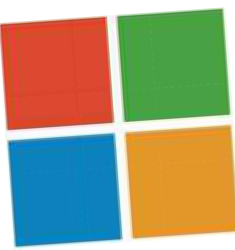
COMPANIES P24
Microsoft: a winner of the post-virus era



PROFILE P29
Japan's god of tech tests the faithful

PLUS
The world's most coveted trainers
COLLECTABLES P35

MoneyWeek

MAKE IT, KEEP IT, SPEND IT

29 MAY 2020 | ISSUE 1001 | £4.50

Building a new world

Invest in infrastructure

Page 20

BRITAIN'S BEST-SELLING FINANCIAL MAGAZINE

MONEYWEEK.COM

SCOTTISH
AMERICAN
INVESTMENT
COMPANY

We focus on delivering a long-term income.

Because no one plans a short-term retirement.

SAINTS invests globally in companies that not only pay healthy dividends today, but are also investing in their businesses, to pay higher dividends in years to come. It aims to deliver a winning combination of income, growth and dependability and **SAINTS** has increased its dividend every year for 40 consecutive years. It's a solution that could be well suited to investors planning a long and happy retirement.

Please remember that changing stock market conditions and currency exchange rates will affect the value of the investment in the fund and any income from it. Investors may not get back the amount invested.

Find out more by watching our film at www.saints-it.com
A Key Information Document is available. Call 0800 917 2112.

Actual Investors

Your call may be recorded for training or monitoring purposes. Issued and approved by Baillie Gifford & Co Limited, whose registered address is at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, United Kingdom. Baillie Gifford & Co Limited is the authorised Alternative Investment Fund Manager and Company Secretary of the Company. Baillie Giffford & Co Limited is authorised and regulated by the Financial Conduct Authority. The investment trusts managed by Baillie Gifford & Co Limited are listed UK companies and are not authorised and regulated by the Financial Conduct Authority.

MoneyWeek
29 May 2020 | Issue 1001
QQ群: 970508760
Britain's best-selling financial magazine

From the editor-in-chief...

A large part of the nation currently seems to be reading Claire Tomalin's biography of Samuel Pepys. We are too. But my attention has been grabbed not so much by his experiences in the Great Plague as by the aftermath of the Great Fire, which he also survived.

The shock of the fire prompted all sorts of grandstanding. Take the rebuilding of the city. No one wanted to go back to the messy jumble of a fire hazard they had lived with before. Everything must change they said. A Rebuilding Act was passed stipulating that all new buildings had to be constructed of brick or stone. Splendid plans were produced of grid systems with church-filled squares and of long wide streets with plazas and a huge terrace on the Thames (this was Christopher Wren). None made it past the drawing board. Instead, driven by individuals wanting to get back to normal life, London rebuilt itself in "roughly the same shape as it had burned down," says Charlie Lawrence Jones on CityMetric.

After the fire, London was rebuilt with surprisingly few changes

©Ian Dagnall/Alamy

"People will return to post-Covid lives that have roughly the same shape as before"

This is, I think, a pretty good metaphor for what will happen post lockdown. We have heard endless grand plans for the fixing of society one way or another over the last few months. There might be a bit of this. Perhaps there will be some improvement to our welfare systems and with a bit of luck to the management of our healthcare systems. Perhaps we will work from home more – although the extent to which anyone wants to do this will depend on how nice their home is and how well they already know their colleagues. And perhaps some of us will even move out of the cities temporarily (25% of London's newly homeless did so after the Great Fire). But overall, odds are that even as governments bicker over grand improvement plans, ordinary people will return to post-Covid lives that have roughly the same shape as their pre-Covid ones.

There is no alternative

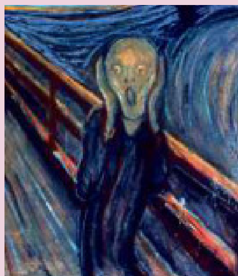
One thing that definitely seems to be sticking with its shape is the stockmarket. For years now we have been being told that with yields non-existent and world's central banks increasingly keen on money printing, there is no alternative to being invested in equity markets. That seems to be the case again (see Bill on page 38 for how modern markets reflect anticipated intervention rather than anticipated revenues). If money is going to keep pouring into the system – James Ferguson of MacroStrategy Partnership notes that the Fed has already produced as much QE in this crisis as it did over six years of the GFC – and rates are to turn negative (see page 7), what are the options?

Quite. You might want to invest via funds that give you exposure to gold and silver given the inflationary risks of extreme fiscal and monetary policy (see page 16 for suggestions on this). Otherwise, big tech remains an option (see page 24 for why to buy Microsoft) as perhaps do European banks (see page 5 – I'm not sure I am convinced one this on yet). Committed contrarians might try Wetherspoon (see page 25). Otherwise, given how we expect governments to bump up spending even more, long-term investors should look at infrastructure (see page 20).

Finally, on a less monetary note, if you need a staycation after lockdown, how about Durham? It's been in the news lately for the wrong reasons (see page 8), but once that passes, it will again be remembered as a particularly beautiful city that everyone should visit at least once (see page 31).

Merryn Somerset Webb
editor@moneyweek.com

Britain's stolen art



©Getty Images

Over 90,000 items of art and collectables have been reported stolen or lost in the UK since 1990, with 80,000 remaining unrecovered – a record that makes British investigations of stolen art "an embarrassment", says Charles Hill, one of the world's leading art detectives. Hill, whose successes include tracking down Edvard Munch's *The Scream* after it was stolen in 1994, blames legislation that has "stymied the police in dealing with informants", he tells The Times. A further problem is that UK police "do not specialise" and are "inadequate" compared to other countries. Scotland Yard's art and antiquities unit (AAU) has just three officers dedicated to art crime in Britain. Italy's carabinieri boasts 300 dedicated officers, while the US has a team of 20 FBI special agents and 400 trained officers at other agencies. Around 30,000 items have been lost in Britain since 2013, including the £10m theft of a Van Dyck and two other paintings from Christ Church college in Oxford in March.

Good week for:

Naomi Osaka has surpassed Serena Williams as the world's highest-paid female athlete, raking in £37.2m in prize money and endorsements over the last year, says Sky Sports. The 22-year-old (pictured right) earned $1.4m more than American great Williams, who had been first on the list for the last four years.

An unnamed driver who was charged £182 by a parking company after pulling into a town-centre car park for 11 minutes and 48 seconds has won £529 in compensation, says The Sunday Times. One Parking Solution was ordered to pay the driver after a judge ruled that its penalty was an "abuse of process".

©Getty Images

Bad week for:

A German man accused of faking his death to claim €4m in insurance was given away by the glint of his wedding ring in a policeman's torch beam as he hid in his mother's attic, says The Times. Cristoph H, 52, went missing on 7 October last year. His wife alerted the police after he disappeared while driving his motor boat, but authorities grew suspicious when it emerged the man had bought a dozen life insurance policies that benefit his wife and 86-year-old mother.

Luxury brands have been left tattered by lockdown, says The Sunday Times. Designer Diane von Furstenberg, popular with the Duchess of Cambridge, was forced to close her Mayfair store permanently last week, pushing the subsidiary that ran it into administration. Burberry has written off £68m of stock, which it expects to have to sell at a hefty discount, after reporting a 27% drop in sales in the first quarter. The firm also announced a £157m write-down on the value of its 465 stores as a result of weak trading.

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

Can Hong Kong survive as a financial hub?

Alex Rankine
Markets editor

The territory may become more dependent on Beijing than ever

©iStockphotos

With the world distracted by the virus, Beijing has been tightening the screws on Hong Kong, says Timothy McLaughlin in The Atlantic. The Chinese Communist Party says that it will impose a national security law on the semi-autonomous city, bypassing Hong Kong's own legislature. Opponents fear that this spells a "fundamental shift" in the "one country, two systems" framework under which the financial hub enjoys rights such as an independent judiciary and freedom of speech. US secretary of state Mike Pompeo has said that the "disastrous proposal" would sound the "death knell" for Hong Kong's autonomy.

Why British blue-chips are exposed

The local Hang Seng index plunged by 5.6% last Friday, its biggest one-day fall since 2015. The property sector was hit especially hard. Shares in local magnate Li Ka-shing's CK Asset Holdings fell by 8.4%. British blue chips are affected by events in Hong Kong, says Jim Armitage in the Evening Standard. Shares in HSBC, exposed to the local property market, closed down 5%, while Asia-focused Standard Chartered also took a hit. Most vulnerable of all is Prudential, which makes one-third of its sales in Hong Kong. Some observers hope that Beijing is just "grandstanding" for a domestic audience, but others warn that this could prove "the final straw" for expatriates and investors after a turbulent year of political unrest.

Hong Kong may survive as a financial hub, but it could look like a very different one, says Nathaniel Taplin in The Wall Street Journal. Foreign investors are gradually pulling back, but the city may enjoy a wave of secondary listings from mainland Chinese firms such as Alibaba, which are gradually being evicted from US exchanges. That would make Hong Kong and its markets more dependent on Beijing than ever. One thing is certain: "the city will never be the same".

A new cold war?

Hong Kong is becoming "ground zero" in the emerging US-China cold war, says Brian Fong for The Diplomat. The city offers Western businesses access to China's vast market buttressed by all the guarantees of British-style common law. Perhaps not for much longer. China has no rational interest in burning its "own bridge to the world": Hong Kong is its most important source of foreign capital. Yet with mounting challenges at home and abroad, the leadership has seemingly "decided to make Hong Kong its battlefield with the West".

