mistake; a year later" the shares traded for "less than $1".

Is US growth running out of steam?

That wasn't the inflation report that investors betting on easier money ahead were hoping to see, says Justin Lahart in The Wall Street Journal. Annual US inflation came in at 3.7% in September, the same reading as the previous month and higher than markets had pencilled in.

More encouragingly, core inflation, which strips out volatile food and energy costs, slipped to 4.1%, its lowest level since September 2021 and down from 4.3% the previous month. The headline inflation number was pushed up by "increases in transportation costs, petrol prices" and rents, says Jack Barnett in The Times. The "overshoot" comes with other data showing that US hiring kept booming last month. While that may not be enough to push the US Federal Reserve into another interest-rate hike, it does show that rates will need to stay higher for longer in order to cool down the world's biggest economy.

Consumers may be much less cheerful next year

©Getty Images

Strong economic data will encourage those betting that the Fed can pull off a "soft landing" – a scenario where inflation is brought under control without causing a serious recession. Yet there is a long history of economists and policymakers predicting a "soft landing" just before the economy nosedives, say Anna Wong and Tom Orlik on Bloomberg. Optimists point to continued strength in consumer spending.

That splurge has been powered by the excess savings that US households built up during the pandemic, but those cash reserves are now close to exhaustion.

It can take 18 to 24 months for "the full force" of interest-rate hikes to pass through to the labour market, meaning that we won't have a good idea about the impact of this hiking cycle until early next year. With oil price rises piling on the pressure, a US downturn could start before the end of 2023.

US firms are still bingeing on debt

Corporate America is still "bingeing on debt", says Olivia Raimonde on Bloomberg. Although US interest rates have increased steeply since early 2022, firms with "investment-grade" credit ratings have "added more than half a trillion dollars of net debt" since then.

Even firms whose bonds are rated as "junk" have been increasing borrowing. The trend has been focused on the US, with European and Asian companies more cautious. Danger could be "lurking in ordinarily safe corners of the market". The "amount of risk-taking was extreme" in the years of easy money, says Hans Mikkelsen of TD Securities. Something will "blow up".

Most corporations will be fine, says The Economist. Many locked in low borrowing costs when interest rates slumped during Covid. Yet there are areas of concern. Take the leveraged-loan market. This "floating-rate debt" became popular as a means to finance the private-equity buyout boom in the 2010s. UBS says there is $1.4trn in outstanding US leveraged loans.

The surge in interest rates has rapidly made these debts much more difficult to service. Credit-ratings agency Fitch reports that default rates in the leveraged loan market hit 3% in the year to July, up from 1% the previous year. It could reach 4.5% in 2024. That may be a far cry from the 10%-plus figure seen during the financial crisis, but more "restructurings and bankruptcies" are on the way.

Geopolitical risk returns

"Rarely since the 1970s" has the world "seemed so turbulent", says the Financial Times. "The dual shocks" of the pandemic and Russia's invasion of Ukraine have upended energy markets and supply chains. US-China relations have soured. Market measures of volatility and uncertainty have been "notably higher since 2020" than they were in the years before.

Now, the "tragic return of conflict to the Middle East" only further cranks up the geopolitical risk. Initial market moves in response to the Israel-Hamas war have been fairly "muted", says James Mackintosh in The Wall Street Journal. Yet escalation into a wider regional conflict involving Iran remains a key concern.

©Shutterstock

Covid's emergence caused global stocks to crash by a third

No repeat of 1973

Brent crude oil rose by 7.5% last week to top $90 a barrel, the largest weekly gain since February. While oil markets are tight, investors shouldn't worry about "a repeat of the Arab oil embargo" that followed the 1973 Yom Kippur war, says Mackintosh. That episode saw world oil prices nearly quadruple, throwing "much of the west into recession".

Yet today Arab states are much more focused on the threat from Iran, and most are "more friendly to Israel". It is hard to imagine an energy shock on a par with that of 1973, Kristina Hooper of Invesco tells Mike Dolan for Reuters. "The real price of oil is already elevated", thus limiting the scope for further gains, and "the global economy is far less oil intensive" than it was in the 1970s.

For most asset managers, the base case is that "the conflict will flare for several weeks" but will "remain largely local in scope with limited impact" on global markets, says Dolan. Investors have become accustomed to geopolitical risks. Markets have, after all, already spent recent years contemplating such extreme "outside risks" as a Chinese invasion of Taiwan or Russian use of nuclear weapons in Ukraine.

It is not that these risks can be discounted – indeed, they are "non-negligible" – but they are difficult to price. As Anna Rosenberg of Amundi puts it, "markets have a tendency to either see risk as manageable with a minimum of price disturbance – or so calamitous they discard the risk altogether".

Gold and the US dollar, traditional safe-havens, have risen modestly on the latest turbulence, but neither with "much conviction", says Tom Stevenson in The Telegraph. The truth is that markets "are generally not very good at understanding the impact" of dramatic events. Indeed, they often overreact. Global stocks crashed by a third as Covid emerged in 2020, only to double by the end of the following year.

Investors "don't know how things will pan out" so the best policy is often to do nothing. Investors should remember that "the most important risks to their investments" – such as emotionally-driven trading – "are not the ones that the rolling news channels cover".

Viewpoint

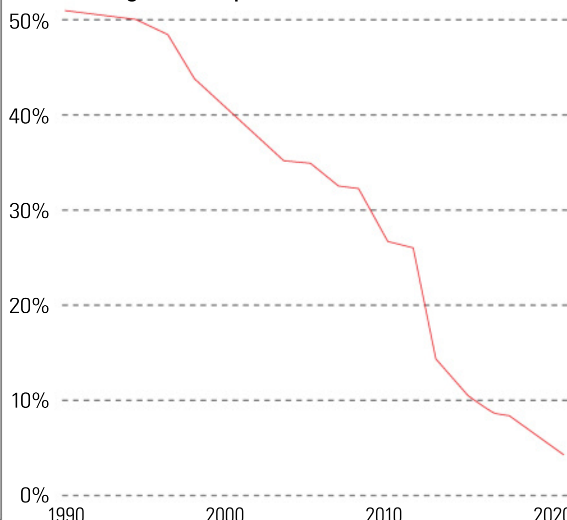
"The emergence of a new category of weight-loss drugs… is a testament to humanity's ability to innovate… Novo Nordisk, the Danish company [has seen its stock rise] nearly 50% this year… Novo's stockmarket capitalisation is now larger than Denmark's GDP… the company is raking in so much foreign currency that the Danish central bank has been forced to cut interest rates… to keep the krone… pegged to the euro. Denmark's pharmaceutical sector… contributed two-thirds of the country's economic growth last year… [Instead of celebrating, the] killjoys and nannies… are still grumbling… [Their] puritanical response [comes from] the sense that those who have… eaten too much must be punished [but] that… is letting the perfect be the enemy of the good. Yes, it would be better if people chose not to overeat without the help of a pill, but [a pill] is a good second-best."

Andrew Stuttaford, National Review

■ London's shrinking stockmarket

UK equity holdings of domestic pension and insurance companies

Percentage of total portfolios invested in UK shares



In the early 2000s the London Stock Exchange was the world's third-largest, says a report from the Tony Blair Institute. By May this year it had fallen to tenth place globally. A major factor behind the London market's decline has been an exodus of domestic capital from the UK stockmarket, with the share of pension and insurance portfolios invested in UK equities falling from more than 50% to just 4% since 1990. That dramatic shift was driven by tough accounting changes in the early 2000s that required companies to fund supposed pension deficits. These made them extremely risk-averse, prompting a rush into safer assets. Between 2001 and 2022, UK pension fund holdings of gilts and corporate bonds rose from 15% of total assets to 60%.

Boom time for US banks

JPMorgan and its rivals have reported strong results but warned of trouble ahead. Where does danger lie for the sector? Matthew Partridge reports

Net profits at JPMorgan leapt by 35% year on year to $13.2bn in the three months to the end of September, while revenue climbed by 22% to $39.9bn. However, says Callum Jones in The Guardian, this didn't stop its CEO Jamie Dimon warning that his company may be living through "the most dangerous time the world has seen in decades". In particular he is concerned that both the war in Ukraine and the recent terror attacks in Israel could have "far-reaching impacts on energy and food markets, global trade and geopolitical relationships".

It's typical of Dimon to serve his quarterly earnings "with a side of brimstone" as he "frets and rants" about "higher interest rates, smothering regulation, recession, war", says John Foley on Breakingviews. His "pessimism" is so well known that it has become "something of a schtick that doubles as an asset", especially when it underlines how JPMorgan's "high returns, high capital levels and sheer size make it akin to a safe haven". Despite Dimon's pessimism, JPMorgan has "raised its interest-income forecast for 2023 while reducing its estimate of credit-card write-offs and expenses".

JPMorgan's CEO Jamie Dimon likes to serve a "side of brimstone" with his results

©Getty Images

Misery loves company

This mix of strong earnings and pessimism was mirrored in the statements that came from the leaders of Citigroup and Wells Fargo, says Helen Cahill in the Times. Citigroup's CEO Jane Fraser "warned that consumers were pulling back on spending as interest rates weighed on household budgets". But her company reported a 2% rise in net income, with revenue increasing by 9% to $20.1bn. Similarly, the head of Wells Fargo also blended pessimism about slowing growth with news that it had beaten Wall Street's third-quarter estimates. Revenue rose by 6.5% to $20.9bn as both interest and non-interest income climbed.

JPMorgan Chase, Citigroup and Wells Fargo have certainly all benefited from being "able to charge more on loans while increasing payouts on deposits more slowly", says Lex in the Financial Times. But this has come at the expense of America's smaller banks, who have "been losing customers and deposits to their bigger rivals". Meanwhile, there are signs that customers are starting to wise up to the end of low interest rates, demanding higher rates on their deposits. JPMorgan is now paying 170% more in interest than a year ago.

It is now offering rates of up to 6% for certain "key" depositors, says Telis Demos in The Wall Street Journal. And another reason why "the good times for big banks in the US may not last", is "tepid" loan growth. This is important as it reduces the potential income from lending.

Throw in new capital rules, which will almost certainly lead banks to cut back on loans and mortgages, and it is easier to understand why Wells Fargo and Citigroup have "severely underperformed" the S&P 500 in recent months, while even JPMorgan has only "posted gains similar to the index".

Ratcliffe nears goal at Man United

Shares in Manchester United slipped by 13% on Monday following the news over the weekend that the Qatari Investors Group, previously deemed the frontrunner in a race to take over the club, was "stepping back", say Giles Turner and David Hellier on Bloomberg. The withdrawal paves the way for the billionaire Jim Ratcliffe, boss of Ineos, to take control.

Ratcliffe is offering close to double the $20-a-share the club is now worth, but he will only end up with a 25% stake in the club, rather than buying it outright. The Glazer family will still retain a big stake in the club, having failed to achieve the asking price for an outright sale that was reported to have been as big as £6bn ($7.3bn).

The decision to sell only a minority stake is a long way from the initial hopes that the club would attract bids from "major US tech firms with the expertise to fully monetise such a vast fanbase", says Matt Lawton in The Times.

However, the serious interest "was not as extensive as anticipated", leaving only the Qataris and Ratcliffe. While the Qataris offered to buy the club outright, their attempts to woo United fans, "long unhappy with the Glazers for their debt-and-dividends approach to football club ownership", failed. Coupled with the fact that some of the six Glazer siblings wanted to retain a stake in the company, the Qatari withdrawal was inevitable.

Ratcliffe's investment could be the start of a "staged buyout" of the entire club, says James Fox for The Motley Fool. But unlike Qatari, Ratcliffe "has never talked about taking Manchester United's listed shares private". Indeed, his original proposal involved him buying only the Glazers' shares, a special class of stock.

It may be that now he has gained effective control of the club's football operations, he will have neither the resources nor the desire to go all the way, leaving investors holding "expensive shares in a loss-making organisation".

EasyJet keeps gaining altitude

A "record summer" for easyJet means the budget airline can now "embark on a multibillion-pound investment in new aircraft, restore dividend payments and set a target to more than double annual profits to £1bn by 2029", says Robert Lea in The Times.

The "most profitable summer season in the airline's near-three decade existence" propelled pre-tax profits up to £670m in the past quarter. This brings the cumulative level of pre-tax profits between April and September to £870m, making it a "record spring-summer" as well.

This recovery is down to "the relaunch of package holidays", which made up more than 25% of its profits, and "the cranking up of fares and fees charged to passengers".

EasyJet's management may be "confident" about the future, but the wider market is more cautious, says Philip Georgiadis in the Financial Times. The shares have lagged their rivals over the past six months and they dipped after the latest news. The numbers were good yet below expectations, while the guidance for the current quarter has barely changed.

Still, easyJet is forecasting a 13% annual rise in flight capacity for the final three months of 2023, which will be welcomed by the industry: there has been concern over whether the travel boom is sustainable.

There are "questions about how much fuel consumers have left in the tank" when it comes to foreign holidays, given the cost-of-living crisis and geopolitical tensions, says Sophie Lund-Yates at Hargreaves Lansdown. Still, easyJet's results suggest they "are continuing to prioritise travel" over other spending, and with consumer confidence in the UK "moving in the right direction", the overall trend seems "favourable".

This very much vindicates the firm's decision to restore the dividend, albeit with a payment smaller than the pre-Covid one, and also to make a "huge new order of aircraft". While the latter decision may seem "gung-ho", it will "allow its capacity and high-calibre route network to remain best-in-class".

We're not authors,
but we help you shape
your *financial story*.

We're not an airline,
but we connect global
businesses across
nearly *160 local markets*.

We're not a startup,
but our Innovation Labs
create new tools to help keep
your *information secure*.

We're not architects,
but we help build
stronger communities.

With global expertise and over
two centuries of experience,
we're not just any bank.

We are Citi.

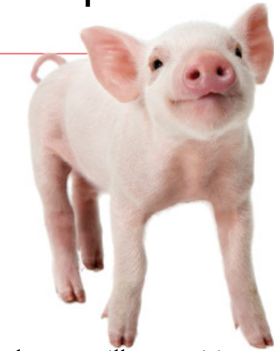
citi.com/weareciti

© 2023 Citigroup Inc. Citi, Citi and Arc Design and other marks shown herein are trademarks and service marks of Citigroup Inc. used and registered around the world.

for the love of
unlocking possibilities.
for the love of progress

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

Four to buy



Genus
Shares

The pig division of this global animal-genetics firm enjoyed record operating profits in the year to 30 June, while its proprietary breeding lines give it a leading market position. Genus is now close to commercialising a "game changing" gene-editing platform that should allow farmers to breed pigs that are resistant to PRRS (porcine reproductive and respiratory syndrome), an illness that costs the industry billions of dollars a year globally. The shares are a long-term play on rising global wealth and protein consumption. *2,142p*

Netcall
Investors' Chronicle

Rising labour costs are bolstering the case for this customer-experience software specialist. Netcall's technology platform provides firms with chatbots and analysis data, allowing them to automate parts of their customer service arms. Revenue from cloud products rose by 55% in the year to 30 June. On a forward price/earnings (p/e) ratio of 26 the shares are not cheap, but they are still a promising growth play. *84p*

Nordea
The Telegraph

This Stockholm-listed company may be "one of Europe's most boring" banks. Nordea's high-quality loan portfolio is well-diversified across wealthy Scandinavia – net loan losses amounted to just 0.03% of the entire portfolio in the three months to the end of June. That safety doesn't come at the expense of profits, with a return on equity of 18.4% as of 30 June, a figure that is "the envy" of the wider banking sector and helps fund generous dividends. The shares trade at a slight premium to other European banks, but that is justified. *SKr120*

Redde Northgate
The Mail on Sunday

Redde steps in after motor accidents, providing roadside vehicle recovery and replacement transport on behalf of insurers and leasing firms. It also operates a commercial vehicle-leasing arm. Sales, profits and dividends rose by 22%, 10% and 14% respectively in the year to 30 April and a trading statement last month was also "optimistic". The business is in "growth mode", but also offers a 7% dividend yield. *317p*

Two to sell

Croda International
The Times

This Yorkshire-headquartered chemicals business has issued its second profit warning in a matter of months. More trouble could lie ahead. Trading has been affected by destocking as customers run down precautionary inventories that they built up during the post-pandemic supply-chain squeeze. Croda is diversified across cosmetics and agricultural products but that has not spared it from lower demand. While the destocking trend will end, a gathering global economic slowdown presents new challenges. The business "typically has only two weeks' visibility over orders", which makes revenue unpredictable and heightens the risk of further bad news. Avoid. *4,449p*

Rolls-Royce
The Motley Fool

Shares in this British industrial champion have more than doubled this year as global civil aviation rebounds. The rally represents a genuine improvement in performance. Yet the firm will struggle to keep up that momentum as a slowing world economy becomes a headwind for aviation. Net debt has been falling, but remains too high at £2.8bn as of June. The shares are trending down and there could be further pain to come, so avoid. *212p*

...and the rest

The Mail on Sunday

Smart rings, used to pay for goods and monitor health, are "all the rage" in Silicon Valley. Aim-listed **EnSilica** designs customised chips for the rings, as well as for the car industry, satellites and healthcare. The shares have gained 33% over the past year but have sold off since January as the wider stockmarket weakens. "Nervous" shareholders may wish to sell and lock in profits, but bolder investors should hold: there may be "value at current levels" *(71p).*

Investors' Chronicle

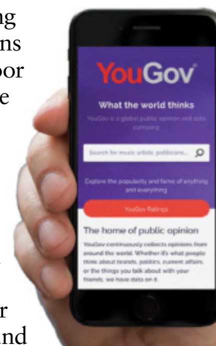
Polling business **YouGov** is still trading strongly despite weakness in parts of the technology and data sector. The group recorded a 33% rise in underlying adjusted operating profit in the year to 31 July. The shares are good value given the scope for further profit growth when digital research budgets hit a cyclical upswing again. Buy *(830p).*

Shares

Ventilation specialist **Volution** has shrugged off inflationary pressures to book a 6.8% rise in pre-tax profit for the year to 31 July. On 14 times forecast earnings the shares still look cheap given the strong tailwind of regulations requiring better indoor airflow. They deserve a "big re-rating", so keep buying *(370p).*

The Telegraph

Shares in food producer **Cranswick** have climbed by almost a quarter over the past 12 months and now trade on a fairly "rich" 16.8 times earnings. But that premium valuation is merited given that the firm enjoys a "solid financial position" as well as a "clear competitive advantage". Cranswick has further room to grow in poultry and pet foods, so the shares are still worth snapping up for long-term investors *(3,528p).*



An American view

McKesson "may be the largest US company that investors have never heard of", says Barron's. Therein lies opportunity. It distributes drugs to hospitals and pharmacies (ranging from small ones to large national chains), and has built up a logistics network that potential rivals would find hard to copy. The drugs sector is enjoying structural growth as the population ages. Almost half of all US citizens have used a prescription drug in the past month. McKesson is America's ninth-largest company by sales, which are expected to expand by 10% to $304bn in the year to 31 March 2024. The balance sheet is strong and the group's plentiful cash flow is being spent on share buybacks.