The US-China contest is also being played out in the currency markets, says John Authers on Bloomberg. The People's Bank of China, the country's central bank, has been allowing the yuan to weaken against the dollar in order to boost a sluggish economy. Tuesday's exchange rate of 7.1293 is the lowest since February 2008. The yuan generated international headlines when it broke through the seven-to-the-dollar mark last summer, drawing the ire of the White House. A weaker yuan boosts Chinese exporters at the expense of US businesses. At such a tense time, this looks like a "very provocative gesture".

Can the UK housing market escape a slump?

The housing market has reopened, but "most ingredients are in place for a property crash", writes Larry Elliott in The Guardian. Ultra-low interest rates and mortgage holidays should cushion some of the pain. Yet unemployment sits at 2.1 million. That is only a hint of the misery to come as the Treasury winds down its job-furlough scheme, which supports eight million people.

The Bank of England is predicting a 16% slump in prices, says Kate Andrews in The Spectator. Yet other analysts think that falling demand and supply will cancel each other out. In the US transactions are down, but that is partly thanks to a big drop in houses for sale: all but the most desperate are keeping their houses off the market. The result is that US prices have actually "marginally" advanced. The bigger question is how the changes will shake-out geographically: Londoners have found themselves confined to their small, expensive flats during lockdown. A more durable shift to working from home could prompt an exodus to the provinces. Lockdowns have made London a less fun place to live, agrees The Economist. One investor says closed theatres and restaurants risk turning the capital into a pricier version of Frankfurt, but "with more congestion".

Property auctions may prove a leading indicator

©Alamy

Keep an eye on property auctions for a sign of things to come, says Melissa Lawford in The Daily Telegraph. Sales continued online during lockdown: this is an unsentimental market where most buyers are investors and the properties are normally vacant.

Prices have been holding up although more listings than usual are being withdrawn. The worry is that a wave of forced sellers could yet drive down prices. The furlough scheme only ends in October, so we may have to wait until then to see what toll the virus eventually takes on property.

Gilt yields head below zero

Yields on gilts have gone negative. The government last week sold a three-year gilt with a fractionally negative yield of -0.003%, meaning that investors were effectively paying the Treasury to borrow money from them. In a further sign that central banks' quantitative easing is forcing market prices through the looking glass, the yield on the five-year gilt also went negative for the first time, hitting -0.003% at the end of last week.

Investors who buy and hold these negative-yielding bonds to maturity will make a small loss. Some hope that the global bond rally will enable them to sell them on at a capital gain, but others may simply have concluded that with the growth outlook shaky there are no better options.

Markets have been spooked by poor data, particularly April's sluggish 0.8% inflation reading, says Paul Dales for Capital Economics. Yet the key factor is interest rates. The Bank of England has said that negative short-term interest rates are under "active review". UK interest rates currently sit at just 0.1%. In every sense, the outlook has "all gone a bit negative". Interest rates on much of the continent and in Japan are already below zero. If the UK follows suit then expect pensions annuities to fall and pension scheme deficits to rise, says James Coney in The Sunday Times. If you think the past decade has been a grim one for savers, "you ain't seen nothing yet".

Europe is due a rebound

Germany's chancellor Angela Merkel has finally acceded to a French plan to issue a common European bond, say Matthew Karnitschnig and Rym Momtaz in Politico. The proposed €500bn vehicle would borrow from financial markets and give grants to countries in need. The proposal is simple, says former European Central Bank (ECB) economist Lucas Guttenberg: "European bonds for EU expenditure".

Some have gone so far as to speak of Europe's "Hamiltonian moment", says the Financial Times: a reference to the US federal government's decision to assume state debts in 1790, which knitted together the young United States.

But for now, such talk is overheated. This plan falls far short of full fiscal union and could yet be watered down because of opposition from the "frugal four" of Austria, Denmark, the Netherlands and Sweden. Still, this "Eurobond trial balloon" is a powerful symbol of German commitment to the euro, says Katharina Utermöhl of Allianz.

Markets were cheered by the Franco-German announcement, which came as lockdowns were eased in many parts of the continent. The pan-European Euro Stoxx 600 index advanced by 3.7% last week. German investors' confidence hit a five-year high in May.

Germany's chancellor Angela Merkel has agreed to take a small step towards fiscal union

©Getty Images

The Stoxx 600 is still down 17% since the start of January, underperforming both the US and China. A crucial weakness is the region's shaky banking sector. The Stoxx 600 Bank index has tumbled by an eye-watering 43% this year, note Jan-Patrick Barnert and Michael Msika on Bloomberg. Trading on just 0.4 times book value, Europe's banks have never been cheaper, but few want to have a nibble. Negative interest rates, large loan-loss provisions and a shaky growth outlook are scaring off all but the bravest.

Tech sector eclipses banks

Staid European markets are weighted towards mature industries such as banking, carmakers and oil, while America has its high-growth tech sector to thank for consistent investment outperformance. Yet the rout in European finance means that the picture is changing, says a research note by Morgan Stanley. For the first time, technology is a bigger part of the European index than banks. Once accounting for one-fifth of the value of European shares, today the region's banks make up just 5.6%, compared with 7% for technology.

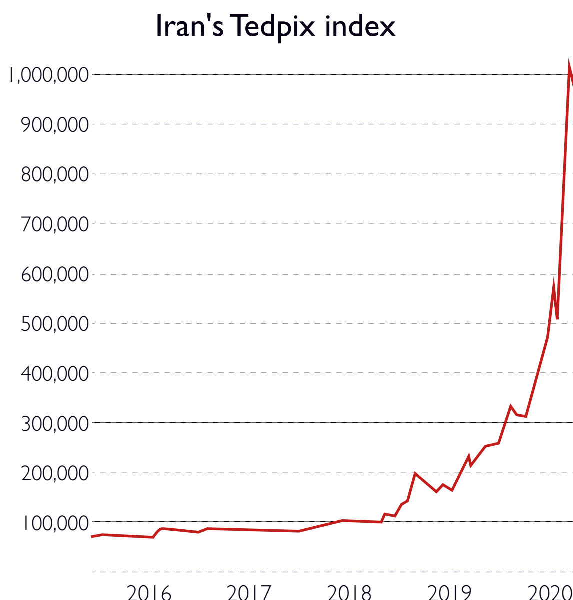
Developed European markets trade on a cyclically-adjusted price/earnings ratio of 15.7, a bargain compared with America's 26.8. With the ECB poised to provide yet more liquidity by expanding its €750bn bond purchase programme, that leaves European shares well placed to outperform when the recovery eventually arrives.

Viewpoint

"People touting the strength of the American economy before the pandemic were either ignoring evidence of fragility or misunderstanding the data... Either way they were ignorant and excusing their ignorance does nobody any favours. What they called economic strength was an illusion. The US economy was slowing under the increasing burden of unsustainable levels of public and private debt. It could barely eke out 2% GDP growth despite running depression-level monetary policy for over a decade, incurring trillion dollar annual fiscal deficits and passing a multi-trillion dollar tax cut two years ago. And the healthcare system, where the rubber met the road when the pandemic hit, was hollowed out by high debt levels, massive inefficiencies and fraud, and a rural healthcare system pushed to the verge of extinction."

Michael Lewitt, The Credit Strategist

Iran's soaring stockmarket



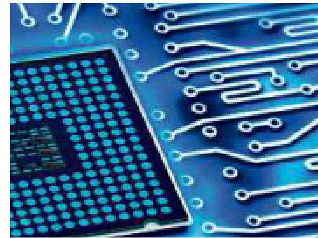
A worse backdrop for stocks than Iran's is hard to imagine, as The Economist points out. GDP shrank by 8% last year and due to an especially nasty outbreak of Covid-19 and US sanctions it is likely to do worse this year; the currency is plummeting and inflation has reached 30%. Yet the local index, the Tedpix, has rocketed tenfold in the past two years when measured in the local currency. Even in hard-currency terms it is the world's top index; in euros it has tripled in three years. The reason? There is nowhere else to put money. A cash account makes no sense while sanctions preclude investing abroad. Trading volumes have quadrupled in four years. There are now fears that the bubble could burst, leading to social unrest.

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

Three to buy

Segro
Investors Chronicle
Segro, the largest UK-listed real-estate group, develops and leases big-box and urban logistics warehouses. Segro differs from many of its peers in that 31% of its rental income comes from the less developed European market. This should "pay off in the long term" as companies invest to strengthen supply chains. It may take a short-term hit to rental income now, but its balance sheet is robust enough to cope. Investors should take advantage of the weak share price. *812p*

Texas Instruments
Shares
Semiconductor bellwether Texas Instruments is the kind of "resilient technology business" that belongs in a diversified portfolio. Its microchips are "vital components in all electronics", a market full of growth opportunities. Its own chip designs, intellectual property and long-standing manufacturing expertise all bode well. The group has $5.4bn in cash and just $400m in debt – a "drop in the ocean" for a company with $5.5bn in free cash flow. The dividend "looks safe" with an implied yield of 3.2%. *$114.42*



Intertek
The Times
Quality-control specialist Intertek has thrived in the pandemic as the need for testing and certifying expands in almost every area, from cargos at borders to personal protective equipment. Demand is only going to increase as a "more cautious world gets back to work". Trading in the four months to the end of April was "stronger than expected". The balance sheet is healthy. The shares look pricey, but "quality doesn't come cheap". *5,238p*

Three to sell

Marks & Spencer
Investors Chronicle
Marks & Spencer is predicting a 70% slump in sales in its key clothing and home food division in the four months to the end of July, compared with its original 2020/2021 outlook. But even before the virus arrived the division was in trouble. "Supply mishaps" contributed to a 37% fall in annual operating profits in the year to the end of March. The group is "struggling to adapt to a fast-evolving retail environment". Sell. *86p*

Imperial Brands
The Times
Imperial, whose brands include Winston and Gauloises, sold £7.7bn of cigarettes and rolling tobacco in the year to October 2019; pre-tax earnings totalled £3.4bn and dividends £1.9bn. "Yet this is a company under pressure." The structural decline in the number of smokers is lowering cigarette volumes by 3%-4% a year. It hardly helps that in torrid times smokers opt for cheaper cigarettes. Regulators are becoming increasingly sceptical about vaping products. A debt pile of £14.1bn, more than four times profits before tax, looks too high. The dividend is dwindling: the interim payout was cut by a third last week. The stock is cheap, but the overall outlook is unappealing. Avoid. *1,546p*

Wayfair
Barron's
This US online homeware shop offering 18 million products ranging from furniture to lighting has had a lucrative lockdown. April's sales rose by an annual 90%. But this can't justify the stock's surge from $22 to $197. When bricks-and-mortar shops reopen competition will intensify. Wayfair has also struggled to turn sales into profits: its net loss doubled last year. On 1.2 times forward sales, Wayfair is too pricey. *$175*

...and the rest

Investors Chronicle
Software company **Kainos** has an "exciting future" in Europe. Buy for the long term *(806p)*. Wealth manager **Mattioli Woods** is in better shape than its "more battered peers" and "the valuation looks very reasonable". Buy *(688p)*.

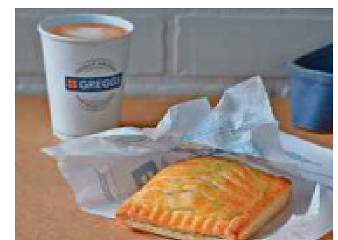
Shares
"A wave of… stimulus should support gold prices further and [Egypt-based, London-listed gold miner] **Centamin** is well placed to benefit. Keep buying" *(180p)*.

The Daily Telegraph
Power generation business **ContourGlobal** is sheltered from downturns and produces plenty of cash. The near-8% yield makes it a buy *(162p)*.

The Sunday Telegraph
Tighter regulations remain an ever-present danger for **888 Holdings**. Even so, the online-casino operator has benefited from the absence of professional sport for punters to bet on during lockdown and that makes the shares "worth a flutter" *(135p)*.

The Mail on Sunday
Braemar is a "global leader in the shipbroking field" and trading has held up well in spite of the pandemic. That the shares have been "savaged… seems unjustified" and they are now "undervalued". Buy *(99p)*.

The Times
The share price of property website **Rightmove** has fallen by 17% this year, yet it is still too pricey for buyers. However, "owners should hang on" *(521p)*. The **Renewables Infrastructure Group** specialises in green power. It is "locked into stable growth" *(121p)*. The pandemic has been "seriously bad news" for **Greggs**, but the high-street baker is a proven survivor. Hold *(1,634p)*.



A German view

Face masks are all the rage now, says WirtschaftsWoche, which is good news for US conglomerate 3M. It produces the N95 respirator mask, originally designed for construction workers to shield them from dust and other particles. But due to Covid-19, the group will churn out around two billion of them this year. Pandemics aside, however, 3M is well worth a look. Diversified conglomerates tend to be resilient during downturns since they can balance slowdowns in more cyclical divisions with growth in defensive ones. The group produces 26,044 products, ranging from filters for pharma companies to stethoscopes and Post-It notes. The shares yield almost 4%.

IPO watch

Finnish biotechnology group Nanoform has announced an initial public offering (IPO) to raise €70m to boost its staff and output, says Reuters. One of the key problems when it comes to developing new treatments is that experimental drugs can be hard for the body to absorb. Nanotech's research has developed particles that make molecules more soluble, getting them into people's circulations more rapidly and potentially speeding up the approvals process. The group, founded in 2015, is aiming for a valuation of €230m. Meanwhile, the US IPO market is coming back to life. In the past fortnight six firms, including Vroom, an online car dealer, have filed plans to list.

©Greggs; M&S; Texas Instruments

City talk

● While the luxury industry is expected to "lose as much as a third of its sales this year", fashion house Burberry seems to be doing better than expected, says Lex in the Financial Times. It has been forced to close half its stores and cancel its dividend, but the shares have risen after it revealed that April sales in China and South Korea had "bounced back". While those figures were "flattered" by the repatriation of tourists' spending, it still shows that designer Riccardo Tisci's "classic meets eccentric" look is "getting traction".

More broadly, Burberry is "well prepared" to navigate the coronavirus crisis, with £1.2bn in liquidity, while it can also "draw comfort" from its lessening reliance on wholesalers, which gives it "more control over its unsold clobber". If Burberry can build on an increase in Chinese consumer spending, its turnaround "will only be delayed, not derailed".

● Six years ago AstraZeneca had to defend itself against a "sudden and unwanted" £69bn takeover approach from Pfizer, says Alex Ralph in The Times. Since then it has prospered. It is now not only worth "far more" than what Pfizer offered, but has also become Britain's "most valuable public company". AstraZeneca's elevation to the top of the FTSE 100 has been helped by the "wider market sell-off" hitting its rivals, with shares in Shell halving on the back of the oil-price crash.

However, the real reason for its "remarkable revival" has been its strategy of "focusing resources on replenishing Astra's depleted drugs pipeline". This has allowed the company to produce a series of new "blockbuster" drugs, helping sales of new medicines to soar. What's more, its collaboration with Oxford University over a vaccine for coronavirus means that the "fairy-tale investment story" looks set to continue.

©Getty Images

Money for less than nothing

The upheaval at HSBC has underscored banks' poor prospects. Negative interest rates won't make things any easier. Matthew Partridge reports

Three months ago HSBC announced what many considered to be "the biggest overhaul in its 155-year history", says Doug Alexander on Bloomberg. Now the fallout from the virus is forcing it to consider "more drastic measures". While the crisis forced it to postpone plans to "cut 35,000 jobs,$4.5bn in costs and $100bn of risk-weighted assets", the board is now pressing executives to "restart the overhaul" as well as consider "even more dramatic changes". This could include more cuts, or even a possible sale of its US business and its retail network in France.

It's not surprising that HSBC is thinking about even deeper cuts, say Stephen Morris and Laura Noonan in the Financial Times. The shares "now trade at their lowest in more than a decade". The bank is dealing with retail investors in Hong Kong who are still "furious" about the fact that, when the crisis started, the Bank of England forced HSBC to cancel its dividend for the "first time in 74 years". The US operations are also a logical target given that they made a return on tangible equity of just 1.5% last year, compared with 15.8% in Asia and 12% in the Middle East".

Why big is better

Despite its woes, global banks such as HSBC and even larger British institutions like Lloyds and RBS are in a better position than smaller institutions, such as Virgin Money and Metro Bank, says Liam Proud on Breakingviews. This is because the Bank of England has indicated that it is looking "with somewhat greater immediacy" at the idea of negative interest rates. Such a move could reduce smaller banks' margins on personal and commercial loans, which account for around 90% of their income. The large players, however, also get money from "investment banking, wealth management and other fee-based products". There could end up being "a roll up of smaller players". Not so fast,

Bank of England chief economist Andy Haldane remains wary of cutting rates below zero

says Camilla Canocchi on This Is Money. The risk of deflation and a recession means that the Bank of England is certainly more open to the idea than in the past. However, its chief economist, Andy Haldane, has stated that they are still "not remotely close" to a position where they are confident enough to actually carry it out. The Bank says it will only implement negative interest rates if it is satisfied about their potential impact on banks and the economy.

What's more, even if negative rates are brought in, they may not turn out to be so bad for lenders after all, says The Observer. By making borrowing extremely "attractive" they might encourage nervous households that "might not have taken a loan to buy a car or new kitchen" to go ahead with a purchase, boosting lending volumes. Provided the Bank of England is willing to support banks by letting them borrow at an even lower negative rate, there should therefore be scope "to maintain profit margins and stay profitable".

Facebook: OOO and WFH

Facebook plans to "overhaul its working practices", says Hannah Murphy in the Financial Times. CEO Mark Zuckerberg (pictured) has told staff that the 45,000-strong company is "opening up remote hiring", with the aim of getting half of its staff to work remotely in the next five to ten years. That would save on office costs and allow Facebook to reduce salaries for those working from lower-cost areas and help it ditch the $15,000 moving bonus it pays to new hires.

Facebook isn't the only company enthusiastic about remote working, says Tae Kim on Bloomberg. Twitter and Shopify are fans too. But the CEO of Take-Two Interactive Software predicts that "sustained strong productivity will get more difficult the longer people are forced to work from home". Microsoft's CEO thinks that "managing and mentoring employees" will be difficult.

Still, even if Facebook retains its offices, it hopes to profit from the boom in remote working in other ways, says Richard Speed on The Register. Zuckerberg says that paid membership of Facebook's Workplace platform (its equivalent of Zoom) had increased from three to five million. It is even hoping that virtual reality (VR) could help people collaborate from home, which would be good news for Facebook's VR division Oculus.

However, for now Facebook's efforts lag far behind both Zoom, which claims to have 300 million daily users, and Microsoft, whose collaboration tool Microsoft Teams has 75 million.

PM clings on to his wingman

But as public opinion sours, the pressure on Dominic Cummings to leave mounts. Emily Hohler reports

When news broke of Dominic Cummings' lockdown trip to Durham, the first official response was that the story had been "cooked up by 'campaigning newspapers'", says Gordon Rayner in The Daily Telegraph. The PM's adviser was being "targeted by left-wing journalists opposed to Brexit as a way of settling scores". It is becoming increasingly clear that the story is about more than mere "tribalism".