IPO watch

Japanese semiconductor-equipment maker Kokusai Electric has become the local market's largest listing in almost five years, says Bloomberg. Private equity-group KKR is selling its stake, having spun Kokusai out of Hitachi Kokusai Electric after acquiring the mobile phone and wireless equipment firm in 2018. KKR will raise ¥108bn (£593m) from selling 59 million shares at ¥1,830, the top of the set price range. Kokusai's semiconductor processing equipment is critical to Japan's development of artificial intelligence (AI) and supercomputers. Samsung and Taiwan Semiconductor Manufacturing are among its largest customers.

©Alamy; Getty Images; Rolls-Royce

SMART INVESTING FOR THE 'BANK OF MUM AND DAD'

For over 150 years, we've been helping each generation secure a brighter financial future for their families.

With F&C, the 'Bank of Mum and Dad' is in good hands.

Search 'F&C Investment Trust'

It's smart to start with F&C®

Capital at risk

F&C®
INVESTMENT TRUST
SINCE 1868

Columbia Threadneedle Investments is the global brand name of the Columbia Threadneedle group of companies. Issued by Columbia Threadneedle Management Limited and approved for distribution 22/09/23. Authorised and regulated in the UK by the Financial Conduct Authority.

Proudly managed by
COLUMBIA THREADNEEDLE INVESTMENTS

The end of Pax Americana?

The Israeli-Palestinian conflict suggests that US clout isn't what it used to be. Emily Hohler reports

Nearly a fortnight into the Israel-Gaza war, Israel has reasserted control on its border with Gaza, unleashed a "relentless" aerial bombardment that has killed nearly 3,000 people, and has 300,000 reservists backed by tanks and helicopters massed for a ground invasion, says Roland Oliphant in The Times. Yet – and as it denies involvement with the Gaza hospital blast on Tuesday – "the order never comes".

The delay reflects "complex calculations" about the reported 200 Israeli hostages taken by Hamas, pressure to avoid civilian casualties and the "threat of intervention" by Hezbollah, the Iranian-backed militia based in Lebanon, which is already bombing Israel's northern border.

A humanitarian catastrophe in Gaza would "only reinforce the cycle of violence" and turn Western public opinion against Israel, anger Israel's Arab neighbours and potentially start a regional war. Nor is it "at all clear" what Israel plans to do if it achieves its "incredibly difficult" aim of destroying Hamas, which is thought to have spent more than a year planning its terror attack and will have prepared for a "forceful Israeli response".

International law allows for "necessary and proportionate force in self-defence", not "collective punishment", says The Guardian. Southern Gaza remains without food, fuel or electricity. Israel has ordered 1.1 million Palestinians in the north to leave, but the call may be an attempt to "give itself diplomatic cover for Palestinian deaths". If Palestinians are forced out of Gaza permanently (Egypt is reportedly being offered a debt write-off if it accepts refugees) and given no guarantees of safety or return, the evacuation order "would amount to the war crime of forcible transfer", says Jan Egeland, secretary of the Norwegian Refugee Council.

American promises and threats are no longer taken so seriously

©Shutterstock

Joe Biden, who was prompt to offer support for Israel and arrived in Israel on Wednesday for a high-stakes visit at the invitation of Israeli president Benjamin Netanyahu, has belatedly "spelt out" that the vast majority of Palestinians had nothing to do with the massacres.

Welcome to the jungle

The main concern is contagion that would draw a Russian-backed Iran into direct conflict with a Western-backed Israel, says Jeremy Warner in The Times. Since the US is now largely self-sufficient in energy, any role is dictated primarily by "moral, strategic and domestic political concerns".

Biden hasn't been "shy about using US power", as with Ukraine, but the world no longer appears to trust US promises, and perhaps threats, the "way it used to", says Paul Krugman in The New York Times. As the world gets more dangerous, with "many local cold wars turning hot", we may be seeing the end of Pax Americana, the post Cold War era in which US "economic and military dominance limited the potential for wars of conquest".

Pax Americana has been dying for 20 years, says Noah Smith on Substack. First there was the Iraq War, which was a "clear-cut case of the US starting a major international conflict rather than interceding to stop one". Then there is America's declining military might (China can now produce around 200 times as many ships), which means that even a "modest diversion" of resources can "largely remove the threat of US intervention elsewhere".

Lastly, China's growing power has signalled the return of multipolarity. Sensing weakness and eager for territory and natural resources, the world is "starting to revert into a jungle, where the strong prey upon the weak". Take Azerbaijan's ethnic cleansing in Nagorno-Karabakh. Unless a "new dominant global coalition of nation-states can be forged… we're going to have to relearn how to live in the jungle".

Professor Lockdown should have looked out the window

©Shutterstock

Sage does not deserve its name

Mark Woolhouse, a member of the Scientific Pandemic Influenza Group on Modelling, has told the Covid inquiry that lockdown was a "failure of public-health policy".

A "rare voice of reason" throughout the pandemic, he says his team was "never even asked to model the harm lockdown might inflict" nor "consider alternative ways of mitigating health risks", says Madeleine Grant in The Times.

Yet so many of the problems we now face were "'manifestly caused, or exacerbated" by lockdown – inflation, waiting lists, a mental-health crisis. And still we suffer from "collective amnesia": a recent YouGov poll found that almost 60% think it was right to close schools.

Meanwhile Neil Ferguson, a Sage adviser who resigned after breaking the lockdown he was instrumental in bringing about, "seemed desperate to lose his association" with the policy, says Michael Simmons in The Spectator. When questioned, it emerged that "not a single" one of the models that "led to the biggest legally enforced restrictions of our freedoms since the war" considered the side-effects they might have.

Nor, in spite of raising the possibility with Downing Street that the cure "could be worse than the disease", was Sage ever asked to suggest interventions that "would have minimised the economic and social effects" of lockdowns.

Instead, Ferguson's team produced figures for what would happen without lockdowns, which "proved overly pessimistic time and time again". We "can only hope that at some point" during this inquiry there will be a "more in-depth examination of flawed modelling". As financial analyst Nassim Nicholas Taleb said of financial risk models, "You're worse off relying on misleading information than on not having any information at all. If you give a pilot an altimeter that is sometimes defective, he will crash the plane. Give him nothing and he will look out the window."

Betting on politics

Just over a year until the next US presidential election, punters are putting Donald Trump as the favourite. With $5.99m matched on Betfair, Trump is at 2.82 (35.5%) to be the overall winner. Incumbent Joe Biden is at 3.05 (32.8%) and California governor Gavin Newsom is in third place at 15 (6.7%). Activist Robert Kennedy Jr, former first lady Michelle Obama and former ambassador to the United Nations Nikki Haley are tied for third place at 23 (4.3%). Ron DeSantis is at 27 (3.7%), and vice-president Kamala Harris is at 47 (2.1%).

I think the markets are underestimating the chances of both Biden and Harris, given that Biden seems committed to running. Even if he drops out, Harris has the weight of the vice-presidency behind her. At the moment, polls have Biden neck-and-neck with all the main Republicans, and if Trump does indeed become the Republican nominee, Democrats will turn out in droves to make sure he doesn't win. However, if you've already bet on them, don't bet any more.

If Biden and Harris are undervalued, then Trump is overvalued. His legal woes aren't going away, and while he may complain about being the victim of a supposed stitch up, polls show that a sizeable number of his supporters will leave him if he ends up being convicted. This makes Haley and DeSantis look like good value.

I've already tipped DeSantis to win the Republican nomination and have a rule about tipping the exact same market twice. I'd therefore bet on a Biden/Haley matchup on Betfair at 22 (4.5%). I'd also bet on either Haley at 9.4 (10.6%), DeSantis at 38 (2.6%) or Sarah Huckabee Sanders at 25 (4%) to be the Republican vice-presidential candidate at combined odds of 17.2%. In that case put £6.16 of a £10 betting unit on Haley, £2.31 on Sanders and the rest on DeSantis.

Populist setback in Poland

The Law and Justice party is on its way out. Matthew Partridge reports

"Europe's liberals don't get much to cheer them up these days," not least give the run of "alarming successes for illiberal populists" in Hungary, Italy and Turkey over the past year, but the news from Warsaw this week "certainly qualifies", says The Economist. At the weekend, Poles "turned out in record numbers" to vote down the populist-nationalist Law and Justice party (PiS) that has run the country for the past eight years and gave a "solid mandate" to a coalition headed by former prime minister and European Council president Donald Tusk, which collectively won 248 seats out of 460 in the main house of parliament.

Tusk: are the Eurocrats back in control?

©Shutterstock

Frustrating times lie ahead

The incumbent government "will not give up without a fight" though, says Andrew Higgins in The New York Times. Because PiS was technically the largest single party, it will be invited to form the next government – although, as most other parties have already indicated their opposition, PiS's chances of success are "remote". The president, Andrzej Duda, who was PiS's candidate for the job, could veto Tusk's appointment, leading to another election. But the bigger risk is "months, even years, of trench warfare" as Tusk's government struggles with state institutions, including the judiciary, that have been captured by PiS.

Many in Poland's state institutions will try to "frustrate" the new administration and the constitution gives Duda the power to veto legislation, which can only be overridden by three-fifths of parliament, says the Financial Times. Meanwhile, the country is expected to face an economic slowdown that will make it "harder to clean up public finances and reform sectors over which PiS appointees hold significant control". There are also deep policy tensions between the centre-right and centre-left members of Tusk's coalition over a wide range of issues, including public spending – all of which may make it hard to satisfy the "sky-high" expectations of voters.

Whatever the obstacles, the defeat of a party that had driven Poland into a "cul-de-sac" is good news for the continent, says The Times. Its obsession with "bullet-proofing itself", by "keeping a tight hold on state media and taking away the independent powers of scrutiny of the judiciary", raised concerns about the rule of law", leading to Brussels freezing "billions of euros of assistance". Even some "intelligent calls" on admitting Ukrainian refugees and supplying Kyiv with weapons have been undone by "fumbled gestures" on stopping the import of Ukrainian grain. Tusk's victory hopefully means that Poland will no longer be part of the "awkward squad" of "illiberal central European states".

Brussels may be glad to "see the back" of PiS, "having waged a bitter feud over the latter's legal reforms and migration policy", says The Telegraph. Still, it runs the risk of drawing the wrong conclusion from this election, given that "its interference in the internal politics of Poland was one reason why PiS did so well for eight years". Indeed, the fact that PiS still managed to get the most votes suggests that, unless Tusk manages to "temper his Eurocrat instincts", his renewed tenure in the job "could turn out to be a brief one".

The end of the road looms for the SNP

©Getty Images

The Scottish National Party was dealt a major blow last week when Lisa Cameron, the MP for East Kilbride, became the first SNP MP to cross the aisle and join a unionist party, says Stephen Bush in the Financial Times. She joined the Tories, and is the third MP to defect from the SNP since the last election.

The electorate is also thinning the party's ranks, says Tom Harris in The Telegraph. In the recent Rutherglen and Hamilton West by-election, there was an "enormous 20% swing" from the SNP to Labour. That suggests the party is now at risk of losing dozens of seats at the next general election. The party is "in a total and complete mess", and leader Humza Yousaf (pictured) has no sense of direction, other than to achieve independence, which polls show is not a priority for voters.

In his keynote speech at the SNP conference this week, Yousaf attempted to put the bad headlines behind him with the bold idea that Scotland will issue its own bonds for the first time. But this was not exactly a "bombshell", says The Times. Chancellor George Osborne gave Scotland the power to do this a decade ago, but only on the understanding that the bonds would not be underwritten by Westminster. Scotland would therefore have to pay higher interest rates than the UK does, which would be "embarrassing" for the SNP. In any case, Scotland already "has more money to spend on public services per head than Westminster does", suggesting the problem is more "rotten governance" than lack of money. The SNP has got away with that for years because it lacked competition. Now that Labour is snapping at its heels, the SNP faces "a real challenge".

Quito

Fruit seller wins election: Daniel Noboa (pictured), the 35-year-old heir to a banana fortune, will become Ecuador's youngest-ever president after winning Sunday's election run-off by a margin of roughly five points over his left-wing rival, Luisa Gonzalez, says Vanessa Buschschlüter on BBC News. Noboa, who has promised to focus on soaring violent crime, youth employment and foreign investment, will face an "uphill struggle" during his limited time in office. Firstly, he has "limited political experience". Secondly, he doesn't have much time. Although presidential terms are usually four years, this was an early election "triggered by the dissolution of parliament" by the outgoing president Guillermo Lasso, and Noboa will be serving out Lasso's term, which ends in May 2025. He will then have to stand for a second term. Noboa has vowed to tackle the country's powerful gangs, which often operate from inside jails, by housing the "most hardened criminals" on ships. He also plans to tighten border and port security to disrupt key drug-trafficking routes. Ecuador's murder rate quadrupled between 2018 and 2022. To "lift the economy from its post-pandemic slump", Noboa plans to create incentives for national and foreign firms so as to boost employment opportunities for young Ecuadoreans.

Santa Clara

Tie-up for AI chips: Taiwan's Foxconn, best known as the maker of Apple's iPhone, is teaming up with Californian-based chipmaker Nvidia to build "artificial intelligence (AI) factories", say Eleanor Olcott and Hudson Lockett in the Financial Times. These data centres would be used to train autonomous vehicles, build robotics platforms and develop large language models, according to Jensen Huang, Nvidia's CEO. Foxconn has been "trying to diversify its revenue base from manufacturing electronics to building the computing infrastructure powering autonomous technology", faced with increased competition in its core business, particularly from China's Luxshare Precision Industry. The tightening of US restrictions on the export of Nvidia's graphics processing units (GPUs) to China, which precipitated declines in chip-related stocks in Asia this week, added to the urgency. Nvidia's market-leading GPUs are used to train AI models such as ChatGPT, but the US fears China could use the technology for military ends. The $1.1trn tech giant warned the ban could "interfere with new product development", leading to a 5% drop in Nvidia's share price on Tuesday. Foxconn's chairman Young Liu hailed the "beginning of a new computing revolution" in its agreement with Nvidia, without elaborating on how the data centres would differ from existing rival ones.

Mainz

Vaccine sales flag: BioNTech, a biotech company based in Germany, has written down €900m from the value of the Covid-19 vaccine it had developed with US pharma giant Pfizer during the pandemic, says Myriam Chauvot in Les Echos. The vaccine continues to evolve, but new strains of the coronavirus have made older versions redundant and the write-offs mainly relate to raw materials bought during the outbreak. Likewise, Pfizer has written down $5.5bn from the value of its stocks of Covid products, taking a $4.6bn hit on unused Paxlovid – a treatment aimed at reducing the severity of Covid in patients, so long as it is administered early. Often, it is too late. Pfizer has reached an agreement with the US to take back 7.9 million Paxlovid treatments that are no longer required. It has lowered its full-year revenue expectations by $9bn to between $58bn and $61bn, of which Covid products account for only $12.5bn.

The profit cuts signal a sector-wide change, says Gerry Smith on Bloomberg. "Not long ago, Wall Street was excited about the potential for mRNA – the technology behind the Covid vaccines from both Moderna and Pfizer." Now, "the narrative has shifted, with investors pouring money into weight-loss drugs". Whilst Pfizer and Moderna's shares have "tumbled" this year, down 35% and 49% respectively, the share price of Novo Nordisk, the maker of the Ozempic and Wegovy weight-loss drugs, are up by the same amount. "The waning of the pandemic is reshaping [the industry] all over again."

The way we live now... the rising odds on odd bets

Schoolchildren will bet on anything, whether it's football results, the chart potential of their favourite songs, or what the sex of the next royal baby will be. Technology is coaxing adults into the same behaviour, says Jacob Stern in The Atlantic.

Traditionally, large gambling companies have had tight restrictions on what customers can bet on, frowning on so-called "novelty bets" and keeping to subjects such as sport or film nominations. Not any more. Online bookies such as BetOnline and Betfair a re completely changing the gambling landscape.

Operating foremost as PR stunts, bookies are banking on celebrity names to draw in customers enticed by such intriguing questions as how long singer Taylor Swift's next relationship will last, or who will be the next James Bond, and keep them hooked. These have hugely risen in popularity in recent years. The 2020 US presidential election drew one of BetOnline's largest ever audiences, comparable with the number of bets placed on the Super Bowl. Pundits speculate if there is a limit to the popularity of political betting.

"Whatever happens, novelty bets are not going anywhere. Sports books will keep metabolising cultural moments into betting opportunities. People will keep laying money down on them. And legislators and regulators will decide whether this behaviour is legal or illegal, for whatever that's worth," says Stern.

Taylor Swift sets gamblers a flutter

©Apple Inc; Getty Images

London

A sticky problem: "September's [consumer-price inflation] stickiness rather ruins the narrative," says AJ Bell's Danni Hewson. The consumer price index (CPI) is stuck at 6.7% year on year for September, the same reading as for August. Month on month, inflation crept 0.2% percentage points higher to 0.5%. In other words, the annual headline figure has got "trapped between the push and pull of prices at the pump and those on supermarket shelves". (Annual core inflation, which strips out volatile food and energy prices, dipped from 6.2% to 6.1% and, on a monthly basis, it rose by 0.4 percentage points to 0.5%.) Price volatility happens all the time, of course, "but at the moment it's raising big questions about whether the government will meet its target of halving inflation by the end of the year and, more importantly, how it might impact Bank of England policymakers ahead of their next interest rate decision [next month]". Markets are "still pretty wedded" to the idea rates won't change. But with wages still outstripping inflation – rising 8.1% year on year in the three months to August (including bonuses) – there is now a greater degree of uncertainty. "We still think the Bank won't raise interest rates again [from 5.25% currently]," says Paul Dales of Capital Economics. But it remains to be seen how events in the Middle East affect "how far inflation falls next year".