The 30 or more Tory MPs now publicly calling for Cummings' resignation are from every wing of the party and have been "bombarded" with emails "livid" at Cummings' hypocrisy. Even the Boris Johnson-supporting Daily Mail ran a front-page headline, "What planet are they on?". A YouGov poll on Tuesday showed that 52% of 2016 Leave voters want Cummings to resign; the overall figure among all those surveyed is 59%. Johnson's approval ratings have slumped from 19% before the story broke to –1% and overall government approval is at –2%, dropping 16 points in a day. Trust in the Tory party is "draining away".

Dominic Cummings: will he fall on his sword?

©Getty Images

The charitable view

The charitable view of the press conference where Cummings explained himself is that here was an "honest man… striving to describe the trade-offs between work, home, family, time and dashes to hospital", says Paul Goodman on Conservative Home. This perspective underlines the "impossibility of making perfect choices while his wife, his child and Johnson were ill". To date, Johnson has defended Cummings and perhaps he does believe his actions were justified by concerns about the welfare of his son, says the Financial Times. But the "deeper reason" for his reluctance to let him go is that Johnson, a pragmatist rather than an ideologue, has "essentially delegated the mission of his government to others".

The foundation of this government is "a bunker of close allies surrounded by a lightweight, supine and largely ineffectual cabinet chosen mainly for their commitment to Brexit or their loyalty to Mr Johnson", says the FT. This has resulted in an "imbalance at the heart" of government. Cummings is unarguably a "brilliant political campaigner", but there is "very little evidence to suggest his talents extend to the machinery of government or delivering a political agenda. He placed himself at the centre of the web but cannot catch flies". This episode is "bad for the country because it will undermine observance of the next state of lockdown – and rattles faith in the government machine". Johnson must "heed the warnings", deepen his talent pool of ministers, and mostly importantly, start "acting like the master of his own house – and like the prime minister the UK needs".

Johnson would be "loath to part company" with Cummings in ordinary times, say Charlie Cooper and Emilio Casalicchio on Politico. In the midst of a pandemic, a collapsing economy and the "imminent end of the post-Brexit transition period, he'll hold him ever more tightly". Besides the operational impact of losing him is that the fact that he is a "pivotal" figure in government and it is his "paranoia" that is in part responsible for its "excessively cautious" Covid-19 policy, says Philip Johnston in The Daily Telegraph. There is also the question of who might leave with him. Some of those in top jobs owe more loyalty to Cummings than to Johnson. If Cummings does go, it "seems likely it will happen in consultation with Johnson, not under orders". However, Cummings is "famed for his ability to read and respond to public opinion and if there is anything likely to make him think he must fall on his sword, it is emerging evidence of a free-fall in government support".

Anders Tegnell: trust is everything

©Getty Images

Can Sweden avoid the economic fallout?

Sweden, which took the unusual step of shunning a lockdown in response to Covid-19, instead introducing "mitigation" measures, now has the "highest coronavirus-per-capita death rate in the world", says Tae Hoon Kim in The Guardian. The country has had 32,172 confirmed cases and 3,871 deaths. Although many Swedes have been shocked by the deaths, and particularly the disproportionately high rates among the elderly in care homes and those from working-class, immigrant backgrounds, about 70% of the public still support the government's approach. The deaths are "being blamed on structural, economic and social deficiencies, not on the strategy itself".

Swedish health officials also still believe that their "herd immunity" approach will work in the long run, even though by the end of April only 7.3% of Stockholm's residents had developed antibodies, says Louise Callaghan in The Sunday Times. Anders Tegnell, the epidemiologist directing the response, is still very popular. Nor do Swedes appear to be particularly afraid of catching Covid-19. This degree of calm and trust can perhaps partly be attributed to Tegnell's full transparency. He realises that the "stakes are appallingly high" and says a key part of maintaining trust is to admit to mistakes. But at the end of this, we may realise that whatever approach individual countries took, "we didn't make much of a difference" in terms of health consequences, he says.

So far, it does appear that Sweden has avoided a "heavy" economic blow, says Hannah Boland in The Daily Telegraph. Its GDP contracted just 0.3% in the first quarter, compared with 3.8% across the eurozone. This may be short-lived, says Daniel Oxley of Capital Economics. Neighbouring countries are considering keeping borders with Sweden closed, even if they open them to others. Sweden's economic prospects remain "intertwined with... decisions made elsewhere".

QQ Magazine&Ebook Group: 970508760

China makes its move on Hong Kong

With the world distracted by coronavirus, Beijing is flexing its muscles. Matthew Partridge reports

Protestors are painfully aware of the implications of China's move

©Getty Images

Beijing's decision last week to impose national security legislation on Hong Kong has "reignited street protests, sparked international condemnation and raised questions about the rule of law in the territory", says Sue-Lin Wong and Nicolle Liu in the Financial Times. If enacted, the bill, along with one that will make it a criminal offence to insult the Chinese national anthem, "will mark the first time that a Chinese law carrying criminal penalties has been introduced into Hong Kong's legal code, bypassing the territory's legislature and public consultation processes".

Hong Kong's residents have every reason to worry, says The Guardian. It spells "the end of China's promise that Hong Kong could maintain its way of life until 2047", under the "one country, two systems" arrangement agreed at the handover from British rule in 1997. China argues that the legislation is aimed only at "subversion, separatism or acts of foreign interference" and that freedoms of the press and speech would remain "unchanged"; Hong Kongers, however, are "painfully aware" that, in reality, national-security legislation in China is used to "punish dissidents, scholars, lawyers and activists".

Beijing is seizing the moment. With the world distracted by the coronavirus pandemic, China has taken the opportunity to flex its "economic, diplomatic and military muscle" across the region, says Steven Lee Myers in The New York Times. It has sunk a fishing boat in disputed waters off Vietnam, swarmed a Malaysian offshore oil rig and denounced the second inauguration of Taiwan's president while dropping the word "peaceful" from its annual call for unification with the country, which China considers part of its territory. All these action reflect "longstanding tensions", but they show the dangers of an "unbridled China… no longer restrained by the fear of international rebuke".

China's actions have sparked a backlash in the US, "uniting a usually divided Congress", says Gina Chon on Breakingviews. One bill, which has support from both parties, would impose sanctions on Beijing's officials and local banks if the country places fresh curbs on Hong Kong. President Donald Trump had been "reluctant" to impose such measures, anxious to avoid jeopardising a trade deal, which he sees as crucial to his re-election prospects. His public anger over China's role in the coronavirus crisis, however, means he could now be open to legislation aimed at hitting China "where it hurts".

Britain too has a moral duty to act, says Edward Lucas in The Times. It could do its bit by raising the cost of a Beijing victory, imposing targeted travel restrictions and upgrading the status of the 250,000 Hong Kong residents who hold British overseas passports. Britain must now realise, as it did with Russia, that China cannot be trusted to obey global treaties. A global coalition headed by America is needed to stand up to the "bullies of Beijing".

5 Reasons to Buy Physical Gold...

1 **Gold is a safe haven asset** - Gold is frequently used as a safe haven asset in times of economic turmoil or geopolitical uncertainty. For this reason, many advisors recommend allocating around 5% - 15% of their portfolios to gold.

2 **Gold has a history of holding its value** - Unlike paper currency, gold has maintained its value through the ages. It is an ideal way of preserving wealth from one generation to another. Plus, investment gold is not subject to VAT in the UK.

3 **Gold is a hedge** - Gold has historically had a negative correlation to movements in the financial markets and is frequently used as a hedge against inflation or to offset falling stock markets.

4 **Scarcity** - Deposits of gold are relatively scarce and new supplies of physical gold are limited. This natural scarcity and high production cost is the ultimate reason why gold holds value.

5 **No counterparty risk** - When you invest in physical gold you own it outright. You are not reliant on banks or financial institutions. In contrast, you are reliant on firms for gold futures, gold certificates, or ETFs - exposing you to counterparty risk.

5 Reasons to buy from the UK's No.1*

1. Low premium investment gold and silver.
2. Free, insured next day delivery available.
3. Live product prices updated every two minutes.
4. Over 450,000 orders delivered worldwide.
5. Knowledgeable and friendly customer services.

BullionByPost

The UK's No.1 Online Bullion Dealer*

0800 084 8888

www.BullionByPost.co.uk

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

Washington DC

The long road to recovery: The number of Americans to have died from Covid-19 was just shy of 100,000 on Wednesday. Around 1.68 million people in the US have contracted the virus. Still, an uptick in air travel, hotel and restaurant bookings and more people applying to open new businesses are "among some early signs the US economy is, ever so slowly, creeping back to life", says The Wall Street Journal. "Current projections have the economy contracting by 6% to 7% this year and unemployment lingering in double-digit percentages" for some time. "We're past the trough," says Gregory Daco, chief US economist at analysis firm Oxford Economics. Still, big business isn't taking any chances. US corporate bond issuance from the highest-rated investment-grade companies has exceeded $1trn this year. This sum, which includes debt raised by financial institutions, far outstrips the $540bn raised over the same period in 2019. It is approaching the $1.3trn full-year average over the past five years, says the Financial Times. "All the big names [have] decided to… build up their war chests," Shankar Ramakrishnan, senior bonds editor at Informa Global Markets, told the paper.