Food prices are turning shoppers away

©Getty Images

Beijing

China watches and waits: "China's economic recovery regained mild momentum in the third quarter," says Luna Sun in the South China Morning Post. Output expanded by a better-than-expected 4.9% year on year – down from 6.3% growth in the previous quarter, but that reading had largely been due to base effects following China's post-pandemic reopening. "The subdued property market remained a big drag", however. Real estate, which accounts for 20% to 30% of total investment, fell 9.1% in the first three quarters of 2023 from a year earlier. But elsewhere, investment in fixed assets, "a major growth engine", rose 3.1% in the same period year on year. Retail sales grew 5.5% last month, up from 4.6% in August, growth in industrial output stayed at 4.5% and unemployment fell 0.2% percentage points to 5% in September. China is on course to meet its 5% GDP growth target for the year, after output expanded by 5.2% in the first three quarters. For any major economy, that "ought to be respectable", says Chan Ka Sing on Breakingviews. And certainly, "any urgency to unleash massive support" has been "greatly diminished" by the latest data, even if "pockets of weakness remain", particularly in the property sector. But with almost no consumer price inflation, China has "ample room for more monetary policy action if needed [in the future]".

Jakarta

Indonesia eyes election: Political stability will be put to the test during Indonesia's February elections as the major players begin to emerge, says Erwida Maulia on Nikkei Asia. President Joko Widodo (pictured), known as Jokowi, has been in power since 2014 and the constitution prevents him from running for a third term. That poses a succession problem for a government composed of a seven-way coalition. More broadly, the elections will throw a spotlight on Indonesia's relationship with China as it seeks to become an important link in the supply chain for electric batteries, as well as on its standing in Southeast Asia, says Anshuman Daga on Breakingviews. Jokowi will be "a hard act to follow". During his time in office, he has presided over record foreign direct investment, billions spent on infrastructure upgrades, and the "squeezing [of] more juice out of the country's nickel resources", which make up 20% of global reserves. Jokowi also built strong ties with China – "a major source of smelting technology, infrastructure know-how, and funding". That could yet become a "thorny issue". "Political posturing has already begun… The risks are piling up."

Wellington

Conservatives win: "New Zealand could be stuck in political limbo for weeks," says Eva Corlett in The Guardian. Preliminary results from the country's election last Sunday "brutally ousted" the governing Labour party and handed victory to Christopher Luxon's centre-right National Party. That party appears to have won 50 seats in parliament, which, together with the probable 11 won by its traditional coalition partner, Act, would be "just enough to govern". However, 570,000 "special votes", mainly those cast from overseas and which tend to favour the left, could yet force the National Party "to cut a deal" with the populist party New Zealand First. That could well "slam the brakes" on some of the National Party's core policies. We won't know until 3 November. In their apparent shift to the right, New Zealand's voters may get more than they bargained for, says Vernon Small on Nikkei Asia. While foreign policy is unlikely to change much, the new government can be expected to scrap health reforms and worker-friendly industrial laws implemented during Labour's time in office. The National Party also plans to fund its proposed NZ$14.6bn (£7.1bn) of tax cuts over four years by easing the current ban on the sale of homes to foreigner buyers, which could prove inflationary for house prices.

The decriminalisation of shoplifting

An epidemic of petty theft coincides with an overworked police force, overwhelmed prisons and a probation service in crisis. Simon Wilson reports

What's happened?

Shoplifting has surged in the UK, with the number of thefts from shops more than doubling over the past three years to reach eight million in 2022, according to the British Retail Consortium (BRC). The retailers say those thefts cost them not far short of £1bn – a total of £953m – with all kinds of outlet affected, from corner shops to the biggest supermarkets. The Association of Convenience Stores (ACS), which represents more than 33,500 shops, recorded its highest-ever levels of shoplifting over the past year, with 1.1 million incidents reported to the police. Meanwhile in September, Sharon White, the chair of John Lewis (who has since announced her resignation), described shoplifting in the UK as an "epidemic". The firm, which owns Waitrose, has seen offences double in a year.

Braverman: tough talk won't be enough

©Getty Images

How are the police responding?

Not very impressively, according to some retailers. The Co-op, for instance, recorded its highest-ever levels of retail crime, shoplifting and antisocial behaviour in the six months to June, with almost 1,000 incidents each day across its stores. A spokesman described some of the theft as "organised looting" and said the company had spent more than £200m on counter-measures, such as body-worn cameras, headsets for staff and "dummy" packaging for pricey items. But even when security staff apprehend shoplifters, police attended only 20% of incidents, according to the store. Some police forces fail to respond to almost 90% of serious incidents. As a result, bosses are urgently considering whether some branches will need to close.

What's being stolen?

Anything that's relatively expensive but also light and easy to fence is ideal – so pharmacies, for example, are at high risk. In supermarkets, common targets include alcohol, meat, tobacco substitutes, laundry capsules, coffee, and health and beauty products such as razor blades. At John Lewis, it's wearable tech, fragrances and branded fashion. According to industry sources, the chief problem is not so much hard-pressed individuals as organised gangs, who know that the market for illicit goods has boomed due to the cost-of-living crisis. The price of many illegal drugs has also soared along with everything else, so addicts are stealing more to feed their habits.

> *"Some police forces failed to respond to almost 90% of serious incidents"*

How many thieves are caught?

Not enough. Retailers estimate there are eight million incidents a year, but police forces recorded just 339,206 cases of shoplifting in the year to March. And even those that do get caught won't exactly be trembling at the prospect of a harsh sentence. According to analysis by The Telegraph, the proportion of shoplifting offences resulting in a sanction has plummeted from 47.5% in 2016 to just 18.7% last year. Earlier this month the police minister Chris Philp urged members of the public to help tackle the epidemic in shoplifting by making citizen's arrests when they see thieves stealing goods in supermarkets. His implausible call was merely proof, the government's critics say, that it has all but given up on tackling this tier of crime.

What is to be done?

Just 56% of retailers say they have faith in the police response to shoplifting, according to the BRC's Crime Report 2023, which argues that lack of confidence is one reason behind a drop in retailers reporting crime – and the vast mismatch between the official figures and the retail trade's own data. In the convenience sector, for example, only 16% of all retail crime is reported, says the ACS Crime Report 2023, spurred by a lack of faith in police response. It's a vicious circle that has effectively led to shoplifting being "decriminalised", as Asda chairman Stuart Rose put it. Earlier this month the BRC, on behalf of 88 major retail employers – and backed by the retail workers' union, Usdaw – urged the home secretary to take urgent action and pleaded for more help from the police. They also called for Scottish legislation that makes the abuse of a retail worker a specific criminal offence to be brought in across the UK. Meanwhile, a group of big retailers have funded Project Pegasus, setting up a team of intelligence analysts within the police service aimed at tackling organised shoplifting.

Will it work?

It's hard to be optimistic, given the overall state of policing and the loudly creaking criminal justice system. The police are under intense pressure from the home secretary, Suella Braverman, to tackle every crime, and six forces are under special measures involving more stringent outside scrutiny. At last week's Police Federation conference, it was clear that the strains are being felt by its 145,000 rank-and-file members. The federation's leader, Steve Hartshorn, noted that when he himself suffered car crime recently, the Met failed to follow up clear lines of inquiry. He spoke of an "incredibly turbulent and difficult time" for officers, who were "sinking" under the weight of multiple workloads, and complained of "a real breakdown in the special relationship" that has existed between governments and the police.

What about the justice system?

At the same time as the crisis in policing, the prison system is at the point of being overwhelmed. From this week Lord Justice Edis, the senior presiding judge for England and Wales, has ordered crown court judges to delay sentencing hearings as the prison population has reached bursting point. Meanwhile, the "crumbling" court estate is compounding a pandemic-induced backlog of tens of thousands of serious criminal cases, says The Economist. The probation service is also in crisis – suffering from staff shortages, over-centralisation, and still struggling with the legacy of a botched part-privatisation in 2014. If the criminal justice system is going to cope with higher rates of shop theft, an awful lot of reform and investment is going to be needed first.

imagine what we can
do for your business.

HOWDEN

Our People Make It Possible

What business can learn from Disney

The House of Mouse is celebrating 100 years of success – it must be doing something right

Matthew Lynn
City columnist

The entertainment giant Disney is this week celebrating its 100th birthday with the show-business panache you might well expect. There is, however, a reason why investors and anyone interested in business should be watching, and not just to catch a glimpse of Buzz Lightyear. From the days of its first short animated films, Disney has grown to become one of the most successful entertainment businesses in the world, and in *Snow White*, *Dumbo* and *Toy Story* it has created some of the best films ever made in any genre. But it has also built one of the most powerful brands of all time. No other major global company has quite the same reach as Disney. Its power is unique.

It has been a pretty good investment, too. Disney listed in 1957 on the New York stockmarket, and if you had invested $500 in the IPO the shares would now be worth $2.6m, not including dividends. There are very few businesses that have that kind of a record, especially not in the often fickle media and entertainment industry. True, it has drifted in the last five years, with the shares down by 33% since 2018. The pandemic hardly helped its theme parks, and the costs of setting up a streaming unit have been huge. Even so, over the longer term it has managed to retain its grip on the mainstream entertainment industry.

So what could any company learn from its enduring success? First, tell great stories. From the very start, Walt Disney himself was personally involved in all its projects. He started his career as an animator, and by the time he died in 1966 he had worked on 81 of its films. The company has clearly evolved since then, and no one expects its top executives to be drawing Mickey Mouse any more. But it has retained a unique ability to tell great stories and create characters that resonate with the audience. Even more importantly, right from the very start it created a strong identity for all its products. For a family audience, the Disney logo was a guarantee of quality, and that counted for a lot.

All companies should tell great stories

©Shutterstock

Next, keep evolving. Disney started with animated short films, then expanded into full-length films and then into theme parks. But it didn't stop there. Under its chief executive Bob Iger it acquired the Pixar studio for $7.6bn in 2006, Marvel Entertainment for $4bn in 2009, and Lucasfilm, which controls the Star Wars franchise, for $4bn in 2012. Most recently it bought the Fox film studio from News Corp and has launched a hugely successful streaming service, the only serious competitor to Netflix. Disney may have started as a children's brand, but it has steadily turned itself into a full-range entertainment conglomerate. Not every acquisition has worked out, but more of them have succeeded than have failed.

Never give up on a product

Finally, Disney never gives up on a product. Next year it will be releasing a live action version of *Snow White*, the full length animation film that was the foundation of its success when it was first released back in 1937. It has been milking the Snow White franchise for seven decades now and it keeps on delivering. Star Wars has been turned into a whole industry by itself since Disney took control of the product, and the Lion King has been turned into a juggernaut on stage as well as the original film. It doesn't work for every film in the catalogue but Disney is very good at refreshing a product and putting it back on the market as something new. That is a lot easier, and a lot better for the bottom line, than constantly coming up with completely fresh material.

Disney has, of course, made plenty of mistakes over the last century, too. *The Lone Ranger* from 2013, for example, remains one of the biggest box-office disasters in movie history. But any company of this size is going to make a few bad calls. At Disney, the core business is so strong that it can recover very quickly, and it has the culture to fix mistakes before they sink the whole ship. A century as the greatest brand in the world is a long time, and one that has been hugely rewarding for investors. It's a record any business can learn from.

City talk

● "Apollo's noodle buyout requires a bit more spice," says Aimee Donnellan on Breakingviews. The private equity firm has agreed to buy The Restaurant Group (TRG), owner of the Wagamama chain, for £701m, including debt. Shareholders will not be satisfied. Yes, TRG is an "obvious takeover target" with a "troubled past": the shares are down nearly 80% since 2018 and CEO Andy Hornby is under siege from two activist investors. It has recently sold the loss-making Frankie & Benny's chain to slim down, leaving just Wagamama and some pubs and airport concessions. Yet claims that Apollo's 65p per share is a "superior outcome" are a stretch: analysts at broker Liberium think TRG is worth at least 75p per share. Both activists are backing the bid and there may be few other offers in this climate, but the shares are now trading slightly above 65p. That suggests Apollo "needs to leave at least a little tip".

● St James's Place is a "pricey cul-de-sac" in Mayfair, says Lex in the Financial Times. It's also a wealth manager that has been backed into a corner by the Financial Conduct Authority, which has told SJP to change its fee structure under the new Consumer Duty rules. SJP charges high up-front fees on its bond and pension products that are rebated over six years, creating an exit penalty for early redemption. The shares fell 20% in July after the firm announced a small fee cut, but slumped another 20% last week. SJP now says it will remove exit fees in 2025. "Like Mayfair by-ways, some clients will always see SJP as reassuringly expensive. But its old-money fee structure needs modernising."

● "Galumphing, humourless billionaire" Stelios Haji-Ioannou has forced a band called Easy Life to change its name, arguing it encroaches on his easyLife catalogue retailer, says Alistair Osborne in The Times. His latest "heavy-handed" action is based on the idea that he – "ensconced in his Monaco tax haven" – invented "easy" and everybody else must junk their brand or pay royalties. The band was set up in 2015, while he registered easyLife in 2022. But small firms and bands can't afford to go to court. That's wrong. "The legal system isn't there to be abused by a billionaire."

©Shutterstock

Who powers the light at the end of the tunnel?

At OVO, we're on the path to net zero. Cutting energy use through technology, transitioning homes to greener energy and helping people shift to greener hours.

See energy from a different angle.
Find out more at **ovoenergy.com/different**

Deciding on duration

These bond ETFs let you adjust your portfolio in line with what you expect to happen to interest rates

Cris Sholto Heaton
Investment columnist

One huge benefit of the boom in exchange-traded funds (ETFs) and index funds over the past decade is that investors have far more flexibility when building a bond portfolio. There are now 473 London-listed bond ETFs, according to the justETF database, and while many of these are of little real use to most investors (any takers for a euro-hedged Chinese local government bond fund?), there are still plenty of ways to reflect how you think the bond market will evolve and tailor your investments accordingly, rather than simply holding a bond fund.

For ultra-low risk bonds (ie, governments such as the UK and US and to some extent top-quality corporates), the key metric is duration. This refers to how sensitive bond prices are to changes in interest rates (see below). The rapid rise in interest rates over the past year has hit all bonds, but it has absolutely walloped bonds with high duration (ie, those with long maturities and low coupons). The poster child for this is Austria's 0.85% 2120 century bond (see chart), an "investment" that nobody in their right mind should have bought.

Longer-term yields

We're past the initial shock of higher rates, but further changes in interest-rate expectations – up or down – will continue to have the biggest impact on long-duration bonds. So if you think rates are likely to fall significantly, you'd buy an ETF such as **SPDR Bloomberg 15+ Year Gilt (LSE: GLTL)**, which holds bonds maturing in over 15 years and has a duration of 16. It will gain more from lower rates than a broad ETF that covers an entire range of maturities, such as **iShares Core UK Gilts (LSE: IGLT)**, which has a duration of about eight.

Conversely, say that you think yields offer attractive income in the short term, but monetary policy may remain tighter than expected ("higher for longer"). That's bearish for longer-term bonds, so you would favour funds such as **iShares UK Gilts 0-5yr (LSE: IGLS)**, with a duration of two.

Perhaps surprisingly, investors have even more choice when it comes to London-listed US Treasuries bond ETFs. There are several products that slice maturities more finely so that you can further tweak your portfolio. The caveat is that buying foreign-currency bonds creates other risks: unfavourable changes in exchange rates can overwhelm any return you get from higher rates.

Still, there are a few US bond ETFs that hedge their exposure into sterling of which perhaps the most interesting is the **Invesco US Treasury Bond 0-1 Year GBP Hedged (LSE: TIGB)**, which has a duration of 0.5 and a yield to maturity of 5.4%. That's not much more duration than some of the moneymarket funds I wrote about in issue 1176. It incurs hedging costs, which according to finance theory will mean that its net return will track UK rates rather than (higher) US ones, but holding only government debt should have the advantage of reducing credit risk to a minimum. As discussed last week, we are not convinced that conventional bonds yields are yet high enough to add them to our ETF portfolio. However, a very short duration fund like this could well be a useful option for the cash component.

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

Duration is a measure of risk that is typically applied to bonds. It describes how sensitive a given bond is to movements in interest rates. Think of the relationship between bond prices and interest rates as being like a see-saw: when one side goes up, the other goes down.

Modified duration (which can be found in the fact sheet of most bond funds) tells you the likely percentage change in a bond's price in response to a one percentage point (100 basis points) change in interest rates. The higher the duration, the higher the "interest-rate risk" of the bond – that is, the larger the change in price for any given change in interest rates. So if a bond has a duration of ten, it indicates that a single percentage point rise in interest rates would cause the bond price to fall by 10% (while a single percentage point drop in interest rates would cause the bond price to rise by 10%).

Modified duration is derived from Macaulay duration, which calculates the weighted average time (measured in years) that it takes for the bondholder to receive the bond's cash flows. Put more simply, it shows how far into the future the holder's pay-off lies. For zero-coupon bonds (those that pay no income at all), the duration is always the remaining time to maturity. For interest-paying bonds, duration is always less than maturity (because in weighted average terms, the cash flows will always be paid out before maturity).

As a rough guide, the duration of a bond increases along with maturity – so the longer a bond has to go until it repays its face value, the longer its duration. Also, the lower the yield on the bond, the higher its duration – the longer it takes for you to get paid back. Finally, as interest rates rise, duration falls. So does the bond's sensitivity to further rises, which implies that raising rates in a zero-rate environment is likely to be more disruptive than raising them from a higher starting point.

Guru watch

Paul Tudor Jones, founder, Tudor Investment

"It's a really challenging time to want to be an equity investor and in US stocks right now," says billionaire hedge fund manager Paul Tudor Jones. "You've got the geopolitical uncertainty... [while] the United States is probably in its weakest fiscal position since certainly World War II with debt-to-GDP at 122%," he tells CNBC.

The war in Israel and Palestine is likely to rattle markets, while the surge in interest rates will also undermine investors' confidence. "As interest costs go up in the United States, you get in this vicious circle, where higher interest rates cause higher funding costs, cause higher debt issuance, which causes further bond liquidation, which causes higher rates, which put us in an untenable fiscal position."

This is the "most threatening and challenging" geopolitical climate Jones has seen in his career, he tells Bloomberg. "Where this really gets bad is obviously if Iran and Israel get into direct conflict, because then you've got the ability to have kind of a First World War cascade, where everyone gets involved".

However, even setting these risks aside, the US is probably heading for a recession in the first quarter of 2024. Regardless of whether the Federal Reserve tightens rates further, the cost of debt is going up. "The bond market, simply through supply and demand, is going to deliver more rate hikes, because we don't have a clearing price yet for long-term debt... so those rate hikes are probably going to tip us into recession."

That's likely to hit stocks: the S&P 500 has on average dropped 12% in the run-up to a recession, says Jones, who has been predicting a recession for the past year. Investors should look to assets such as gold and bitcoin in difficult conditions such as these. "I think they probably take on a larger percentage of your portfolio than they would [historically] because we're going to go through... a challenging political time," he tells CNBC.

©Getty Images

To get the right balance, get the right expertise.

Murray International Trust

So, you want to generate a healthy income and grow the value of your capital. It's a common request – but it requires uncommon expertise.