Paris

French economy to shrink by a fifth: France's death toll from Covid-19 rose by less than 100 for the sixth day in a row on Tuesday, when the tally stood at 28,530. Still, the economy looks poised for a 20% contraction in the second quarter from the previous three months. An 8% contraction for the whole of 2020 has been predicted "in the unlikely scenario that activity returned to pre-crisis levels by July", says Reuters. On Tuesday, President Emmanuel Macron (pictured) announced an €8bn plan to rescue the country's stricken car industry. Sales fell by 90% in April compared with a year earlier. Germany, meanwhile, came to the rescue of its flag-carrier, Lufthansa, throwing it a €9bn lifeline in return for a 20% stake, which it promises to sell by 2024. The German consumers' sentiment index for June, compiled in late May, rose to -18.9 from a record low of -23.1 the month before. "The gradual opening of many businesses has... contributed to the propensity to consume," says GfK's Rolf Bürkl.

Mexico City

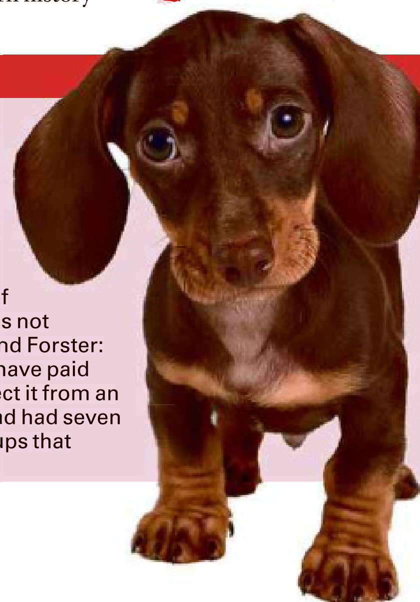
From bad to worse in Mexico: The economy shrank by 1.2% quarter-on-quarter between January and March as the pandemic arrived, says Anthony Harrup in The Wall Street Journal. Mexico was already in recession before the pandemic struck; GDP fell by 0.3% in 2019, partly owing to President Andrés Manuel López Obrador (AMLO, pictured), who unnerved investors by halting the privatisation of the energy sector. This year GDP is expected to slump by 9%. Elsewhere in Latin America, the region's largest carrier, Latam Airlines, has filed for bankruptcy protection, while the World Health Organisation said Latin America had become the new epicentre of the pandemic, with infections and deaths set to worsen substantially, says Sarah Newey in The Daily Telegraph. The region has 700,000 cases and 33,000 deaths, but grim reports of mass graves and low testing rates in the majority of countries have fuelled concern that these figure are a "significant underestimate".

Brasília

President clashes with rival: Brazilian federal police raided the residences of Rio de Jainero's governor, Wilson Witzer, this week, say Rodrigo Viga Gaier and Ricardo Brito for Reuters. Federal police said the search warrants were part of an investigation into alleged corruption involving the use of public funds destined to fight the coronavirus pandemic in Rio de Janeiro state. Witzel maintained he was innocent, accusing Bolsonaro of "interference" in the probe, adding that the move suggested the "construction" of a false case against him. Witzel and Bolsonaro are former allies who are now enemies, having clashed in recent weeks over how to handle the pandemic. In the past six weeks the country has lost two health ministers – one was fired, the other resigned – after they disagreed with Bolsonaro. The president has made protecting the economy his priority and has tended to downplay the seriousness of the disease. Brazil now has the world's second-worst outbreak behind the United States, with more than 374,000 confirmed cases and 23,000 deaths. But the economy isn't doing too well either. GDP is expected to contract by 4.7% this year. Analysts reckon GDP fell by 1.5% in the first quarter from the previous three months. The second quarter is expected to mark the worst part of a recession set to be the deepest in Brazil's modern history and to last a year.

The way we live now: the lockdown boom in pets and pet fraud

The UK is facing a puppy shortage, says Daniel Thomas in the Financial Times. Demand for lockdown companions among lonely workers and families forced to stay at home during the pandemic has propelled prices for dogs sharply upwards. Breeders reported a big jump in demand, with prices doubling since the outbreak and waiting lists increasing fourfold. French bulldog puppies, for instance, are being sold for up to £4,000 on Pets4Homes, while a buyer could normally expect to pay under £2,500, say Rosamund Urwin and Katherine Forster in The Sunday Times. Cockapoo prices have doubled up to £3,500 and dachshund puppies are listed at up to £3,500, having cost about £1,500 three years ago. Lockdown has relaxed the rules on acquiring a puppy, allowing buyers to view them remotely and sellers to deliver them. The downside, however, is that this increases the risk of a scam or the puppy being supplied from a puppy farm. One breeder of cockapoos from Cheshire, who has not increased her prices, told Urwin and Forster: "I've had people contact me who have paid £950 for a puppy and went to collect it from an address where the homeowner had had seven lots of people turn up to pick up pups that don't exist".

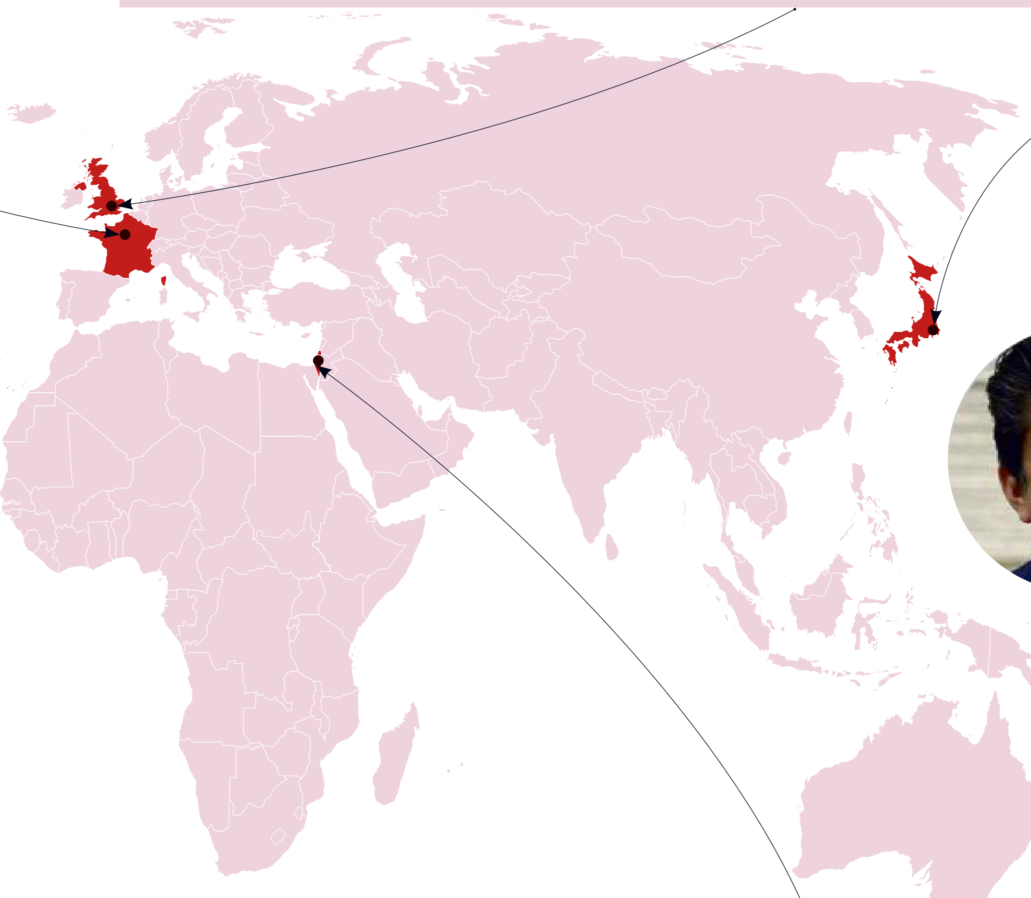


©Getty Images; iStockphotos

London

Glimmers of hope: Hospital admissions for people with Covid-19 fell to 471 on Tuesday, the lowest figure to date. The death toll rose by 134 to 37,048. The lockdown has "triggered a slump in activity of unprecedented speed and depth", says Samuel Tombs of Pantheon Macroeconomics. GDP in March fell by 5.8% month-on-month and "probably fell a further 20% in April". Car journeys, energy demand, retail footfall and online property searches all suggest that "activity has begun to recover in May, but [it] remains well below pre-virus norms. We think that GDP has risen by only about 3% in May [month-on-month]". The Bank of England's chief economist Andy Haldane also sounded a note of "cautious optimism". "Nobody is predicting that the bounceback will be as sharp as the fall," he said. "Even after lockdown is lifted, there will be a period of prolonged caution in spending by households and businesses." Still, the Bank of England and the Office for Budget Responsibility have "published scenarios predicting little persistent damage to the economy, which are widely seen as painting an unreasonably optimistic picture", says Chris Giles in the Financial Times. By contrast, a Treasury survey of independent economists points to a worse impact on growth and a budget deficit of 5% by the time of the next scheduled general election in 2024 – twice the official estimate.

The Bank of England's economic forecasts look too optimistic



Tokyo

Pandemic officially beaten: Prime Minister Shinzo Abe (pictured) has declared victory for the "Japanese model" of dealing with the pandemic, lifting the country's state of emergency after seven weeks, says Alastair Gale in The Wall Street Journal. Japan's constitution prohibits compulsory lockdown, but the government requested business closures and social distancing on 7 April. Covid-19 cases fell from around 600-700 a day in mid-April to 20-30 a day last week. The country has around 17,000 official cases and 850 deaths, despite a crowded population of 126.5 million and the oldest population in the world, says The Daily Telegraph. It is not entirely clear why its approach has been successful. Theories include Japan being hit by an "early, weaker strain" and Japanese fastidiousness about hygiene. The country went into recession before the state of emergency was declared. Analysts project a 21.5% contraction for the second quarter. An imminent second extra budget is expected to take relief and stimulus measures to at least ¥200trn, which accounts for more than 20% of GDP.