At Murray International Trust, we're dedicated to seeking out companies from across global markets that are well positioned to deliver the right blend of growth and income generation.

And because we insist on conducting our own first-hand company research, you can be confident we're working to deliver the very best balance of investments we can find.

Please remember, the value of shares and the income from them can go down as well as up and you may get back less than the amount invested.

Request a brochure: 0808 500 4000

murray-intl.co.uk

Issued by abrdn Investments Limited, registered in Scotland (SC108419) at 10 Queen's Terrace, Aberdeen, AB10 1XL, authorised and regulated in the UK by the Financial Conduct Authority. Please quote Q407.

Don't get old before you get rich

Editorial
The Economist

A number of developing countries have failed to take advantage of a bulge in their working-age population, and the results could be "grim", says The Economist. Take Thailand. In 2021, the share of Thais aged 65 or over hit 14%, a threshold often used to define an aged society. But unlike Japan, South Korea and much of the West, Thailand, with a GDP of just $7,000 per person in 2021, "has got old before it has got rich". This is a major problem. The government will soon have to spend more on healthcare and pensions, making it harder to invest in infrastructure and "productivity-boosting skills". The story is similar in Indonesia, the Philippines and Sri Lanka. It follows that countries such as India, which are experiencing a working-age bulge, should "wring" the most growth out of it. They should also "start planning for old age", for example by raising retirement ages and providing options for health insurance. Increasing female participation in the workforce is key. They should consider immigration, too. India's 450 million internal migrants, who have moved from the poor north to the more prosperous south, provide an "inspiring illustration of what relatively unfettered labour markets can do".

Bank staff are in their salad days

Natasha Voase
The Spectator

Troublingly, Britain's banks and investment firms are today "largely in the hands of youngsters", a generation who have only worked in an "era of free money", says Natasha Voase. Since the 2008 financial crisis, "expensive and experienced senior bankers" have been replaced by "younger, cheaper" staff. In 2017 it was reported, for instance, that the average age across Goldman Sachs was 28; the pattern repeats from Credit Suisse to Deutsche Bank and Barclays, and extends from senior risk management to investment banking and private equity. Soaring interest rates have "caught many of these people on the back foot"; greyer bankers would have been familiar with interest rates of well over 10% as well as market turmoil (eg, Black Monday in 1987). No one expects interest rates to fall below 1% again and "this means that trades based on a cheap cost of debt are no longer viable". To make returns, you've got to "take more risks and add value to the asset". It may be easy to "mock the boomer bankers" for their IT difficulties and office-bound ways, but their experience is "invaluable". Institutions managing trillions of pounds are now controlled by inexperienced staff at a time when experience is needed "more than ever".

Xi's orders fail to turn market tide

William Pesek
Nikkei Asia

Improving economic data from China is failing to calm the nerves of international investors, a "new experience" for Xi Jinping's Communist Party, says William Pesek. Almost without exception, moves to stimulate growth in the past 15 years rapidly restored market confidence. This time, hints of "improving factory activity and easing deflationary pressures" aren't helping and Beijing's efforts to "steady a cratering property market and boost household demand are falling short". The result? "Team Xi is seeing its worst capital outflows in years." Xi's "less muscular response this time makes sense. By not opening the fiscal and monetary floodgates", China should "grow better, not faster". But China currently "faces structural cracks" that threaten to trip up the modest steps being taken to restore confidence. The answer is to stop treating symptoms and address causes; helping large property developers get bad assets off their balance sheets; building better social safety nets and so nudge households to save less and spend more; and doing a better job of convincing investors that the tech crackdown is genuinely over and that the sector is free to innovate. Xi needs to "show it is raising China's economic game, not just talk about it".

Car-park firms' one-finger salute

Matthew Brooker
Bloomberg

Analysis of DVLA data shows that the number of parking charge notices handed out by private companies rose 29% to a record 11.1 million in the year through March, says Matthew Brooker. Over the past decade, they have risen fivefold. At a time when the government is pushing for regulation of the private parking industry – amidst complaints of "inadequate signage, exorbitant charges... unfair appeals processes and aggressive debt collection" – this amounts to a "giant one-fingered salute to authorities and public opinion". Parliament withdrew a statutory code of practice shortly after introducing it last year, after three companies said the rules could make some car parks unviable. "This looks like crying wolf." Parkingeye's adjusted earnings rose 40% last year to £22.5m; Euro Car Parks' 2021 profit before tax more than doubled to £6.2m. There is something "fundamentally wrong with a business model that depends on extracting these punitive fees" rather than income from regular parking charges, particularly when "minor infractions and honest mistakes" are "pursued with the same uncompromising zeal as any other case". The sooner the code of practice is issued, the better.

Money talks

"The more I've got, the more secure I feel. Having best-selling books is fabulous. It feels like free money when it comes in because you've done the work, you've had the advance, and then you get royalties. It's great."
Philippa Perry (pictured), artist and writer, on whether money makes her happy, quoted in The Telegraph

"Back in 2004 or 2005 to about 2015 I was earning a million pounds-plus a year. For being a hairdresser. It was obscene. That was for endorsements, scissor deals, electrical deals, turning up at nightclubs and waving at people for five grand. The most expensive haircut I ever did was for an Arab prince in Dubai. That was a regular gig and he paid me £30,000 a time, with a Rolex thrown in, too. Which was a lot more than I got paid for the most famous haircut I ever did — David Beckham's mohawk just before the World Cup in 2002."
Celebrity hairdresser Adee Phelan, quoted in The Sunday Times

"When I was in my late 20s I was a diamond specialist at an auction house. A lady came in with a large ruby and said she wanted to sell it to split the family fortune. I looked at it and saw it was synthetic. I sat her down in a quiet room, gave her a glass of water and said: 'I'm really sorry, it's only worth £50, if that.' She replied: 'Oh I know that, I was just testing you.' Then she packed her bags and left. A week later, she came back with two big diamonds. I said they were worth £50,000 each."
Joanna Hardy, jewellery specialist on the BBC's *Antiques Roadshow*, quoted in The Mail on Sunday

"You can tell the ideals of a nation by its advertisements."
Novelist Norman Douglas, quoted in Forbes

©Shutterstock

A monastery for tech bros

Buterin: the head monk

©Getty Images

palladiummag.com

A footloose and ambitious young man might decide to move to San Francisco for its "open and accepting culture", or to Asia to be part of a "new and rising world", says Vitalik Buterin, the founder of cryptocurrency Ethereum. But what if the cultures and tribes that form online could materialise offline, and new physical places grow up based on common interests and intention rather than the chance interactions of history?

Ethereum enthusiasts already make up one of these digital tribes, and it sometimes takes physical form at conferences. The "time seemed ripe" for a bigger experiment – and "so came the idea for Zuzalu" – a "pop-up mini-city" of 200 "digital nomads" that was set up on the coast of Montenegro and existed for two months.

And it "really did work". A conference is little more than a break from your life, but a two-month stay "*is* your life". The pop-up city quickly gave rise to a "network effect" that brought much focused energy to new projects. The idea of building and beta-testing a new technology, for example, proved a success: Zupass, an online identity-checking system, started off as a piece of clunky software, but quickly improved to the point where it became more useable than many older applications.

New cultural forms also spontaneously emerged, such as daily morning swims and karaoke sessions. The feel was of living in a city that had brought together a new combination of cultures and was an enjoyable place to live. There are plenty of experiments left to do. No progress was made at Zuzalu on crypto payments, a long-time dream of the Bitcoin and Ethereum communities, and no one even considered governing Zuzalu with a decentralised autonomous organisation running on a blockchain.

Next stop, utopia

These are "dreams for the future". But where to go from here? My prediction is that Zuzalu will incorporate elements of universities, monasteries (tech bros have often made enough money and now desire "personal spiritual progress") and "digital nomad" hubs. But as well as being a new space to achieve old goals, Zuzalu will also introduce entirely new activities, such as "incubating" new technologies, pursuing healthier and more sustainable lifestyles, and testing them out within a community dedicated to realising them in practice. Zuzalu will be "a gathering spot for the future builders of new physical places and new societies of all kinds". The "journey is just beginning".

Explaining the gender pay gap

cato.org/blog

The work of Claudia Goldin, a professor of economics at Harvard University, spans economic history, education, immigration and technological change, but she is best known for her work on the gender pay gap, says Vanessa Brown Calder. She has been awarded the 2023 Nobel Prize for economics, and it is richly deserved. She has an "economist's empirical eye", takes a balanced approach to her work and has an "unusual humility" when it comes to making policy recommendations. Her first landmark book, *Understanding the Gender Gap* (1990), argued that the historical persistence of disparities in wages and the glass ceiling could not be attributed solely to sex discrimination or underlying structural factors in the job market. Later work found that the difference in outcomes could be attributed to career breaks, reductions in hours and a preference for flexibility as a result of having children. Subsequent research supports her conclusions. In a summary of her work, Goldin suggests that government intervention is not an easy answer to the pay gap, but recommends instead that private firms should reduce the cost of flexibility for workers, as firms in the healthcare, bank and real-estate sectors have already done. "Goldin's insights are to thank for bringing greater clarity to a salient topic."

Top Gear runs out of road

unherd.com

In the Nineties, getting a driver's licence was a rite of passage, says Mary Harrington. Now, young people just aren't that bothered. This was brought home by the news that the BBC might axe *Top Gear*. It was first broadcast in 1977 as a straight-faced motoring show, and morphed into a cultural phenomenon of laddish larks after a 2002 reboot that put Jeremy Clarkson, Richard Hammond and James May in the driving seat.

The joy of the show in its heyday was the way it captured the two dominant forms of motoring enthusiast – the tinkerer, who loves to potter about making things in his workshop; and the petrolhead, who just likes to make things go fast for the fun of it. Both are endangered species. Modern cars have made fiddling under the bonnet off-limits to amateurs; and mounting anxieties over the costs of fossil fuels and climate change have made petrolheads seem "problematic". As a result, the show had been "limping along" for years until a horrific track accident last year took it off the air – "possibly forever". "This may be wise – even by 2015, the writing was on the wall."

The larks had to end some day

©Alamy

Britain is a debt junky

snowdon.substack.com

The Guardian has lambasted Britain's pursuit of austerity policies, evidently believing that we are still living in a period of austerity, says Christopher Snowdon. Yet the government is still borrowing more than £100bn a year, and public spending is at an all-time high. "Austerity" today evidently just means "not spending as much as The Guardian would like".

The editorial itself is a "word salad" of economically illiterate ingredients. It wants more borrowing, but doesn't mention how high the current rate of borrowing is and seeks to avoid the big lesson of Liz Truss and Kwasi Kwarteng's mini-budget, which is that there *is* a limit on what governments can reasonably expect to borrow.

If you want more public spending, you should demand higher taxes. No one on the left seems willing to do this. The Tories will not admit to the need to cut spending. "And so British politics is reduced to two parties trying to find ways to borrow as much money as they can – on top of the £2.6trn debt already amassed – and letting future generations worry about what to do about it."

A tried and tested recipe for success

The Mid Wynd trust's new owners should be able to build on their predecessors' progress

Max King
Investment columnist

When the **Mid Wynd International Investment Trust's (LSE: MWY)** board announced it had selected Lazard to take over from Artemis as the portfolio manager, it came as a surprise. The investment firm hasn't managed a trust for many years and isn't well known among investors.

Despite this, Russell Napier, chairman of Mid Wynd, says Lazard represented the clearest continuity from Artemis in terms of style, experience and record. This does not guarantee that the investment team of Louis Florentin-Lee and Barney Wilson will outperform immediately (they took over on 1 October).

Successful research

Still, they stand as good a chance of producing reliable long-term outperformance as Simon Edelsten, the retiring lead manager, and his team.

"The best way to generate consistent returns," says Florentin-Lee, "is to buy great businesses with sustainably high returns on capital and the ability to reinvest to generate growth."

The managers are supported by an internal research team of 20. They have been investing in this style since January 2011, generating an annualised return, net of their proposed fee, of 12.4%, 2.4% ahead of the MSCI All Countries World Index.

"Lots of managers say they invest in high-quality companies," says Florentin-Lee, "but many are not clear what that means. As well as analysing cash returns, we seek to understand the competitive advantage of companies. We are value-conscious, but valuation on its own is never a good reason to buy a stock."

Portfolio turnover is 10%-15% per annum, less than at Artemis. The portfolio has 41 holdings and the overlap with the benchmark index is just 10%. A total of 68% of the portfolio is in North America, 11% in Europe, 7.5% in emerging markets, 6% in Japan and just 2.4% in the UK. The rest is in developed Asia and cash. Information technology accounts for 25% of the portfolio, industrials 20%, financials 18% and healthcare 13%. Consumer stocks take up 12% and communications services 7%, but there are no telecoms. "We have never invested in energy, utilities, mining, telecoms or real estate," says Florentin-Lee.

"We are only interested in companies with a profitable business model, not companies that seek to grow into profits."

At the other end of the spectrum, "the worst place to put your money... is in the cheapest companies. Cheapness indicates market concern about the sustainability of returns."

Zoetis is the world's largest animal-healthcare firm

The portfolio is full of recognisable names such as Alphabet, Visa and Microsoft, but some are less well known. Shimano, for example, has a dominant share of the global market for bicycle components, Iqvia is a market leader in contract research for pharmaceutical companies and Toei is a world leader in content animation. ASML dominates the market for machines that enable the manufacture of computer chips, TSMC is the world leader in semiconductor manufacturing and Zoetis is the largest animal-healthcare company in the world.

A lot of managers are charging into "quality", which raises the concern that it will become overpriced. However, the appeal of get-rich-quick strategies is seductive – either chasing growth at any price or believing that cheap shares will be suddenly rerated when other investors catch on.

The long, steady march of solid returns may just be too boring for investors focused on the noise of the market, quarterly earnings and economics. "The market tends to think competitive advantage will be whittled away over time but history shows otherwise. All you need is for companies to hold their multiples and just keep growing."

The board of Mid Wynd has chosen well: a management team that promises to maintain Artemis's good record and, with lower portfolio turnover, perhaps even improve on it.

©Getty Images

Activist watch

Activist investment fund Starboard Value has built a stake in News Corp and plans to push for strategic as well as governance changes, says The Wall Street Journal. The fund believes News Corp, one of the two arms of Rupert Murdoch's media empire, trades at a large discount to its intrinsic value owing to its complex structure. It therefore plans to recommend that News Corp spins off its digital real-estate business and collapses its dual-class share structure. This structure gives the Murdochs, who have a 40% voting stake in the group, voting power in excess of their economic ownership. Starboard believes the true value of the business is closer to $20bn rather than its current market value of $12bn.

Short positions... Hipgnosis falls into a deep sleep

■ **Asset Value Investors (AVI) "has taken a public stance" against the board of Hipgnosis Songs Fund over a "misleading narrative" about its continuation vote and decision to slash its dividend, says Citywire. AVI, which owns 5% of the trust through the AVI Global Trust, says it has spoken to a number of the trust's other shareholders in recent weeks urging them to "take back our company and secure for it a brighter future". It argues the decision by Hipgnosis to sell part of its portfolio is a "truly dreadful" deal for shareholders, with the assets being sold at a discount of between 20% and 30% to reported value. The trust's decision to slash its dividend, purportedly owing to the risk of breaching its leverage requirements with lenders, has only added to speculation about management's objectives and the value of the portfolio. Hipgnosis shares fell to an all-time low of 63.5p before recovering slightly.**

■ Canada Life Asset Management is the latest investment manager to close its property fund after a wave of redemptions, says Portfolio Adviser. Following a sharp drop in the fund's assets under management, the WS Canlife UK Property ACS fund will be wound up as it will no longer be "commercially viable", according to Michael White, Canada Life's head of UK property. Assets in the fund have dropped from £254m to £102m, and the managers believe there is no prospect of a rebound as the asset class has fallen out of favour. Several other open-ended property funds have suspended trading or closed their doors in recent years. Last year Columbia Threadneedle suspended its UK Paif and feeder fund to "protect investors," although it later reopened.

cg/ Canaccord Genuity Wealth Management

Can-do
is navigating today for a brighter tomorrow

Even in the most challenging times, we're always here for you – helping you continue on the path to achieving your goals.

Discover more at **candowealth.com**

Investment involves risk

Build your wealth with confidence

Value stocks will insure your portfolio against shocks

James Montier, a member of the asset allocation team at investment management group GMO, discusses inflation, slow-burn Minsky moments and cheap investments with Andrew Van Sickle

Andrew: Most analyses of the big picture start with inflation. We know that like us, you have always been sceptical of central banks, so we were intrigued a couple of years ago to see that you thought the US Federal Reserve was broadly right in its inflation outlook: that it would subside rather than become ingrained. Do you feel you got that right?

James: Yes, I think so. US inflation has come down fairly rapidly from its peak. The supply constraints that had underpinned the price rises have eased. Thanks to energy prices there has been a slight uptick in inflation recently, but there has been no evidence of a significant swing towards workers' bargaining power. So a wage-price spiral fuelling sustained inflation seems unlikely.

The UK is harder to assess in this regard; we have probably had more evidence of wages potentially bolstering prices. Britain has always had a lot of imported inflation from sterling being weak, so the Bank of England's job has been considerably harder than the Fed's.

Andrew: We've been struck by the fact that core inflation seems more entrenched in the eurozone and Britain, so there may well be scope for inflation to take hold. Gold is traditionally seen as a store of value and an inflation hedge, but we gather you're not a fan?

James: The problem for me is that as I am a value investor, I have trouble working out how to value gold – whether I am paying a high or a low price for the insurance it may offer. I can't gauge what is already in the price: as with all commodities, there are no cash flows attached to it. It is ultimately only worth what someone else is willing to pay for it.

To my mind, if you want a long-term store of value, you need value stocks. Value stocks do not correlate with the ups and downs of inflation in the short term, so they're not a good hedge in that sense. But their cash flows are essentially insulated against inflation.

Andrew: The idea being they are often the kind of solid, defensive company in a position to raise prices along with inflation?

James: Yes. If we think of wage-price spirals as the key transmission mechanism for inflation, companies span both sides of that equation. They pay the wages, but they are also the ones charging the prices. So they can insulate your portfolio from price rises. They are a form of cheap insurance in this context.

"Gold is very hard to value as there are no cash flows attached to it"

Andrew: Was that true during the last inflationary era, too? Commodity stocks did especially well then, didn't they – is that because they tend to be value stocks?

James: Yes, that's right. People often go and buy commodity stocks thinking that commodities are a hedge against inflation. But a look at commodity prices paints a very different picture. Some commodities do very well: oil in the 1970s, for instance. It was the source, or at least the proximate source, of some of the inflation. So oil equities flourished. But a bunch of other commodities did appallingly badly. Yet the stocks based on the commodities thrived. It was because the stocks were cheap and represented good value that they proved a good investment, not because they were commodity stocks. So if you are worried about inflation and looking for a store of value, look for cheap equities.

Andrew: Turning now to the world economy more generally, what is your key worry?

James: I think the global economy looks vulnerable to what I term "slow-burn Minsky moments".

Andrew: Named after Hyman Minsky, the economist who said stability breeds instability.

James: The trouble is that we have built up huge levels of private-sector debt in the world. These build-ups sometimes occur through high rates of credit growth, giving rise to credit bubbles, but often they sit simmering in the background, largely unnoticed until the proverbial hits the fan. When that happens, the structural vulnerability created by the debt amplifies an economic and market downturn.

High private debt has been a worrying feature of the world economy for a good 20 years now – in the US, household and non-financial corporate debt are jointly equivalent to 150% of GDP, for instance. Britain's private-debt ratio is similar, while France is on 230%. Australia is on 180% and emerging markets on about 150%.

The high private-debt levels are an important reason why, for the last 20 years, we seem to have been living in an era of rolling financial crises. So the upshot is that the economy is on shaky foundations. Think of a house built on quicksand. Your house might be there for a while, but it probably won't be there for the long term.

The difficulty is that you can't predict what the proximate trigger for the crisis will be; the fact that we have this vulnerability sitting in the background is the issue.

More broadly, however, having high levels of private debt means we need the cash flows to keep servicing them, and anything that hits those cash flows becomes a problem. That's why recessions are a big danger when you have this precarious foundation. It's also worth bearing in mind that soft landings are as rare as hens' teeth.

Now here again value investing makes sense, because in value investing we are used to dealing with uncertain timing. There is no rule that says cheap stocks can't get cheaper and expensive ones more expensive, so you cannot know when your investment might pay off.

So in a value framework we insist on what Benjamin Graham used to refer to as a margin of safety. You want to make sure you have enough wiggle room in your purchase price to account for things that can go wrong. That makes sense in the context of these Minsky moments, too; you never know exactly when things are

©Getty Images

Improved corporate profitability and a cheap currency make Japan an attractive investment

going to go wrong. The value-based approach makes for an interesting framework for thinking about how you protect a portfolio. As the Athenian general Pericles noted, you can't predict but you can prepare.

Andrew: So again, we have value investing as a form of insurance: if you have that margin of safety, you're guarding against potential problems.

James: Yes. Remember financial author Elroy Dimson's definition of risk, which is that more things can happen than will happen. This touches on an important point. History seems strangely linear, predictable and obvious looking back. Only certain things happened.

But at the time there was massive uncertainty and so many different paths we could have taken. So building a robust portfolio that can survive different outcomes is important.

Andrew: Coming now to where investors should be looking, we know that if you buy when something is attractively valued you should be able to enjoy much better long-term returns than if it is pricey.

James: Yes, and that's very easy to lose sight of. Because the times when things are really cheap are often the times when people don't want to invest.

Andrew: What has been catching your eye?

James: The overall US market looks obscenely overvalued. If you look at the Shiller price/earnings (p/e) ratio (the cyclically adjusted p/e, which uses ten years of earnings to smooth out the profit cycle), it is around 30. But drill down and you find that value stocks are on a large discount to growth ones. They cost 18 times earnings, and growth stocks are on around 45.

And "deep value", the cheapest 20% of the market, looks absolutely bombed out, using a composite valuation measure developed by GMO. In the rest of the world, deep value is also extremely cheap.

Value looks appealing compared with growth in Europe, Japan, and emerging markets, too: the Shiller p/es are around 12, 18, and seven respectively. Emerging value seems to be the world's cheapest asset. We like it because it is being shunned.

At this valuation, an awful lot of potential bad news has been factored into the price. It looks cheap enough to be able to generate annual returns of 6% in real terms over the next few years. You can also make a similar case for European value stocks.

Meanwhile, Japanese value looks really interesting. Japanese stocks have witnessed a substantial change in their profitability, but that hasn't been discounted by the market. And a cheap currency adds to the investment case.

So however scary the global outlook, value stocks are providing a huge margin of safety for investors. Things will go wrong, but the risk of losing money and never being able to get it back is much lower if you buy cheap. This situation is an interesting contrast to 2012. Back then, we couldn't find anything we liked at all: assets had been priced for perfection as everyone thought low interest rates would last forever.

"Emerging-market value stocks appear to be the world's cheapest assets"

The eighth wonder of the world

Start investing as early as you can to ensure you benefit from the magic of compounding, says Dominic Frisby

How can you turn a tiny sum into a large one? Speculating in small stocks is one answer – the problem is that you risk losing your shirt. But there is another, safer option. All you need is time (lots of it) and some discipline.

You will often hear it said that time in the market is more important than timing the market. There is a lot of wisdom to the adage, although, in defence of timing, get it right and you gain a significant advantage.

The underlying wisdom derives from the power of compounding, which Albert Einstein called the eighth wonder of the world. "He who understands it, earns it. He who doesn't, pays it," he is supposed to have said. (It is one of those attributed quotes, but it's better coming from Einstein than anyone else, I suppose.)

If I offered you one million pounds up front, or a magic penny that doubles in value every day for 30 days, would you take the million? I imagine you would. Big mistake! A penny that doubled every day would be worth more than £5m on day 30.

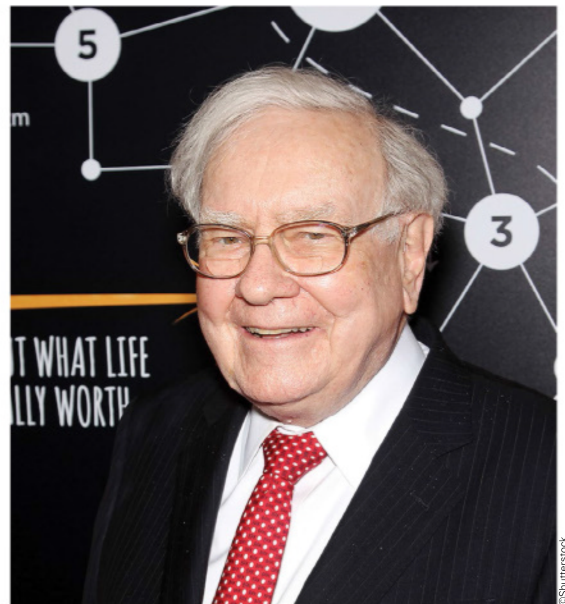
But here's the thing: it is the effect of compounding in the later stages that is breathtaking. The early stages are muted. Take that magic penny. On day ten, it's only worth a fiver. By day 20 it's north of five grand. But it's in the last three or four days that the vast sums are made.

Compounding works even for relatively low annual returns. To benefit from it you have to start as early as you possibly can, reinvest everything you make and, ideally, keep adding. But it enables you to turn small sums into large ones. Just ask Warren Buffett.

"A penny that doubled every day would be worth more than £5m on day 30"

The table below shows the effects of compounding at different rates of return over 40 years, but assumes you

Period	5%	7%	10%	16%	20%
1	£1.05	£1.07	£1.10	£1.16	£1.20
2	£1.10	£1.14	£1.21	£1.35	£1.44
3	£1.16	£1.23	£1.33	£1.56	£1.73
4	£1.22	£1.31	£1.46	£1.81	£2.07
5	£1.28	£1.40	£1.61	£2.10	£2.49
6	£1.34	£1.50	£1.77	£2.44	£2.99
7	£1.41	£1.61	£1.95	£2.83	£3.58
8	£1.48	£1.72	£2.14	£3.28	£4.30
9	£1.55	£1.84	£2.36	£3.80	£5.16
10	£1.63	£1.97	£2.59	£4.41	£6.19
11	£1.71	£2.10	£2.85	£5.12	£7.43
12	£1.80	£2.25	£3.14	£5.94	£8.92
13	£1.89	£2.41	£3.45	£6.89	£10.70
14	£1.98	£2.58	£3.80	£7.99	£12.84
15	£2.08	£2.76	£4.18	£9.27	£15.41
20	£2.65	£3.87	£6.73	£19.46	£38.34
25	£3.39	£5.43	£10.83	£40.87	£95.40
30	£4.32	£7.61	£17.45	£85.85	£237.38
35	£5.52	£10.68	£28.10	£180.31	£590.67
40	£7.04	£14.97	£45.26	£378.72	£1,469.77



©Shutterstock

Warren Buffett is a big fan of compounding

don't add to the initial pot. If you do, the effects are more dramatic. Tell your children about compounding, and get them saving and investing. They'll thank you.

To maximise the benefit of compounding, you also need to keep fees and taxes to a minimum, to ensure that as much money as possible gets reinvested. Avoid losses like the plague. Keep adding to the pot, and the compounding works even more in your favour.

There is an excellent tool on Monevator that allows you to see the effects (monevator.com/compound-interest-calculator). An initial deposit of £5,000, with £2,000 added every year and a 7% rate of return, becomes half a million in 40 years and a million in 50.

Invest just £2,150 every year at 7% and in 50 years you will have a million. But at the same rate over a 15-year period you would have to invest £33,800, 15 times as much, to get to a million.

The rule of 72

There is also a useful predictive tool that can tell you how long it will take for your money to double, assuming you compound at a certain rate. It's called the rule of 72.

Divide 72 by your annual rate of return and that will tell you the number of years it will take your portfolio to double. Put in mathematical terms, 72 ÷ rate of interest/return = number of years. Let's say you have a 5% annual rate of return: 72 divided by five is 14.4, so that's how long it will take for your money to double: 14 years, five months, give or take. At 10% you will double your money every seven years. All this is before inflation, which is not taken into account in compounding calculations.

You can also use the rule of 72 to see you how long it will take for your money's purchasing power to halve. Say inflation is 8%: divide 72 by eight and the answer is nine. So at 8% inflation, your money will lose half its value in just under a decade.

At the suppressed interest rates of the 2008 to 2021 period, compounding is a very different matter. Savings left in cash at 0.1% would take 720 years to double.

Of course, if you lose money, in a given year, it's a very different story. Compound purists avoid losses like the plague, as we all should, and most of the time steer clear of cyclical sectors that can be prone to prolonged bear markets, unless they feel they can time them. That's why compounding works well in conjunction with a diversified portfolio.

Emerging EMEA

A diverse collection of countries with unifying characteristics

Barings Emerging EMEA Opportunities PLC offers a strategy for investors seeking to diversify the growth and income potential of emerging markets. Focusing on the under-researched markets of Emerging Europe, the Middle East and Africa, the Trust seeks companies benefiting from the demographic, social, economic and technological shifts happening across this diverse and fast-changing region. Investors can often overlook 'Emerging EMEA' - a diverse collection of countries with unifying characteristics that are compelling for any investor. Let's take a look at a few of them:

The region is under-researched and under-represented

Fund managers and investment houses may assign dozens of analysts to developed markets, and the global names dominating its markets. Conversely, stocks in Emerging EMEA tend to command far less coverage. As a result, there is an array of undervalued opportunities for attentive investors.

E-commerce revolution in its infancy

We've seen how the seismic shift to living, working and shopping online has driven many aspects of stock market growth over the past decade. But many markets in Emerging EMEA are only at the start of this journey. What's more, it's not just the big global names that are benefiting - the so-called 'local champions' in sectors spanning social media to gaming, food delivery to finance are often the preferred brands.

The global energy transition

The global movement to transition away from fossil fuels may not–at first view–look like welcome news for the oil-rich or often coal-dependent economies of Emerging EMEA. But as elsewhere in the world, the race to address climate change is presenting compelling investment opportunities for a range of sectors and companies across this region. Perhaps the most prominent example that comes to mind for the EMEA region is access to natural resources: Renewable energy needs steel–and lots of it. Producing one megawatt of solar energy in Europe requires 35 to 45 tonnes of steel. It's also estimated that the supply of copper, which is essential to solar panels, and zinc, a big component of wind power and electric vehicles (EVs), will need to double between 2019 and 2050 to meet targets.

They're naturally good diversifiers

The large energy exporters in the region benefit from overseas revenues helping to diversify their economies. Aside from these energy producers, many economies of Emerging EMEA are domestically focused. This means they have relatively low correlation with one other. So when one market in an Emerging EMEA portfolio may be slowing, others may be stable or on the rise – helping to balance out portfolio risk. Of course, these markets still present all the political, currency and market risks – and demand a long-term investment view. But they also offer valuable diversification for any global portfolio.

Highly-experienced investment team

Barings Emerging EMEA Opportunities PLC is managed by Matthias Siller and Adnan El-Araby. Matthias and Adnan are supported by the wider EMEA Equity Team, which comprises four additional experienced investment professionals with research and portfolio management responsibilities. The EMEA Equity Team form part of Barings' broader Emerging Markets platform, with investment professionals based in London, Hong Kong and Taiwan, utilising their local knowledge and experience.

To find our more, visit **bemoplc.com** and for news and views, sign up at **bemoplc.com/preferencecentre**.

Brought to you by BARINGS

Investment involves risk. Value of any investments and any income generated may go down as well as up and is not guaranteed. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. Changes in currency exchange rates may affect the value of investments. This article is for illustrative purposes only, is not an offer or solicitation for the purchase/sale of shares in the Company and are not indicative of any future investment results or portfolio composition. Prospective investors should seek independent advice as appropriate. The Key Information Document (KID) must be received and read before investing. Although every effort is taken to ensure that the information contained in this document is accurate, Barings makes no representation or warranty, express or implied, regarding the accuracy, completeness or adequacy of the information. Baring Asset Management Limited, 20 Old Bailey, London, EC4M 7BF, United Kingdom. Authorised and regulated by the Financial Conduct Authority.

Happy hour in the pub sector

The industry has struggled in recent years, but there is plenty of potential, says Michael Taylor of Shifting Shares

Pubs and bars bore the brunt of lockdowns. Many lost all their revenue once they were ordered to close. And while some enterprising management teams sold beer from a window or a backyard, or generated other forms of revenue through Zoom meet-ups, the lockdown forced pub companies to tap shareholders for capital to strengthen their balance sheets and survive the closures.

Some companies navigated the storm better than others, and the pub sector remains popular with investors, as the business model is easy to understand. The customer orders what they want, the pub takes the money, the pub pays its costs, and whatever is left is cash profit.

One company that has mastered the art of taking a customer's money (and one that I suspect has taken thousands of my own over the years) is the sector's leader, **JD Wetherspoon (LSE: JDW)**. It's named after founder Tim Martin's teacher Mr Wetherspoon, who told him he'd never amount to anything. With nearly £2bn in revenue and 826 pubs, it appears Tim has proven his teacher wrong.

The company released its 2023 results on 6 October. It revealed that like-for-like sales were 12.7% higher than the previous year in the 12 months to the end of July. It also noted that in the first nine weeks of the current financial year, like-for-like sales had increased by an annual 9.9%. Free cash flow per share was 211.4p compared with a share price of 652p at the time of writing.

It is clear that Wetherspoon has emerged from the pandemic a stronger business, although we must bear in mind that the number of shares in issue has increased through several rounds of dilution.

And with post-tax profit forecast to come in at £52.1m this year, against a current market capitalisation of £840m, my view is that the shares are looking fully valued. This is a high-quality business and one of the more resilient stocks in the sector. But the beers in Wetherspoon's pubs are more of a bargain than the stock.

Mitchells and Butlers (LSE: MAB) is a larger business that owns brands including All Bar One, Ember Inns, Harvester, Nicholson's, and Toby Carvery. And like Wetherspoon, it has been a beneficiary of the rally, up by 104% since its nadir.

Post-tax profit is forecast to reach £76.3m this year, rising to £114.4m in 2024. This reflects impressive growth, but can a mature business consistently grow at that pace? My belief is that it can't, and that there are better opportunities for growth elsewhere.

Avoid this minnow

At the smaller end of the sector there is **Marston's (LSE: MARS)** – a minnow compared to the two sector heavyweights. But unlike its bigger rivals, Marston's is trading not far from all-time lows. Perhaps one reason for this is that the net debt is £1.2bn – more than six times the company's market value of £184.3m.

These financing costs are wiping out all of the firm's operating profit and cash generation. To escape this situation, Marston's needs to refinance the debt at lower interest rates to reduce interest payments, and the

"Marston's debt load, six times higher than the group's market value, has depressed the stock"

©Alamy

JD Wetherspoon's beers are more of a bargain than the shares

business needs to generate significantly more cash flow. The market is right to be concerned about this because the financing is a noose around the company's cash flow – and until the chart shows signs of improvement, along with the fundamentals strengthening, I see this business as one to avoid.

Of course, private equity may run the ruler over the company and decide to scoop it up. But that's no reason to buy a stock. That was the case with Britain's largest pub and brewery firm Greene King in 2019 with a £4.6bn takeover from a Hong Kong real-estate giant, and even Marston's attracted some interest from Platinum Equity Advisors, although there was no bid.

A better bet

As is often the case with the stockmarket, stocks offering significant scope for capital growth are frequently found in the small-cap segment. Enter **City Pub Group (Aim: CPC)**. It is significantly less leveraged than Marston's, with net debt of only about £8m. Servicing this debt costs less than 10% of the company's operating cash flow, a manageable figure.

There is an added bonus: this business offers a small margin of safety for any value investors out there. Property, plant, and equipment amount to £99.6m – more than the company's market value. But it is worth noting that net assets are only equal to £92.9m.

Even then, if the company were liquidated tomorrow, then the shareholders would only lose a tiny portion of their investment. The key question is whether the company can make use of its existing assets to grow and expand its cash flow, and ultimately profits.

It's difficult to call. Trading platform SharePad forecasts net profit of £6.3m this year, falling to £3.6m in 2024. My belief is that this is wrong. City Pubs Group is delivering "positive trading momentum" and like-for-like sales rose by an impressive 14%

year on year in the first half of 2023. Expansions and refurbishments are ongoing, while the group secured control of Mosaic Pub and Dining Group in June by buying 53% of the equity (and intends to make a further offer to remaining shareholders). To me, City Pubs Group seems to be a reasonable business that is reasonably valued. But nothing I can get excited about.

Open the minibar

At the bottom end of the market, in the microcaps, is **Revolution Bars Group (Aim: RBG)** with a market value of £8m. This stock has had a roller coaster ride. In 2017, Revolution produced a big profit warning, which saw the stock fall to 122p from 204p the session before.

But shareholders were offered a lifeline when pub giant Stonegate came knocking at the door. Stonegate offered 203p for Revolution – a whopping 62% premium to the undisturbed share price – yet shareholders voted against it.

It's easy to say with hindsight that shareholders should have accepted the offer, but of course nobody had any idea a pandemic would ravage the sector. Covid sent the price plummeting to 15p. The current price of 3.7p and the several rounds of dilution during the pandemic mean any shareholders who came on board at the company's initial public offering (IPO) in 2015, when the shares were priced at 200p – or even at pre-pandemic levels – are unlikely ever to see a return.