Buenos Aires

Argentina defaults yet again: Argentina has defaulted on its debt for the third time this century and the ninth time in its history, says Scott Squires on Bloomberg. It missed a $500m payment of overdue interest on 22 May. The country has been trying to renegotiate its borrowings with creditors; economy minister Martín Guzmán said talks with bondholders will continue, but did not say when any new proposals would be announced. The country is looking to restructure a total of $65bn and had previously asked bondholders for a three-year moratorium on payments as well as a cut to interest rates. The nation's bonds had risen in recent weeks to trade between 30 and 40 cents on the dollar, reflecting increased optimism a deal will be reached. The nation is currently in its third year of recession and was unable to pay its debts before the pandemic. The negotiations are "daunting", as Robert Johnson points out in the Financial Times, with creditors and debtors negotiating in the "unprecedented conditions" created by Covid-19. "The Argentine government must rebuild the trust of its creditors by working transparently with the International Monetary Fund." Past form suggests this could be a tall order.

Jerusalem

Benjamin Netanyahu in court: Israeli prime minister Benjamin Netanyahu (pictured) appeared in court this week on corruption charges, say Felicia Schwartz and Dov Lieber in The Wall Street Journal. Netanyahu has accused the Israeli police, the attorney general's office and the nation's media of trying to force him from office, an approach some analysts say aims to politicise the trial and obscure the charges against him. Weeks earlier Netanyahu formally joined main rival Benny Gantz in a unity government aimed at tackling the virus and the economic stagnation partly caused by three inconclusive elections. Meanwhile, Israel rejected a bid by Hong Kong-based CK Hutchison Holdings to build a huge desalination plant, "less than two weeks after US secretary of state Mike Pompeo made a lightning visit to Israel during which he discussed Chinese investments", says The Times of Israel. The $1.5bn Sorek 2 project, which could supply over a third of Israel's water, will instead be financed by Israel's Bank Leumi and two European lenders following apparent pressure from America to limit Chinese involvement in key sectors of the Israeli economy.

Children suffer most from lockdowns

School closures harm the prospects of children and it's the poorest who are hurt the most. On a global level, that will have huge effects on human development. Simon Wilson reports

What's happening?

Most primary schools in England are starting to reopen to all children (not just those of key workers) from next week, albeit only for Reception and Years 1 and 6. Classes have typically been split into two "bubbles" or "pods", with teachers drafted in from other year groups to make up the numbers. Most schools will not open every day as teachers will need to work on learning programmes for those children (for now the majority) who are still at home. The return to normality is likely to be slow and gradual. Repairing the damage caused by the shutdown might be even harder.

Home schooling – the novelty soon wore off

©Shutterstock

What damage?

Over the last two months, once the novelty of home schooling wore off and the hard reality kicked in, it became clear to parents of school-age children that the quality of home-schooling provision has been wildly variable. "There's no consistency and there's no framework from the government about what should be expected," says Natalie Perera of the Education Policy Institute. A fortunate few have had full, timetabled days and lots of contact with teachers, videos and feedback. More often, though, in the state sector at least, "you'll hear of a cursory web page once a week with a list of links to somewhere else", says Hugo Rifkind in The Times. Individual schools have done their best to play catch-up. But astonishingly, central government was Awol. The Department for Education first issued guidance to schools on 19 April, a whole month after classrooms closed.

Who has suffered most?

Children in already disadvantaged areas and households, according to research by Carl Cullinane and Rebecca Montacute of the Sutton Trust. For example, 51% of primary and 57% of secondary students at private schools have accessed online lessons every day; the rate for their counterparts in state schools is less than half this. Within the state sector, children at more disadvantaged schools are likely to have less contact with teachers – and no online platform in place, no quiet space to do their work and parents who are less confident about overseeing it. As a result, already disadvantaged pupils are more likely to be doing less home schooling overall and returning less work to school, of a disproportionately poorer quality.

And that damage will be permanent?

That's the fear. The former chief inspector of schools in England (head of Ofsted), Michael Wilshaw, says it's inevitable that the achievement gap between children from the richest and poorest families will now widen. Currently, disadvantaged pupils are more than 18.1 months behind non-disadvantaged pupils when they leave secondary school, according to annual research findings reported in the Financial Times. That's a lot, but it's an improvement compared with a 24-month lag in 2011. The risk is of permanent "scarring" for the most deprived. Becky Francis of the Education Endowment Foundation says initial research suggests that the pandemic will cause "at least a reversal of the progress we've made in closing the disadvantage gap over the last ten years for GCSE students". Tory MP Robert Halfon warned last month of a "potential cascade of mounting social injustice that could last a decade".

> *"School closures will erase all the progress in human development of the past six years"*

What can be done ?

There are practical steps that can be taken, according to the Sutton Trust. It urges more direct government action, in collaboration with technology firms, to ensure that all children have the resources (laptop computers, internet connections) to access online learning. Teachers rate this as the single most important factor and some schools are already doing this themselves. But again, this is far less common in the most deprived areas where the need is more acute. Second, the Sutton Trust recommends that the most disadvantaged pupils have additional one-to-one or small-group teaching (both online and face-to-face as schools reopen) to reduce the impact of the closures, which have hit the poorest children hardest. Third, more training is needed to help teachers deliver provision online: in recent weeks, this aspect has been highly variable. Finally, schools could run catch-up classes for disadvantaged pupils over the summer, focusing on those entering Year 7 (starting secondary school) in the autumn.

What about older students?

University students whose education has been disrupted and new graduates whose careers are stalled could suffer economic "scarring" effects for years, according to the Institute for Fiscal Studies. Young workers are more likely to lose their jobs in a recession and recessions have long-lasting effects on career trajectories. Meanwhile, the Resolution Foundation projects that UK graduates' salaries will be 7% lower after two years due to the Covid-19 pandemic. For non-graduates, it puts the likely fall in wages at 20%. And the Sutton Trust found that 60% of apprentices have lost placements as a result of the pandemic.

What's the global picture?

Existing inequalities will be widened on the global level too. Unesco, the UN's educational arm, estimates that 91% of the world's school pupils and students – nearly 1.6 billion people – have been affected by closures of schools in 188 countries. Of these, more than half a billion have lost all access to education, largely due to a lack of internet access – and the worst affected are primary-school pupils. This drop in school attendance is "one of the most significant factors" that has led the UN to forecast that its human development index – which measures health and education as well as income – will fall this year for the first time since the data series began 30 years ago, says Chelsea Bruce-Lockhart in the FT. The UN forecasts "that it will fall this year to such an extent that it will erase all progress in human development over the past six years". If Covid-19 is the disease that attacks the old, it truly is the young who will suffer its most lasting legacies.

THE INVESTMENT TRUST FOR EVERY GENERATION

At Alliance Trust, we pride ourselves on not following trends. We aim to invest in companies that will offer long-term growth for the future, to help you reach your investment goals. An approach that has paid dividends every year for over half a century. So whether you were a flower child or a nineties kid, we're a trust that aims to look good for years to come.

Find out more alliancetrust.co.uk/generations

When investing, your capital is at risk. The value of your investment may rise or fall as a result of market fluctuations and you might get back less than you invested.

Alliance Trust PLC is listed on the London Stock Exchange and is registered in Scotland No SC1731. Registered office, River Court, 5 West Victoria Dock Road, Dundee DD1 3JT. Alliance Trust PLC gives no financial or investment advice.

An illusionary income

Funds that use call options to supplement dividends can offer higher yields, but this usually comes at the cost of lower long-term returns

Cris Sholto Heaton
Investment columnist

Britvic sells Pepsi's products in the UK

The outlook for income investors keeps getting bleaker. This week, soft-drinks maker Britvic became the latest company to delay its dividend, despite reporting solid profits. It's not the biggest payer around, but it's a good example of how companies are taking an exceptionally cautious approach and hoarding cash as much as possible in such uncertain times.

The amount of dividends already skipped by UK companies comes to more than £30bn – and given that many of the largest payers have confirmed that they will be making reduced or no payments for the rest of this year, the final tally will be much worse. It's difficult to imagine this rebounding quickly. So standard equity-income portfolios are likely to offer a lower yield even after the immediate crisis passes. And income-focused investment trusts that tap into reserves to maintain payouts are likely to find that cuts can only be postponed for so long.

"The income boost comes from sacrificing capital gains"

Looking for a bit extra

Hence investors may be tempted to try to boost their income in other ways, such as via enhanced income funds. These combine a standard equity income portfolio with the use of options (see below). They follow a strategy called covered call writing, where the manager sells call options against stocks that they already hold to generate extra income via the premium they receive.

If the stocks don't go up too much, this works nicely – the covered-call writer gets the extra premium income and holds onto their shares. But if stocks rises to the point where the option buyer exercises the option, the covered-call writer misses out on some of the capital gains. And since they have sold part of their portfolio, they must now reinvest the proceeds – possibly at a lower yield than before.

So while these strategies can deliver a higher initial income than dividends alone, it may come at the cost of lower longer-term returns. This need not always be the case: it will depend on the options-trading skill of the manager and also on the wider market conditions (covered-call writing should do better when markets range sideways). But where fund houses run both a standard income fund and an enhanced income version, the latter have mostly done worse in recent years. For example, the Schroder Income Fund has returned 48.7% over ten years, but the Schroder Income Maximiser has returned 36.9%.

So in most cases, it's wise to be sceptical about these funds. The income boost comes from sacrificing capital gains in a roundabout way and you are still exposed to the risk of dividend cuts. Investors who need more short-term income might do better to draw on their capital directly.