But that doesn't mean new shareholders couldn't. The company has a lot of debt on its balance sheet (£20.8m) and like-for-like sales were down by 8.7% compared with their pre-Covid level in the year to 2 July 2023.

However, the figure for the core estate will be lower, as sales at the latest acquisition, Peach Pubs, are up, and food and drink sales prices have appreciated owing to inflation. So how useful is this number? The company

"If Revolution turns itself around, the stock could be a multi-bagger"

recently reiterated its expectation that earnings before interest, tax and debt and amortisation (Ebitda) reached £6.6m in the year to 2 July, but if sales keep falling next year that total can be expected to decrease. The refurbishment programme has already been halted to reduce net debt, which suggests that returns on the refurbishment are lower than the interest rate of the debt.

Net debt is coming down, which is positive, but these shares are highly risky. If Revolution does turn itself around, then the stock could be a multibagger. But if the lenders believe the company is in trouble, they could pressure the board to make another share placing, hardly good news for existing shareholders. My view is that if the stock does recover, there should be ample time to buy in and benefit from this with much-decreased risk.

An appealing Nightcap

Finally, there is **Nightcap (Aim: NGHT)**, which listed in January 2021 with the goal of acquiring and investing in nightlife and bar brands that have nationwide rollout potential. But despite the group's 10p listing and 36p share-price highs, the stock has fallen to 8p, meaning that very few of its shareholder base (and certainly none of the IPO investors) are in profit.

The company raised significantly more than anticipated in May 2021 owing to strong demand from investors, and that has stood it in good stead as the company's cash reserves have been running down.

A small, dilutive placing to acquire Dirty Martini was completed in June at a premium to the prevailing share price. Earnings forecasts, however, have been sharply reduced thanks to the cost-of-living crisis and ongoing rail strikes and disruptions. Broker Allenby Capital's 2023 forecast Ebitda is set to decline to £2.81m from last year and net debt will rise to £7.7m.

The company has a £3m loan but also a £7m revolving credit facility. The risk here, though, is that any deterioration in trading (and consequently a fall in Ebitda) may leave the company light on cash and debt towards the end of the facility's limits. The last update was a profit warning, so I feel it's best to exercise caution and wait until the final results (and an update on current trading) comes out in November.

Personally, I feel that Nightcap has the most potential of the sector despite Revolution being cheaper. This is because Revolution is a tired brand, whereas Nightcap has a variety of labels that can and are being rolled out. Furthermore, the directors own more than 20% of the equity, and are growing the business at a faster pace than Revolution.

That's not to say it's without risk. There is risk across this entire sector (though less in the industry heavyweights) but once the industry's downturn eases and recovery begins, I believe there is potential for high returns should Revolution and Nightcap manage to survive and prosper.

The pubs and bars sector is certainly unloved despite its past popularity. But when it comes to investing, you will rarely outperform by doing what the average investor does.

That doesn't mean piling into unloved stocks, as sometimes those stocks are unloved for very good reasons – but by doing your own research and objectively assessing the balance between risk and reward you may be able to find a stock that offers attractive capital growth where the risks are lower than the market perceives.

Michael holds no positions, long or short, in any of the stocks mentioned. You can view Michael's free trading journal at tradesmash.com. Follow Michael on Twitter @shiftingshares

Early Bird Sale | Ends 31st October

Keep abreast of current affairs

Give The Week magazine this Christmas (or treat yourself) and open up a world of opinion, debate and fresh thinking.

Order by 31st October and **get 6 issues for free** (worth over £29), then continue to **save an extra £5** on our gift subscriptions.

Order online: theweek.co.uk/offer
or call: 0330 333 9494

Quoting offer code: P23XMEM

Subscriptions start with the first issue in the new year. Calls charged at your standard network rate. Direct debit offer. Print only subscription: 6 free issues, then 13 issues for £40.99. Additional terms and payment options available with a £5 discount. Prices quoted are UK only, overseas offers also available.

Managing hybrid workers

More and more companies want their staff to come back to the office

David Prosser
Business columnist

The backlash against remote working is gathering pace. Even technology giants Google and Amazon have begun encouraging staff to make more frequent visits to the office. A growing number of companies are insisting that staff now come back to the workplace full-time.

Among small and medium-sized enterprises (SMEs), however, remote and hybrid working practices have become the norm. A survey of 500 UK SMEs published by internet service provider Beaming found that 81% now have staff working from home at least some of the time – while almost half (45%) now practise fully remote working.

The research also suggests the impact has been beneficial or benign for most SMEs: 43% of owners say remote working has had positive benefits such as improved productivity and lower costs, while 34% say it has at least had no detrimental effects on their business.

In practice, there is no right or wrong answer on this issue. SMEs will need to decide on an approach according to the nature of their business and the views of both management and staff. Not least, for firms in certain sectors – customer-facing companies and manufacturing, say – remote working is naturally less practicable.

Even where it is feasible, the pros and cons of remote working are hotly debated, with some more clear-cut than others. Offering remote work will certainly expand the talent pool from which you can recruit, partly because you can look for candidates beyond your local area, but also because so many people now say they want hybrid arrangements. Existing staff will also welcome the chance to explore a better work-life balance.

On productivity, by contrast, the evidence is conflicting. Some studies have found that staff who work from home are more productive – free from the distractions of the workplace and focused on the task at home, workers may get through tasks more quickly. But there is also evidence that staff can be less efficient at home, perhaps because they're not always working when they should be, or because of issues such as technological difficulties.

There is evidence to suggest employees can be less efficient at home

©Getty Images

As for downsides, it is undoubtedly harder to build and maintain a company culture when staff are working remotely more of the time. It's not impossible – many businesses report good results from initiatives in this area – but it will require more effort.

Another common complaint is that the workplace provides opportunities to learn from colleagues, particularly for younger, less experienced staff. Don't underestimate how much these staff pick up from simply being around more senior members of staff.

Similarly, some executives fear remote working deprives employees of the opportunity to share thoughts and ideas, which may inhibit innovation. And don't assume all your staff want to work remotely. Many may be eager for the social aspects of the workplace, or they may live in property less well suited to home working.

Given all these nuances, it makes sense that the compromise of hybrid working has become so common. But even here, you need to plan your approach carefully. For example, if it's creativity you're after, you need people to be in the office at the same time, rather than on different days. But that could reduce your opportunity to trim the costs of running an office.

There will also be costs to equipping staff to work in two different places. Work with your staff to find the best approach – ask them what they want and how they think their preferred solution could work. That doesn't mean you'll always be able to say yes, but it's a more consensual approach than simply imposing working arrangements on your teams.

Could Labour hike capital gains tax?

One in five small-business owners plans to sell all or part of their firm by 2025, according to a survey by Handelsbanken. If you're one of them, it might be sensible to confirm your plans this side of an election. A Labour government may yet be tempted to raise capital gains tax (CGT), though the party has said it has no plans to do so.

An increase could be expensive. At present, your profit on the sale of a business is typically subject to CGT at a rate of 20%, though you may be entitled to entrepreneurs' relief, which reduces the rate to 10% on the first £1m of gains. Previous Labour teams have proposed equalising taxes on capital gains with those on income – that would see the CGT rate rise to 40% and 45% for higher- and additional-rate taxpayers respectively.

Even if Labour didn't go for full equalisation, a notable hike in CGT rates could add tens or even hundreds of thousands to your tax bill when selling a business. Still, the counter argument is that now may not be the best time to sell your business, given the tough economic backdrop.

There isn't much point worrying about a future tax liability (particularly a purely theoretical one) if you end up losing even more by selling in a rush at a time when company valuations may be depressed.

Petty cash... beware Facebook fraudsters

● Small businesses with a presence on Facebook need to beware of a new scam, internet security advisers warn. A growing number of small companies have received a message supposedly from Facebook headed "permanent page deleted", which claims their Facebook pages will be deleted owing to a copyright infringement unless they respond within a set timescale. The messages are fake, advisers explain, but could see businesses unwittingly sharing sensitive data with potential fraudsters.

● The UK's minimum wage, now known as the National Living Wage, will rise to £11 an hour from next April, Jeremy Hunt, the chancellor, has announced. The increase, from £10.42 currently, will boost the income of roughly two million workers, but some small business groups have warned employers may struggle to fund the additional wage costs. Equally, pay campaigners complain that the national living wage doesn't reflect the true cost of living – a real living wage would already be as high as £10.90 an hour, according to the Living Wage Foundation.

● Hundreds of small companies that borrowed money from Clydesdale Bank could be owed a share of compensation worth £400m if a court action that began last week is successful. A class action brought on behalf of roughly 900 businesses who took out loans from Clydesdale between 2001 and 2012 claims they were mis-sold products with unfair "break fees". Clydesdale, now part of Virgin Money, disputes the claim. A verdict is due later this year.

The stocks spearheading sustainable growth in emerging markets

A professional investor tells us where he'd put his money. This week: Eli Koen, portfolio manager, Emerging Market Impact Equities, Union Bancaire Privée (UBP)

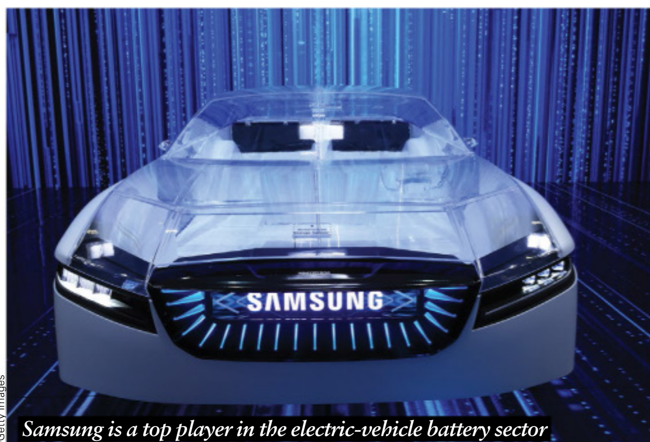
In emerging markets the alignment of societal and environmental development with robust financial growth offers attractive investments. Companies across diverse sectors, from electric vehicles to education and finance, are delivering valuable services while offering solid investment opportunities. Three notable examples vividly highlight this encouraging trend.

Burgeoning demand for batteries

The first is **Samsung SDI (Seoul: 006400)** in South Korea, a front-runner in the electric-vehicle battery sector, reflecting a promising mixture of positive impact and financial growth. The firm is a key beneficiary of the burgeoning demand for electric vehicles, propelling a vital global shift toward sustainable transportation. It is a battery supplier to key global carmakers such as BMW, Volkswagen, Audi and Volvo.

The group's estimated compound annual revenue growth rate between 2019 and 2024 is expected to be around 19%. Its superior technology and favourable valuation (the stock is on just nine times forward earnings before interest, taxes, depreciation and amortisation – Ebitda) relative to other leading battery manufacturers (such as LG Energy Solution at 16 times forward Ebitda) adds to its investment appeal.

Moreover, as the US strives to diminish its reliance on Chinese suppliers, South Korean ones such as Samsung SDI are likely to benefit both in terms of exports and also through new manufacturing capacity investments in the US, either independently or through joint ventures with carmakers.



©Getty Images

Samsung is a top player in the electric-vehicle battery sector

Advancing skills and growth

Moving to the education sector, **Laureate Education (Nasdaq: LAUR)**, while headquartered in the US, operates primarily in Mexico and Peru. We believe private higher and vocational education have a role to play, primarily in emerging markets where limited public funds are best spent on primary education.

Affordable higher and vocational education by private companies both play an important part in reducing income disparities and reducing the burden on public finances. Laureate is well-positioned to reap the benefits of US efforts to "nearshore" manufacturing.

"Private higher and vocational education both play a key role in developing countries"

The company's prospective collaborations with corporations aim to bolster Mexico's skilled workforce, aligning economic growth with societal advancement.

Laureate's solid free cash flow, robust balance sheet and attractive dividend yield of around 5% further underscore its investment appeal, all the while contributing to the vital task of developing education and skills in regions that crave educational advancement and an increasingly skilled workforce.

Filling a financing gap

Shriram Finance (Mumbai: SHRIRAMFIN) is a compelling investment opportunity in India's financial arena. Specialising in commercial-vehicle financing, the company facilitates economic activity by enabling essential vehicle acquisitions for small businesses, filling an important gap in the market where traditional banks have not been active. Active for more than 40 years, Shriram Finance has established longstanding relationships with its clients.

The company says that 70%–85% of the vehicles sold work either directly or indirectly in agriculture, most of them being used to transport food across the country. The firm generates a good return on equity (a key gauge of profitability) of 15%, and is one of the more attractively valued financial entities in India, trading on a price/earnings ratio of only 12; stock valuations are generally high in India compared with other emerging markets.

©The Telegraph 2023

PAPER REVOLUTION

74% of paper and 83% of paper-based packaging is recycled into new products; one of the highest recycling rates of any material in Europe!

Sources: Confederation of European Paper Industries (CEPI), 2020 and Eurostat, 2018.
Europe: EU27 + Norway, Switzerland and the UK.

Discover the story of paper
www.lovepaper.org
Scan for paper facts, activities, blogs and much more!

Canny gambler places chips in UK

Jaime Gilinski Bacal built a Latin American banking empire from scratch. Now he has taken control of Britain's Metro Bank and hopes to repeat the trick. Jane Lewis reports

"It's what I have done all my life," said the Colombian billionaire Jaime Gilinski Bacal, as he took control of Britain's capital-challenged Metro Bank earlier this month and vowed to return it to profitability in 2024. Many commentators are sceptical of his chances. But for Gilinski, 65, Metro Bank is not only a turnaround challenge but a bridgehead, says the Financial Times. He hopes to use it as "a base for acquisitions" – following a similar playbook to the one perfected over four decades in Latin America.

Gilinski (right in the picture) has long held a minor stake in Metro, which became the first new bank to launch in the UK in a century when it opened its doors in 2010. The plan of the challenger's colourful American founder, Vernon Hill, was "to shake up the old guard" via "the radical strategy of opening branches while others were closing them", says The Guardian. When Metro floated in 2016, "an awful lot of retail shareholders bought into the hype" and have since lost their shirts. But the bank retains 2.7 million loyal customers.

The softly spoken, publicity-shy financier is the antithesis of Metro's folksy founder, says Bloomberg. He pondered his £102m move while "holed up" with members of his family in "a private-island enclave near Miami, known as Billionaire Bunker". When Forbes, which now puts his wealth at $5.4bn, first caught up with Gilinski a decade ago, he had already built a Latin American banking empire from scratch, and was known for his appetite for a gamble.

©Getty Images

"He pondered his £102m move while holed up in Miami's Billionaire Bunker"

Born in Cali, south-west Colombia, in 1957, his family were Lithuanian Jews who had fled the Holocaust. Gilinski's father Isaac was a successful businessman who built up two major industrial companies – snack foods-maker Yupi and plastics firm Rimax – enabling the family to pay for an expensive US education. After an undergraduate degree at the Georgia Institute of Technology, young Jaime took an MBA from Harvard in 1980 and landed a job in Morgan Stanley's M&A unit.

Gilinski returned to Colombia in 1987 to work with his father – and immediately upped the heat, says Forbes. The duo successfully orchestrated a joint venture with Procter & Gamble to break a local consumer-products monopoly and "scored their first big win" on selling out. Still, the deal that forged Gilinski's name as a force to be reckoned with in banking, says The Times, was snapping up the Colombian arm of BCCI – the $20bn global bank that imploded in a mire of fraud and money-laundering in 1991. "It was the only country where the bank was saved." With his soon to be celebrated scalpel, Gilinski turned the renamed Banco Andino into one of the most efficient banks in Colombia, before selling at vast profit.

The banking gene

Gilinski's BCCI coup became the template for ever-bigger deals. In 1994, he raised $375m from international investors, including George Soros, to buy 75% of the Banco de Colombia from the government – restructuring, then making a fortune by progressively selling down his stake. At the heart of his longer-lasting empire, however, was the fusion of Banco Sudameris (bought from Italy's Intesa Sanpaulo in 2003), with a host of smaller banks in the region. In the years before the 2008 crash, Gilinski rode a "Colombian economy firing on all cylinders", says Forbes. Afterwards, he picked up HSBC's units in the region with assets totalling $4.4bn. By 2013, his combined group had operations in Panama, the Cayman Islands and Miami.

Gilinski now carries on the "heritage of the family business", says The Times. His son runs the newspaper business in Colombia; his daughter, Dorita, who launched Colombia's first digital lender, Lulo Bank, eased onto the Metro board as a non-executive director last year. We might have guessed something was up.

Bernie Ecclestone's steep fall from grace

Following a "game of cat and mouse" that went on for more than 20 years, the British tax authorities finally caught up with former motor-racing mogul Bernie Ecclestone last week, says the Financial Times.

In court, the "diminutive 92-year-old" billionaire pleaded guilty to fraud – he had given a misleading answer to the tax authorities about wealth stashed in offshore trusts – and agreed to pay £652m, more than a quarter of his wealth, in back taxes, interest and penalties.

He also received a 17-month jail sentence, suspended for two years due to Ecclestone's age, health and lack of previous criminal convictions. The court heard that Ecclestone was "seeking to draw a line under investigations into his tax affairs", reports the BBC, because he "was fed up of paying huge bills for advice".

This represents a "steep fall from grace" for a man who "commanded race paddocks" from the late 1970s until 2017, says The Guardian. Ecclestone ran Formula One "almost single-handedly" for decades – the company's headquarters in London had only a handful of staff – and his success relied on "handshakes and face-to-face negotiations".

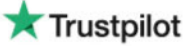
He secured special treatment from world leaders including Tony Blair and Vladimir Putin, and became a prominent figure in global motor sport. He grew Formula One from the amateurish operation it was when he first owned the Brabham racing team in the 1970s into a "prized global media asset while maintaining tight control of the commercial and sporting sides of the business".

Thirty years later, he gradually gave up control of the business, selling a stake to US private-equity firm CVC in 2005. Liberty Media bought Formula One from CVC in 2017 and removed Ecclestone, "whose personal mode of doing business did not appear to fit with modern ideas of corporate governance".

HMRC first began probing Ecclestone's tax affairs after a case in Germany in 2011, when he was accused of paying a bribe, says the Daily Mail. (Ecclestone denied the claims and paid £60m to end the trial.) His answers to HMRC investigators led to the criminal prosecution and what is "almost certainly the biggest financial penalty ever imposed on an individual", says Jeremy Clarkson in The Sun. Spare a thought for the "poor old man", now "down to his last £2bn".

©Getty Images

Travel Department
Let's see more...



Rated 4.7 out of 5 (based on over 3,600 reviews)

T: 0117 911 7109
W: traveldepartment.co.uk/tw
Flights from London, Scotland & Northern Ireland
Please quote 'Money Week' when booking

SCAN ME

Discover more in 2024

FROM **£649**

Tenerife Coast & Country

Fully Guided | 7 Nights | 3★ Superior Full board, 4★ Full board/Half board

- Flights from London Gatwick, Edinburgh, Belfast or Dublin to Tenerife
- 7 nights in Puerto de la Cruz
- A half day excursion to Mount Teide, the highest peak in Spain
- A half day excursion to the capital, Santa Cruz, and the colonial city of La Laguna
- A full day island excursion, taking in the Basilica de la Candelaria and some of Tenerife's most spectacular landscapes

Holiday Departure Months: 2023 (teal) 2024 (red)

Year	J	F	M	A	M	J	J	A	S	O	N	D
2023	J	F	M	A	M	J	J	A	S	O	**N**	D
2024	**J**	**F**	**M**	**A**	**M**	**J**	J	**A**	**S**	**O**	**N**	D

FROM **£819**

Discover Dubrovnik

Fully Guided | 7 Nights | 3★ Half board, 4★ Half board

- Flights from London Gatwick, Edinburgh or Dublin to Dubrovnik
- 7 nights in Dubrovnik
- A city excursion of Dubrovnik's walled Old Town, with entrance to the Franciscan Monastery and City Cathedral included
- A full day boat trip to the Elaphite Islands
- Full day excursion to the island of Korcula to include a drive along the scenic Peljesac peninsula and a tour of Korcula's Old Town

Holiday Departure Months: 2024

Year	J	F	M	A	M	J	J	A	S	O	N	D
2024	J	F	M	**A**	**M**	**J**	J	**A**	**S**	**O**	N	D

FROM **£839**

Lake Garda, Venice & Verona

Fully Guided | 7 Nights | 3★ Half board, 4★ B&B/Half board

- Flights from London Gatwick, Edinburgh, Belfast or Dublin to Milan, Venice or Verona
- 7 nights in the beautiful lakeside town of Riva del Garda, Torbole, Limone or Malcesine
- A half day excursion on a boat trip around Lake Garda or a full day excursion to the medieval city of Bolzano
- A full day excursion to Venice, taking in St. Mark's Square and Basilica
- A full day excursion to Verona

Holiday Departure Months: 2023 (teal) 2024 (red)

Year	J	F	M	A	M	J	J	A	S	O	N	D
2023	J	F	M	A	M	J	J	A	S	**O**	N	D
2024	J	F	**M**	**A**	**M**	**J**	**J**	**A**	**S**	**O**	N	D

FROM **£1,049**

Little Trains of the Pyrenees

Fully Guided | 7 Nights | 4★ Half board

- Flights from London Gatwick, Edinburgh or Belfast to Barcelona
- 7 nights in Roses
- Board the Roses Express around the marvellousscenery of the Cap de Creus National Park
- Explore the French side of the Pyrenees with a visit to the Villefranche-de-Confluent, a UNESCO world heritage site
- A full day excursion to the Nuria Valley and Sanctuary, home to an image of the Virgin Mary on the Nuria Rack Railway
- Board the Red Train and travel from Rivesalets to Axat
- Visit the town of Figueres and enjoy a visit to the Dali Museum

Holiday Departure Months: 2024

Year	J	F	M	A	M	J	J	A	S	O	N	D
2024	J	F	M	**A**	**M**	**J**	J	A	**S**	**O**	N	D

FROM **£1,059**

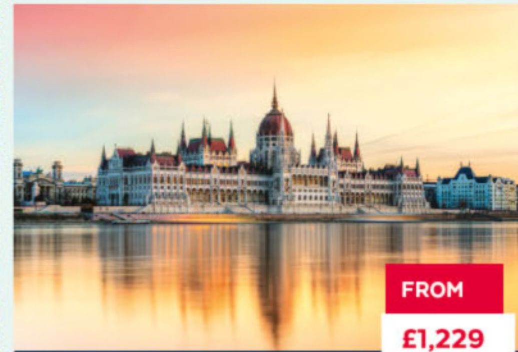
Sorrento Coast, Pompeii & Capri

Fully Guided | 7 Nights | 3★ B&B, 4★ Half board

- Flights from London Gatwick, Edinburgh or Dublin to Naples
- 7 nights on the Sorrento Peninsula
- A full day excursion to the Island of Capri
- A full day excursion to include a morning walking excursion of Sorrento and an afternoon visit to the Pompeii excavations
- Full day excursion on the magnificent Amalfi coast by boat, to include stops in Positano and Amalfi with entrance to The Cloister of Paradise included

Holiday Departure Months: 2024

Year	J	F	M	A	M	J	J	A	S	O	N	D
2024	J	F	M	**A**	**M**	**J**	**J**	**A**	**S**	**O**	N	D



FROM **£1,229**

Prague, Vienna & Budapest

Fully Guided | 10 Nights | 4★ B&B

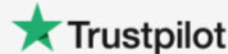
- Flights from London Gatwick, Edinburgh or Dublin to Prague, returning from Budapest
- 4 nights in Prague, 2 nights in Vienna and 3 or 4 nights in Budapest (depending on date)
- A half day guided excursion in each city; Prague, Vienna and Budapest
- A half day excursion to the 13th century Bohemian castle at Ceský Šternberk
- A boat trip on the Danube in Budapest

Holiday Departure Months: 2024

Year	J	F	M	A	M	J	J	A	S	O	N	D
2024	J	F	M	**A**	**M**	J	J	A	**S**	**O**	N	D

What our customers say... **Excellent**

Rated 4.7 out of 5 (based on over 3,600 reviews)



Booking Terms & Conditions: Operated by Travel Department. ATOL Protected 9373. Prices are per person and based on two sharing. Single room supplements apply (excluding Solo Traveller tours). A non- refundable / non-transferable deposit is required to book. Balances are due 10 weeks before departure date. Prices, taxes, flight times, holiday details & availability are subject to change. Prices subject to airline fuel surcharges. E&OE.

Polynesian paradise

Nature meets luxury at The Brando resort in French Polynesia, says Chris Carter

Marlon Brando fell in love with more than his beautiful Polynesian co-star and, later, wife, Tarita Teriipaia, while filming *Mutiny on The Bounty* in 1962. He also fell in love with Tetiaroa, the sole atoll in the Society Islands, which are part of French Polynesia. Tetiaroa is what is left of what was once an island, like nearby Tahiti and Moorea, that was formed from an volcanic eruption three million years ago. Over time, erosion chiselled away at the island, while the weight of Tahiti, to the south, on the Earth's crust, lowered the seafloor and submerged Tetiaroa for good. But the reef that had formed around the island remains, formed and maintained by organisms over millennia. It is a living thing. Today, the 25km reef consists of 12 *motu* (islets) around a 27-square-kilometre warm-water lagoon.

A special place

Tetiaroa has long been a special place. Before the arrival of Europeans in 1767, it was used as a retreat by the Pomare royal family of Tahiti and by the *ari'i* (chiefs) for the "Te Pori" coming-of-age ceremonies for their children. These "fattening-up" rituals involved feeding the spoiled offspring with delicacies from the island and anointing their bodies with fragrant coconut oil. At the turn of the 20th century, Tetiaroa was sold to a Canadian dentist (some say to settle a royal gambling debt), who turned the *motu* into a copra plantation for the production of coconut oil. It was from this estate that Brando bought Tetiaroa in 1965, returning the atoll to something resembling its former glory as a pleasure ground. The actor had long envisaged building a sustainable resort here. Sadly, he never got to see it. But ten years after the actor passed away, The Brando opened in 2014. Last October, I visited.

To get to The Brando, you have to take a plane – the resort's plane. A 20-minute flight from Tahiti on an Air Tetiaroa twin-prop can be a wild ride. The atoll doesn't have the mountains of its big sister to the south to shield it from the wind, so the plane can get a little bumpy coming in to land – not that the pilots seemed bothered. But the views of the atoll, with its dozen *motus* and connecting sand cays, is breathtaking. Safely on the ground on the largest of the *motu*, called Onetahi, my partner and I received a warm welcome and a tour of the resort by golf buggy.

The Brando comprises two bars, three restaurants, shops, a Polynesian spa, a shared swimming pool, 35 villas (all with pools) and a house, which was for sale when I was there – $25m since you ask. More "residences" are planned. But it was outside our one-bedroom villa that the golf buggy came to a final stop. Superlatives get bandied about in travel writing, but trust me when I say the villas are stunning. It's not for nothing Barack Obama chose to spend a month at The Brando to write his memoirs after leaving the White House. At the start of the path that connects the wood-and-thatch villa to what passes for a "main road" leading to the hub of the resort, are two bicycles with panniers. These, you can use to pedal around the *motu*, and nothing is off-limits apart from the air strip – not even the staff village. Up the garden path you go and through the front door, you arrive in the reception area, with a sofa and a small table beneath a Polynesian print. Tea, coffee and the not-so-mini bar are here, which are restocked daily.

> ***"The views of the atoll, with its dozen motu and sand cays, are breathtaking"***

A left turn takes you to the living room/office area, with a sofa and wide TV. Walk back through the reception and up the few steps to the bedroom, which has a concealed TV and a large bed from where you wake up to gorgeous views of the lagoon. A right turn here takes you through the dressing area, and up a few more steps to the bathroom with a shower and his and hers sinks. Outside, there is an al fresco bath tub. Come back down to the reception area and turn right, through the sliding doors, to your own private Eden. Here, you have your own sleek, dark-stone infinity pool. To the left is a thatched table area for dining, and straight ahead at the end, past the hammock and outdoor sofa, is the white-sand beach – your beach – right on the lagoon. The villas are set far apart and the trees and shrubs make this sandy garden a truly secluded sanctuary.

The next morning, after a breakfast at the Beachcomber café on the beach spent gazing at the wide expanse of clear water, we met up with Margot, a young marine biologist and native of Normandy, from the

Wine of the week: a Spanish white bristling with energy

2021 Vinya del Coll, Sant Sadurní d'Anoia, Spain

£45, stannarywine.com

Matthew Jukes
Wine columnist

If you are seriously excited about fine dining, you are likely to have met Vincent Pastorello. Rewind a decade or so, and Vincent was the wine director at The Dorchester hotel in London. He also worked for Gordon Ramsay in Melbourne and London. He was one of the most talented sommeliers I have ever met.

Five years ago, he became global wine manager at Dream International, looking after restaurants such as Zuma, Roka and Coya, among many others. I met him the other day, and he surprised me with a wine he made alongside legendary Spanish winemaker Pepe Raventós. While on holiday, Vincent visited Barcelona and asked Pepe for advice on where to eat and drink. After an epic tour, Vincent returned the favour when Pepe visited London, and they shared a bottle of one of Pepe's most famous wines – 2009 Mas del Serral: one of the most revered cavas.

This was Vincent's "eureka moment". Many years ago, he told me he wanted to make a very specific wine: his favourite style. This dream became a reality when Pepe showed him a beautiful, high-altitude, very low-yielding, biodynamically farmed vineyard planted with 56-year-old xarel·lo vines. With only 12.1% alcohol, with the merest kiss of old oak, Vinya del Coll was born, and only 1,360 bottles were produced. This spectacular wine is the most exciting Spanish wine I have tasted this year. It reminds me of the greatest Chablis – indecently firm, bristling with energy and vitality and spritzed with lime, quince and apple blossom.

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

©Alamy; The Brando

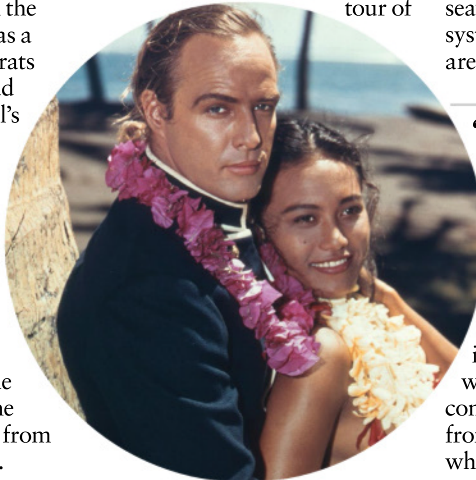
The villas combine sustainability with the last word in luxury

Tetiaroa Society. The nonprofit organisation was set up at the same time as The Brando to conduct research (there is a science lab in the resort), conserve the atoll's fragile ecosystem and educate visitors, including school children. One project that had ended in the July before we arrived was a programme to eradicate rats from the *motu*, which had been devastating the atoll's birdlife. Another looked at innovative ways to deal with mosquitos and, of course, the Society keeps an eye on Tetiaroa's population of turtles. If you find yourself wondering why your beach light is red, it's so as not to disturb the turtles who come onto the beaches during the night from October to lay their eggs.

Exploring the atoll

We took a boat and visited another *motu*, Rimatuu. We explored the abandoned village where the copra plantation workers had lived. Margot explained all about the birdlife and vegetation, and she pointed to the chunks of volcanic rock on the beach, so easily missed but, in fact, a calling card left by Polynesian peoples long before us, who had brought the rocks with them for tools. Back at the dock, we spotted a blacktip reef shark swimming in the water.

Another excursion took us on a "behind the scenes" bicycle tour of



The Brando's award-winning sustainability efforts. Our guide, Anne, showed us where food waste is composted until it comes out smelling of dark chocolate and explained how the glass is ground down into sand for the staff paths. Drinking water is treated via osmosis – guests can fill up the water bottles they are given at water stations dotted around the resort. And she showed us where the organic fruits and vegetables are grown for use in the restaurants and the apiaries to make the honey. But most impressive was The Brando's seawater air conditioning system (Swac). Essentially, there are two circuits of pipes. One

> *"Marlon Brando fell in love with his beautiful co-star Tarita, and Tetiaroa"*

is filled with fresh water, which is cooled by the other containing seawater drawn from three kilometres down, where it is 5°C. Such is the pressure that the water only has to be pumped the remaining five metres to the resort, saving 90% of the power that would be required for a regular air-conditioning system. And where does the power come from? The Brando's solar farm, of course. There is even a seawater plunge pool with soft white towels for anyone disbelieving of how cold the water is under Tetiaroa.

A third tour, delivered by the infinitely knowledgeable Kealoha, took us to the remains of the *marae* (temple) on Onetahi, where he told us of the atoll's fascinating Polynesian history. I've run out of space to talk about the fine-dining Les Mutinés restaurant (I'm told Michelin-star-winning French chef Jean Imbert has taken over), the intimate Japanese *teppanyaki* restaurant or the massages at the Varua Te Ora Polynesian Spa – everything you imagine. So, I will leave you at Bob's Bar on the beach. I wasn't being strictly accurate when I said Marlon Brando never saw the resort – he had the original bar built. Here, Brando would ask his long-time aide and friend, Bob, to make him a cocktail. Do likewise. Order an Old Dirty Bob and muse on just how good life can be.

Chris was a guest of The Brando. Villas start from €4,200 per night, all-inclusive, based on two sharing. Visit thebrando.com.

This week: properties for around £500,000 – from an 18th-century stone cottage with a trout stream

▲ **Quack Cottage, Hansel, Devon.** A stone cottage dating from the 1750s in the Gara Valley in the South Hams, an Area of Outstanding Natural Beauty. Inside there is an inglenook fireplace with wood-burning stove and the gardens border a trout stream. 3 beds, bath, recep, 0.35 acres. £525,000 Marchand Petit 01803-839190.

▶ **Dell Cottage, Nether Bridge, Inverness-Shire.** A traditional cottage within the Cairngorms National Park, built in 1860 and extended around 1910. Period features include oak floors, beamed ceilings, and a cast-iron fireplace. 4 beds, 2 baths, 2 receps, games room, gardens, decking, hot tub, 0.3 acres. £495,000+ Savills 01738-477525.

▶ **Harbour Street, Plockton, Ross-Shire.** A traditional cottage that has been refurbished and extended in a contemporary style in the conservation village of Plockton in the Scottish Highlands, with views of the bay, loch and mountains. The modern interiors feature full-height windows and solid oak flooring throughout, with sliding doors leading onto a raised balcony. 3 beds, 2 baths. £525,000+ Strutt & Parker 01463-723599.

in the South Hams to a two-bedroom garden flat in London's Queen's Park

The White House, Eastgate, Bishop Auckland, Co Durham. A double-fronted house in the Weardale valley. The raised flagstone terrace has views over the landscaped gardens. Inside there are large reception rooms with high ceilings, sash windows, period fireplaces and a large modern fitted kitchen. 5 beds, bath, 2 receps, breakfast kitchen, utility, cloakroom/shower, cellar, garage, parking, gardens, paddock, 1.39 acres. £500,000 Finest Properties 01434-622234.

A Grade II-listed cottage on the high street in Burbage, Marlborough, Wiltshire. The cottage dates from 1642 and has a large inglenook fireplace with wood-burning stove, sash windows with window seats and a country-style kitchen with the original bread oven. 3 beds, bath, 2 receps, conservatory. £480,000 Hamptons 01672-620175.

School Cottages, Hailsham, East Sussex. A cottage in a popular village with large mature enclosed gardens. It is in need of some updating and the interiors feature the original quarry-tiled floors, an open fireplace with log burner, timber-clad walls and casement windows overlooking the gardens. 2 beds, bath, 2 receps, breakfast kitchen, utility/boot room, cloakroom, parking, log store, garden shed, 0.14 acres. £475,000 Batcheller Monkhouse 01424-775577.

Fernhead Road, Queen's Park, London W9. A two-bedroom flat in a Victorian terrace home in a popular area of W9 with 700 sq ft of living space. It has French doors leading onto a garden and is in good condition but could do with some updating. 2 beds, bath, open plan kitchen/living area. £500,000 Knight Frank 020-3815 3037.

Bay Tree House, Hornton, Banbury, Oxfordshire. A Grade II-listed cottage with a south-facing garden that has a stone outbuilding currently used as a home office. Inside, the house has beamed ceilings, sash windows, an open fireplace with a wood-burning stove, wood floors and a fitted kitchen with stable doors leading onto the garden. 3 beds, bath, 2 receps, breakfast kitchen, utility. £475,000 Fine & Country 01295-239666.

Book of the week

Elon Musk

Walter Isaacson
Simon & Schuster UK, £28

With the possible exception of Donald Trump, there is no more divisive figure in the Western world than Elon Musk. To some he is the business leader of our generation, a visionary with his sights set on solving some of humanity's biggest problems. His critics see him as a dangerous gadfly, who is putting democracy (he is the boss of X, the social-media site formerly known as Twitter) and even the survival of humanity itself (he has launched an artificial intelligence start-up) at risk. Still others think that both views are nothing more than the product of Musk's unsurpassed talent for self-promotion. Walter Isaacson's biography is an attempt to unravel the truth.