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

An option is a contract that gives the buyer the right (but not the obligation) to buy an asset, such as a share, for an agreed price (the strike price), on or before a certain date (the expiration date). If the option gives the right to buy, it's known as a call option; one that gives the right to sell is a put option.

The buyer pays an upfront fee – the premium – to the seller of the option (often referred to as the writer of the option). If the buyer exercises the option, the writer must sell them the underlying asset (for a call) or buy the asset from them (for a put) at the agreed price – they have no choice or opportunity for negotiation. If the buyer doesn't choose to exercise the option, the writer has no further liability and has earned a profit from the premium.

An option where the current price of the asset means that it will be profitable for the buyer to exercise the option is said to be in the money. For a call option, this applies when the current price is greater than the strike price. For a put option, the current price must be less than the strike price. Options that would not currently be profitable are said to be out of the money.

How close the current price of the asset is to the strike price is one of the key factors in determining the price of the option. Another is the volatility of the price of the asset: options on volatile assets will be more expensive and option prices tend to rise during market turmoil. The length of time remaining before an option expires is also important, with options that expire further into the future being more expensive.

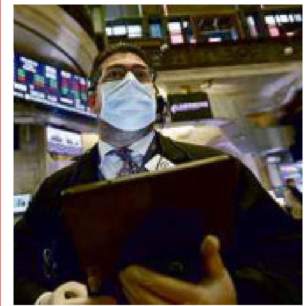
Options may be physically settled (the buyer and the writer exchange the asset in return for payment) or cash settled (one makes a cash payment to the other equal to the difference between the strike price and the current price of the asset). Options on individual shares are usually physically settled. Options based on something that is hard to deliver – eg, a stock index such as the FTSE 100 – will be cash settled.

Guru watch

Stanley Druckenmiller, chief executive, Duquesne Family Office

"The risk-reward for equities is maybe as bad as I've seen it in my career," reckons Stanley Druckenmiller, the former hedge-fund manager who made $1bn when he and George Soros bet that Britain would be forced to take sterling out of the European Exchange Rate Mechanism on Black Wednesday (16 September 1992). Investors banking on abundant liquidity are set for a shock.

"The consensus seems to be 'don't worry, the Fed has your back'," Druckenmiller told the Economic Club of New York earlier this month.



Forecast earnings for the US market have collapsed: even assuming a partial recovery in profits next year to around $145 per share, the S&P 500 trades on around 20 times earnings, which is high given uncertainties due to Covid-19 and the likelihood of soaring bankruptcies. But investors assume that "the stimulus is much bigger than the problem and liquidity going forward is just massive".

However, while liquidity is very strong now, that's only because the Federal Reserve has bought trillions of dollars in assets over the last couple of months, pumping money into markets. All that excess liquidity won't last. The US budget deficit has soared and so the Treasury must issue trillions more in debt over the next few months. This will mop up everything the Fed has already injected and more. "The wild card is that the Fed can always step up its purchases relative to what it's saying it is going to do now, but I don't really know why it would have tapered from $500bn a week to $7bn a day if it were ready to ratchet right back up again."

©Alamy; Getty Images; Shutterstock

Sales will bounce back, but will profits?

As the lockdown ends, everyday life will resume – just don't expect business as usual

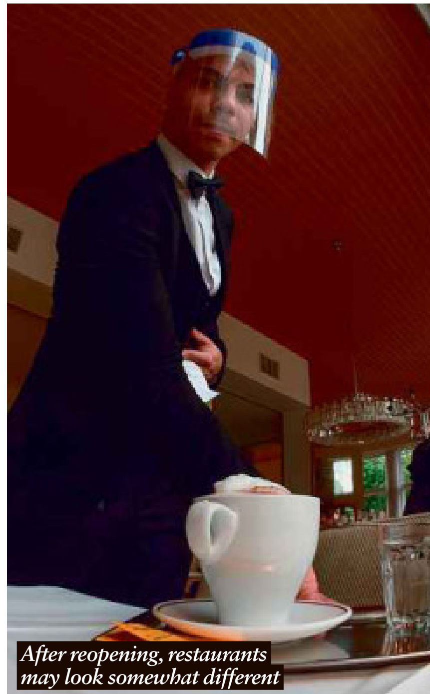
Matthew Lynn
City columnist

Investors are betting that once the economy opens up again sales and profits will bounce back. After all, governments and central banks are pumping money into the economy so the demand should be there. There might be a bad drop for six months or so, but that will just be a blip. But will it? Perhaps not. Sales might return eventually. But profits? That is far from clear.

There are already troubling signs that even some of the world's most successful businesses are going to struggle to make money in a world in which Covid-19 is being kept under control, but not yet eliminated. Amazon's sales are booming, but in its latest results it warned that rising costs meant it wouldn't make a lot of money on all that extra revenue. Tesco has already said it is suffering significant extra costs and, although its sales are up, its profits may not be. That is just a taster. It is only going to get worse as companies reopen and start reporting their post-virus results. Why? There are three reasons.

Change costs money

First, all the changes to the way businesses will have to operate to limit the spread of the virus are going to cost money. We have already started seeing one-way systems in supermarkets. That limits the chance of infection, but it costs money to install and it means customers have less time to browse, and that may mean less spending. Factories will have to reconfigure their floor space so that workers are not too close to each other. Face masks, hand sanitiser and screen wipes will have to be provided for office staff and a lot more cleaning will be needed. All this increases costs and that reduces profits.



After reopening, restaurants may look somewhat different

©Getty Images

Next, productivity is going to be a lot lower. An office with a rota will be less productive than one where everyone is working together at the same time and if commutes have to be staggered, journeys will take longer and people will spend less time at their desk. A restaurant with half the tables, because they have to be kept apart, will still have the same rent as when it was packed out and it will still need chefs and waiters – it is just revenues that will be lower. A clothes shop with no changing rooms is going to sell less stuff because it will be harder to engage customers. So will a bookshop that doesn't allow browsing (as some of them have suggested for re-opening). The list goes on and on. Output per person will drop dramatically and, unless wages are slashed as well – and that seems very unlikely – that will make it a lot harder to make any money.

Finally, supply chains will inevitably be disrupted. A clothes chain might not be able to source supplies from a low-cost manufacturer in the Far East anymore, and even if it can there might be sudden interruptions. A manufacturer might need a lot more warehousing because it can't rely on parts being delivered every day as they used to be. Quarantine restrictions will hold up the flow of goods as well as people and of course services companies won't be able to send people from place to place to see clients. In countless different ways, that will add to costs, but not to revenues.

The struggle for profits

The result? Whether it is because of changes to operations, lower productivity, or costlier supplies, there will be a relentless squeeze on margins. With demand inevitably lower, despite the stimulus the government will throw at the economy, it is not going to be possible to raise prices. Indeed, in a brutally competitive market you might even have to reduce them. Taken together, it means profits are going to be lower and often substantially so.

That matters and it matters most of all to investors. After all, a flow of future profits is fundamentally what they are buying when they buy an equity. The real challenge over the next few months will not be to find companies that can come back from lockdown, restart their operations and start serving their customers again. Most of them are going to be able to do that. It will be to find the companies that can work out how to come back profitably – because making profits is about to get a lot harder.

Who's getting what

● A little over a third of Lloyds Banking Group's shareholders rebelled against the lender's bonus plan for its top bosses last Thursday, says The Guardian. The pay policy is to switch to more certain long-term bonuses. Under the proposals, chief executive **António Horta-Osório** (pictured) can earn a maximum annual overall pay package of £6.3m, down from £8.3m previously, according to shareholder advisory group ISS. ISS questioned whether the discount was sufficient given the higher probability of the bonuses paying out.

● **Susan Searle**, the "much-maligned" chair of the former Woodford Patient Capital trust, the investment trust that had been run by Neil Woodford, received a 15% pay rise "following a year when the fund halved in value, losing investors hundreds of millions", says the FT. She got £46,000 last year, up from £40,000 in 2018. Searle said she was "proud" of her work in what had been an "exceptionally challenging" year. She has been criticised for her personal links to several of the companies in the trust and for failing to hold Woodford to account for years of woeful performance.

● Nearly two-thirds of votes were cast against the remuneration report of betting and online gaming software company Playtech at the AGM last week, says Investors Chronicle. It allotted €2.9m in pay and benefits to the CEO, **Mor Weizer**, for the 2019 financial year, up from €2.1m the previous year.

©Getty Images

Nice work if you can get it

Who would furlough themselves? Lib Dem peer Lord Fox, that's who, says Camilla Long in The Sunday Times. The House of Lords member signed himself up to the government's job protection scheme (which pays 80% of gross salary, up to £2,500 a month), despite owning two homes worth more than £2m and a communications firm with £100,000 in the bank. It was, he pleaded, what many companies were doing, and that the authorities would have said if he were ineligible. "But Fox isn't a regular citizen and his company isn't 'many companies' – he is literally paid by us to be the voice of reason." Since he cannot even be ousted at the ballot box, the standard he sets should be even higher. He would have to be "duck-house level greedy" to think he would be entitled to free money when he already claims £162 a day "to do essentially nothing… It is disgusting".

Precious metals will keep shining

Data on volatility suggests that a V-shaped recovery may not happen, so hold gold or silver

David Stevenson
Investment columnist

Precious metals and related investments are supposed to be a hedge against extreme market turbulence. But does the evidence actually back up this contention? I decided to crunch the numbers.

I concentrated on the immediate aftermath of a huge spike in stockmarket volatility. What I wanted to know is if you'd switched out of equities into precious metals-related structures at the end of a bumper day of market volatility (measured by a US index called the Vix, the so-called "fear gauge"), would you still be sitting on decent profits three months later?