The book is divided into no less than 95 short chapters. These begin with his family and childhood and time as a student, then take us through his early career in Silicon Valley, where he had his first early success with online directory Zip and then web-based payments service PayPal. He was removed as CEO from the latter, but still walked away with $175m. The book then looks in detail at how Musk set up electric-car maker Tesla and rocketry company SpaceX, both of which came close to failure at several points, but have since revolutionised their industries. Interspersed with these entrepreneurial ventures is an account of Musk's personal life, and the final third of the book takes us through a series of episodes over the past few years, including Musk's controversial takeover of Twitter.

The first step to Mars

©SpaceX

"Tesla and SpaceX came close to failure at several points, but both have since revolutionised their industries"

Incredible results

Musk allowed Isaacson to follow him around for two years as he went about his business, and this may be a factor in why the author generally comes down on the side of those who see Musk as a hero rather than a villain. This access has, however, been balanced by extensive research, including interviews with those who feel much less positively about his subject. Neither does Isaacson hold back from discussing the less appealing aspects of Musk's personality, including his often-troubled relationships with his family, employees and investors. The picture of Musk we end up with from the book is of an impulsive and hyperactive man with a distaste for social norms and even rules and regulations.

Yet at the same time we see that these personality traits, combined with a hard-riding management style, have produced incredible results. Isaacson's account of Musk's engineering philosophy, which involves stripping out as many stages and components as possible and only adding them back in if they prove to be needed, is also required reading. Whether you're a Musk fan or a Musk sceptic, this is a well-written biography that will make you think twice about the man with a mission to get to Mars.

Reviewed by Matthew Partridge

The Crypto Handbook

The ultimate guide to understanding and investing in digital assets
(Edited by) Sam Volkering
Harriman House, £29.99

The cryptocurrency revolution began in 2009 with the launch of bitcoin. It's been quite a journey in the 15 years since then. The digital tokens, once confined to the fringes of the internet and a cult "alternative" investment, are now on the brink of going mainstream as central banks around the world scramble to launch their own. The price of bitcoin is now displayed on TV news shows alongside the value of stockmarkets.

The opening section of this book gives a basic overview, starting with digital currencies and then moving on to more recent innovations, such as the metaverse, non-fungible tokens (NFTs) and Web3. The middle part looks at the practical aspects of investing, with some tips on how to build a portfolio of digital currencies. The final third consists of interviews with various figures in the sector, including a section where Volkering answers some frequently asked questions.

Volkering is bullish and predicts that we're on the cusp of a new boom that will make digital "bigger and better than any cycle that's come previously". Even if true, it's not certain whether this will be to the benefit of any of the assets currently available to investors. Still, the book is a useful introduction and has some good practical advice. As a victim of the 2014 Mt Gox implosion, where investors lost their bitcoins overnight, Volkering is particularly insightful on the issue of security.

Book in the news... care is needed as we hand the torch to the younger generation

The Hundred Trillion Dollar Wealth Transfer

How the Handover from Boomers to Gen Z Will Revolutionize Capitalism
Ken Costa
Bloomsbury, £20

Older people complaining about the younger generations (and vice versa) isn't exactly a new phenomenon, but the generational divide has never been so stark as it is today, argues banker and philanthropist Ken Costa in his book, *The Hundred Trillion Dollar Wealth Transfer*. With respect to everything from our relationship with technology to politics and the role of business, there is a large and growing gap between the "boomers", who were born between 1946 and 1964, and the "Zennials", Costa's collective name for the Millenials (born after 1981) and generation Z (born after 1996).

That matters because, as the subtitle to Costa's book suggest, a massive and unprecedented transfer of wealth, and hence of power, is about to take place. The boomers are now retiring or shuffling off this mortal coil and hence are starting to hand their assets to their heirs. That wealth, says Costa, could end up being squandered if the generations don't start to learn to appreciate each other's strengths and qualities. The Zennials are turning away from capitalism and the market economy, which is a mistake as these are the engines of growth that lift countries out of poverty and deliver prosperity. But the creativity and idealism of the younger generation is something to be appreciated and harnessed, if it can be tempered by the realism and experience of the boomers.

Like many business writers, Costa has a tendency to rely too much on snappy acronyms, which can be annoying. But he makes a convincing case on the need for a change in attitudes and working practices and has some practical advice for how business leaders can adapt their management style and organisations, all backed up with a wealth of data and anecdotes. The arguments considered in this book need to be taken seriously by business leaders, executives and managers who are having problems understanding their younger workers.

Bridge by Andrew Robson

Trick one pony

West led the six of Diamonds v Six Spades, the unbid suit and declarer beat East's ten with the Ace, and cashed the Ace of Trumps, observing East's ten. He followed with the Queen, in order to pick up West's likely guarded Knave, and found that he could no longer make the hand. Best is to continue with a top Heart, but West wins, whereupon any non-Heart leaves declarer unable to reach his hand and run Hearts while at the same time negotiating West's two remaining Trumps.

Dealer South — Neither side vulnerable

North:
♠ K985
♥ 7
♦ K73
♣ A10852

West:
♠ J642
♥ A94
♦ 65
♣ K973

East:
♠ 10
♥ 862
♦ QJ1084
♣ QJ64

South:
♠ AQ73
♥ KQJ1053
♦ A92
♣ –

The bidding

South	West	North	East
1♥	pass	2♣*	pass
2♠	pass	4♠	pass
6♠	pass	pass	pass

* Close between Two Clubs and One Spade. I'd probably opt for One Spade actually, as Two Clubs-then-Two Spades is forcing to game.

Let us replay the slam. Go back to trick one, the trick on which more fatal errors are made – by far. You should win trick one with the King of Diamonds, preserving the Ace to your hand to cater for this bad Trump split. At trick two, you cross to the Ace of Trumps and cash the Queen as before (East discarding). But you are in control. West can win your next play of the King of Hearts with the Ace and led a second Diamond, but you can win in hand (crucially) and lead Hearts through West. West may ruff the fourth Heart, but you can overruff in dummy, draw West's remaining Trump, cash the Ace of Clubs discarding a Diamond, ruff a minor, then cash your remaining Hearts. Twelve tricks and slam made.

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

Sudoku 1178

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

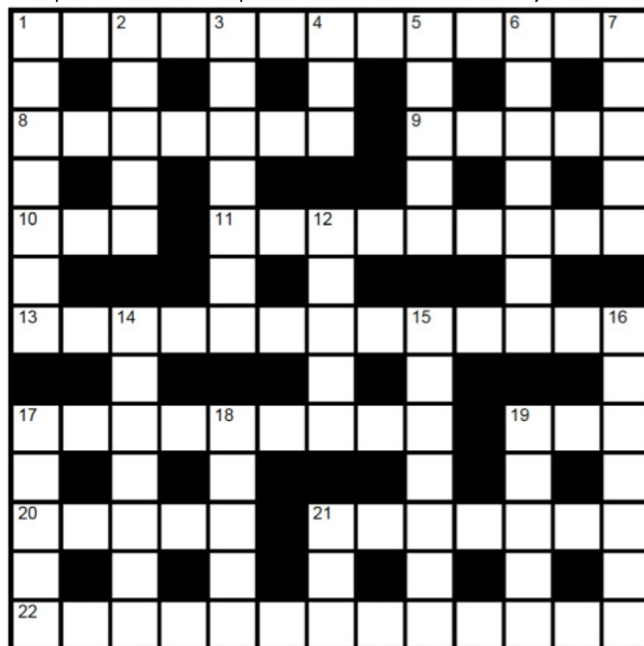
To complete MoneyWeek's Sudoku, fill in the squares in the grid so that every row and column and each of the nine 3x3 squares contain all the digits from one to nine. The answer to last week's puzzle is below.

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

MoneyWeek is available to visually impaired readers from RNIB National Talking Newspapers and Magazines in audio or etext. For details, call 0303-123 9999, or visit RNIB.org.uk.

Tim Moorey's Quick Crossword No. 1178

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 30 October 2023. By post: send to MoneyWeek's Quick Crossword No.1178, 121-141 Westbourne Terrace, Paddington, London W2 6JR. By email: scan or photograph completed solution and coupon and email to: crossword@moneyweek.com with MoneyWeek Crossword No.1178 in the subject field.



Down clues are mildly cryptic whereas across clues are straightforward

ACROSS

1 Beginning (4,4,1,4)
8 Stylish (7)
9 Get (5)
10 Head (3)
11 Young waterbirds (9)
13 Furniture manufacturers (13)
17 Part of North Pacific Ocean (6,3)
19 Large S American snake (3)
20 Broadcasting (2,3)
21 Wed (7)
22 Final position (3,6,4)

DOWN

1 Like the main cocaine supply (7)
2 There's warmth after Conservative do (5)
3 African with a gun and explosive (7)
4 Pick used in work on teeth primarily (3)
5 Just removing top? Extremely bad (5)
6 Very serious in the past maybe (7)
7 Character of sweet hostess (5)
12 Quotes from spectacles heard (5)
14 Obstacle behind pub leads to lots of complaints (7)
15 What makes Presbyterians best in prayers? (7)
16 Wobbly East End bus passenger? (7)
17 Encourage team's leader after jeers (5)
18 Drug agent working in Menorca, not me (5)
19 After beginning with batter, I love flipping pancakes (5)
21 Encountered force (3)

Name ....

Address ....

....

email ....

Solutions to 1176

Across 1 Ogres *hidden* **4** Nudists *deceptive def* **8** Thunder *deceptive def* **9** Super *su(p)per* **10** Otherwise *women = w inside anag of theories* **12** Ion *I + on* **13** Rancid *ran +CID* **14** As it is *a sit i s* **17** Bar *two defs* **18** Entrances *two defs* **19** Nyala *hidden* **20** Electra *elect RA* **22** Shyness *shy + ness* **23** Auden *due anag inside an.* **Down 1** Outdoor **2** Rough-and-ready **3** Sad **4** Nordic **5** Dyspepsia **6** Sophisticated **7** Siren **11** Reiterate **15** Sustain **16** Steeds **17** Bonus **21** Eta.

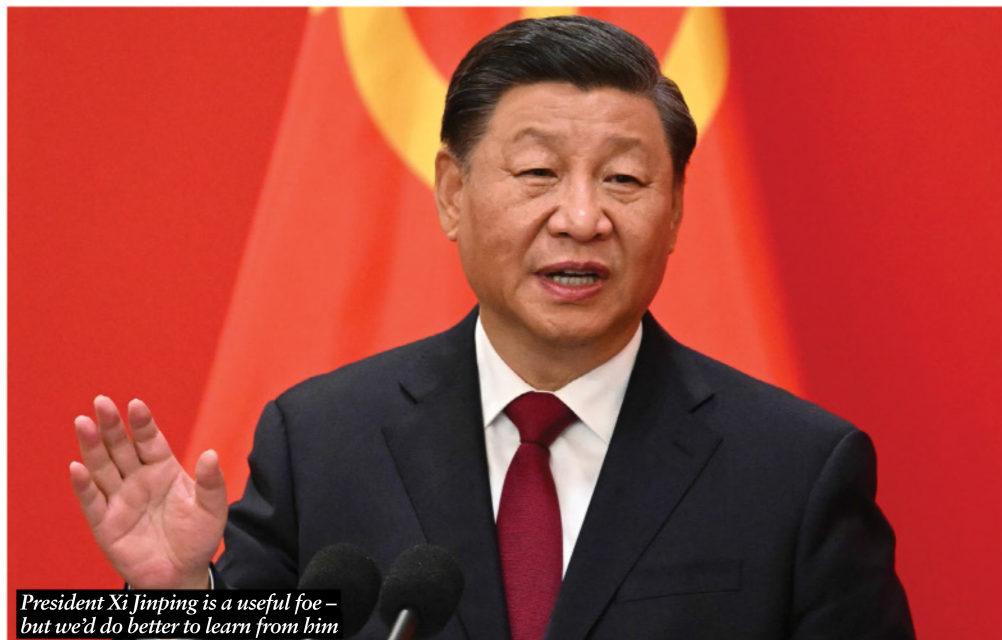
The winner of MoneyWeek Quick Crossword No.1176 is: John Bracey of Leamington Spa

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

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

The real cause of war

Governments can't exist without an enemy



President Xi Jinping is a useful foe – but we'd do better to learn from him

©Getty Images

Bill Bonner
Columnist

The war in Ukraine seems to be winding down. When the country's president, Volodymyr Zelensky, spoke to the UN at the end of last month, many of the seats were empty. Russia is winning; the rest of the world is losing interest. Ukraine is running out of weapons, money and enthusiasm. Most importantly, it is running out of meat for its grinder. The average age of its soldiers is said to be 40. Young men leave before they can be drafted – they aren't willing to die for Zelensky's crusade.

What is surprising is how many are still there. In a similar situation, young Americans would scurry out of town too. At least, that was the finding of a survey reported in the Daily Mail. Voters were asked: "Assume there is an invasion of America by another country and they were on the brink of victory. You can either almost certainly die fighting for your country, or surrender and survive. What would you do?" Of young people, 18-29, only 30% would fight.

No matter. History tells us that it is easy to gin up a war fever and get millions of people killed for no apparent reason. All you need is an enemy. And right now, America's foreign-policy experts, its glorious think-tank generals, and its newspaper heroes, turn their eyes east – to China.

What have the Chinese done to us? Don't know? Then turn to the *Report from Iron Mountain*, a spoof book published in 1967 purporting to be the report of a government panel set up to investigate the consequences of peace. A 15-member group of pipe smokers gets together in a "special study group" and meets in a nuclear-secure bunker under Iron Mountain. They came to the conclusion that government is incompatible with "peace". It can't exist without war. Nation states only exist so they can make war.

> *"An enemy doesn't have to do something, just be something"*

That's not a new insight. "War is the health of the state," said Randolph Bourne. War is not just useful to government – it is government. The defining difference between the US government and the Catholic church or Walmart is that the former uses force to get what it wants. The latter do not. Without the use of force – police, jails, wars – the "state" would have no reason to exist.

And so an enemy doesn't have to do something, he just has to be something – a useful foe. China fits the bill. The country is the world's greatest success story – ever. Since 1979, it brought 800 million people up from the grit and slime of Mao's communist poverty into the modern world of capitalism, decent salaries, abundant food and technological wonders, such as its high-speed rail and Shanghai's maglev train. The US can't match it.

But instead of admiring it, trying to learn from it, and hoping to profit from it – all of which would benefit the American people – China is becoming the enemy the empire elite need. As Richard Cullen, a law professor at the University of Hong Kong, says: "Bad-tempered coverage of China continues to flourish across the entire US media. It ranges from fire-breathing to pearl-clutching. Most commentators look daggers at Beijing in a dozen different over-cooked ways – and especially at the Communist Party of China – while reminding readers and viewers of America's continuing paramount superpower status."

Truth emerges, often, in unexpected places. The *Report from Iron Mountain* may have been a spoof, designed only to elicit a knowing chuckle from the cynical cognoscenti, but it reveals the real cause of war better than any group of federal hacks ever could.

Editor: Andrew Van Sickle
Markets editor: Alexander Rankine
Comment editor: Stuart Watkins
Politics editor: Emily Hohler
Wealth editor: Chris Carter
Shares editor: Matthew Partridge
Senior digital editor: Kalpana Fitzpatrick
Deputy digital editor: Rupert Hargreaves
Contributors: Bill Bonner, Ruth Jackson-Kirby, Max King, Jane Lewis, Matthew Lynn, David Prosser, Cris Sholto Heaton, David C. Stevenson, David J. Stevenson, Simon Wilson

Art director: Kevin Cook-Fielding
Picture editor: Natasha Langan
Chief sub-editor: Joanna Gibbs

Print managing director – wealth Shaun Inglethorpe
Group advertising director: Peter Cammidge peter.cammidge@futurenet.com
Account director: Freddie Smith freddie.smith@futurenet.com
Chief financial and strategy officer: Penny Ladkin-Brand
Non-executive chairman: Richard Huntingford
Chief executive: Jon Steinberg

Customer service and subscriptions
Email: subscriptions@moneyweek.co.uk
Web: MoneyWeek.com/contact-us
Tel: 0330-333-9688
Post: MoneyWeek subscriptions, Rockwood House, Perrymount Road, Haywards Heath, West Sussex, RH16 3DH
Subscription costs: £139.99 a year (credit card/cheque/direct debit), £159.99 in Europe and ROW £179.99.

MoneyWeek magazine is an unregulated product. Information in the magazine is for general information only and is not intended to be relied upon by individual readers in making (or not making) specific investment decisions. Appropriate independent advice should be obtained before making any such decision.
Future Publishing Limited and its staff do not accept liability for any loss suffered by readers as a result of any investment decision.

Editorial queries: Our staff are unable to respond to personal investment queries as MoneyWeek is not authorised to provide individual investment advice.

MoneyWeek
121-141 Westbourne Terrace, London, W2 6JR
Email: editor@moneyweek.com

MoneyWeek is published by Future Publishing Limited 121-141 Westbourne Terrace, London, W2 6JR

© Future Publishing Limited 2023. All rights reserved. MoneyWeek and Money Morning are registered trademarks. Neither the whole of this publication nor any part of it may be reproduced, stored in a retrieval system or transmitted in any form or by any means without the written permission of the publishers.
© MoneyWeek 2023
IISSN: 1472-2062

Are your investments punching their weight?

Our Ready-made Portfolio service fees are **as low as 0.2%.** And you still get our investment experts in your corner to get your money fighting fit.

Get up to **£1,000 cashback** when you transfer today.

You work hard for your money. **Bestinvest it.**

When you invest, your capital is at risk.
Cashback offer ends 30/11/23, see **bestinvest.co.uk/cashback** for full T&Cs.

Bestinvest is a trading name of Evelyn Partners Investment Management Services Limited authorised and regulated by the Financial Conduct Authority.

HUMMING ALONG

WS Guinness Global Equity Income Fund

The Fund invests in companies that have been well managed through a variety of economic environments.

We look for the persistent high cashflow which enables sustainable, growing dividends and long-term capital growth.

Investing with conviction, we give every company that meets our quality criteria an equal weight in the portfolio.

To find out more, visit guinnessgi.com/wsgei, scan the QR code or call 020 7222 5703.

Scan the QR code to find out if a hummingbird is faster than a cheetah.

POSITIVELY DIFFERENT

GUINNESS GLOBAL INVESTORS

Risk: The value of this investment and any income arising from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you invested. Guinness Global Investors is a trading name of Guinness Asset Management Ltd., which is authorised and regulated by the Financial Conduct Authority. Calls will be recorded.

9001

9000