Why three months? Volatility after the last 14 spikes during the past 30 years has typically taken 86 days to revert to the average. In other words, it has taken around three months for the market to calm down again.

Gold miners have performed strongly since March, but are still worth a look

©Getty Images

Four previous market wobbles

The obvious starting point this time round is 12 March 2020, when the Vix went crazy and spiked above 80 – a historic high. I have also examined the aftermath of volatility spikes on 5 February 2018, 24 August 2015, 8 August 2011 and 22 October 2008.

I looked at the three-month (or two-month, in the latest case) performance of investments vehicles ranging from specialist gold-mining exchange-traded funds (ETFs) to a silver ETF.

A clear pattern emerges from the data. During most of what I would call the bog-standard market tantrums, precious metals and their various derivatives haven't delivered much extra value over three months. They shoot up in value initially, but then as sentiment among equity investors improves nearly all those gains vanish.

However, both the financial and the Covid-19 crises are very different scenarios. Three months on and precious-metals investments are still powering ahead, as they did in 2008/2009. Miner Barrick Gold, for instance, had gained 67% by 15 May 2020 and 146% by 22 January 2009. The VanEck Vectors Gold Miners' ETF is up by 61% this time.

This connotes nervousness about the outlook. If a simple V-shaped recovery appeared on the cards after the first wave of the coronavirus, we could define the current situation as another typical market tantrum where turbulence shoots up and then we all resume business as usual.

But precious-metals investors are very strongly signalling that this is more like the structural crisis we experienced in 2008/2009 when volatility took well over 200 days to get back to normal. Given the increasing worry about second waves of Covid-19 and rising unemployment, I think they may well be right.

Where to look now

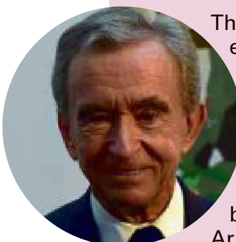
In that case, where in the precious-metals sector should investors be looking? Consider silver. It has underperformed, although in recent days and weeks that trade looks to be reversing.

Investors counting on the precious-metals bull run enduring may be moving into silver since it is a leveraged way of playing worries about money printing, putative future inflation and concerns about central banks' powers; it tends to imitate and magnify gold's movements. One play on the spot price is the **WisdomTree Physical Silver ETF (LSE: PHSP)**.

Gold mining ETFs have produced very strong results so far. There are two that I think remain worth considering. iShares has a very large gold miners' fund, **the iShares Gold Producers' ETF (LSE: SPGP)**, which has a total expense ratio (TER) of 0.55%, while **VanEck's** smaller **Gold Miners' ETF (LSE: GDGB)** has a slightly lower TER at 0.53%.

It is worth noting, however, that these gold miners' ETFs do have a loose correlation with equity indices such as the FTSE and they also suffer from high levels of volatility compared with equity benchmarks. So, expect a bumpy, but hopefully profitable, ride.

Activist watch



©Getty Images

The French business establishment is indulging in another round of mutual backscratching. Luxury retailer LVMH's billionaire owner, Bernard Arnault (pictured), has agreed to buy 25% of media mogul Arnaud Lagardère's holding company. That in turn owns 7% of Lagardère, a listed media group under fire from hedge fund Amber Capital, the largest shareholder. Amber Capital has criticised the firm's lacklustre performance and Arnaud Lagardère's large personal debts, says Leila Abboud in the Financial Times. Arnault's "unexpected arrival" should prove helpful to his fellow magnate "on both fronts".

Short positions... Mark Barnett's poor replacements

■ **The two managers replacing Mark Barnett at Invesco Perpetual are under pressure for their "dire" performances at their previous jobs, says Mark Atherton in The Times. Ciaran Mallon and James Goldstone were appointed last week to run Invesco's £3.4bn High Income and £1.5bn Income funds. Mallon has been in charge of the £322.6m Invesco Income & Growth fund and the £134.1m Invesco Income Growth investment trust for 15 years, while Goldstone has led the £42.7m Invesco Perpetual Select UK Equity investment trust since 2016 and the £158.8m Keystone investment trust since 2017. A vote will soon decide if Mallon's trust should be wound up. The Keystone trust has lost 18.5% since Goldstone took over, compared with the FTSE All Share's 6%. "James Goldstone has been poor and Ciaran Mallon average at best," according to Brian Dennehy of research website Fundexpert. Why buy or hold these funds?**

■ British property funds are set to remain frozen for months as the market is impossible to value amid the coronavirus crisis, says Carolyn Cohn on Reuters. Ten big open-ended property funds tracked by Morningstar with a total of £6.5bn under management stopped investors from getting their money out in mid-March, saying valuers could not accurately assess real estate in a "plunging economy". That means they couldn't work out what to pay investors wanting to sell their units. Little has changed since March: the dearth of transactions means the scale of the likely change in property prices remains unclear. The freeze is likely to apply until September. This is the latest reminder that owning illiquid assets through a unit trust is a big mistake: when it comes to property, stick with trusts.

Brought to you by LIONTRUST COURAGE · POWER · PRIDE

A brief history of market panics and how to survive them

History suggests that every once in a while, markets and investors panic. The frequency of these panics is clearly unpredictable – as they are usually caused by unpredictable events – but outbreaks of extreme market turbulence tend to pop up every few years. Recent events connected to the coronavirus outbreak are just the latest manifestation of a surge in what's called market volatility.

This is a technical-sounding term which measures the ebb and flow of markets, usually (though not exclusively) the US market, as captured by the S&P 500 index. The main index of volatility in the US is called the Vix. For context, most of the time this index is somewhere in a range between 10 and 20. But on 12 March 2020 – at the height of the most recent panic – this measure spiked above 80 to 82.62. That was a jump of nearly 25 index points in just one extraordinary day.

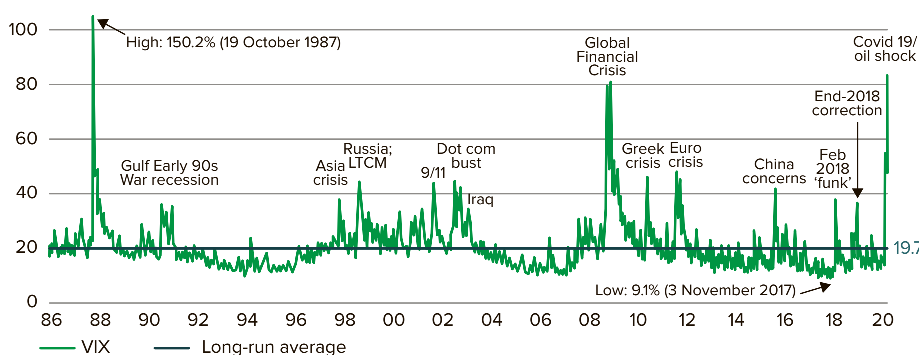
This surge was shocking – but not unique. We had previously seen a 20-point jump on 5 February 2018, a 16-point jump on 22 October 2008 and a 16-point surge on 8 August 2011. So as market turbulence goes, this was a big one, but the sheer scale of the turbulence was not entirely unprecedented. The chart of the Vix below is from academics who write a report for investment bank Credit Suisse about long-term investing. It puts the most recent spike in turbulence into a wider historical context. Its message is clear – markets panic regularly.

What happens when markets panic?

Another way of looking at this and previous panics is to look at how far big markets can fall in extreme conditions, from "peak to trough". At the nadir of the most recent plunge, the S&P 500 was down more than 37% from its recent peak. That sounds terrible, but it's not even remotely unprecedented. Solomon Tadesse, an analyst at big French investment bank Societe Generale, recently mapped out the big sell-offs – or bear markets – we've seen over the last 150 years. During that period we've seen 15 different sell-offs where losses totalled more than 30%. Four of those (excluding the most recent) came in the last four decades. And the two most recent (2001 and 2009) triggered declines of roughly 50%.

Of course, the corollary of all this is that while markets do panic regularly, they also rebound when the panic fades. The same academics behind that Credit Suisse report also looked at how long spikes in market turbulence typically last, before calm returns. After examining 14 volatility spikes over the last 40 years, they found that the turbulence lasts for about 86 days on average, with only a few outliers lasting more than 150 days. In other words, the optimists do eventually triumph. Panic recedes, confidence returns and markets start to move back up again – but only after the initial panic has subsided.

How might investors react to this dynamic ebb and flow of fear and greed within markets? Conventional wisdom has it that what matters is your risk appetite, which itself is based on your own attitude towards uncertainty and loss aversion. But most academics will suggest that what really matters is your 'time window', i.e. how long your investing time horizon is.



Invest for the long term

If you might need access to your investments within the next two to five years, then investing in risky equities – which as we've just demonstrated, go up and down with great regularity – might not be the best strategy. Pick the wrong years to invest and you might lose as much as 50% of your capital and then only have a short period of time to recover that. Remember that if markets fall by 50% in one year and you invest say £1,000 at the beginning, you'll be left with £500 in the trough. If markets then rebound 50% from that trough, you'll still only have £750 after the rebound.

By contrast, if your time horizon is 20 years, you should easily be able to survive maybe one or two outbreaks of market mayhem, and still be 'in the game' to benefit from the rebound. And after that rebound, it's not at all abnormal to expect a return to something approximating "normal" market returns. And what might these "normal" returns look like? As a very rough and ready rule (and with the usual caveat that the past is not necessarily a guide to the future), most academics and market analysts reckon that over the long term equities (stocks and shares) have returned something like 6% a year (give or take a percent).

The state is coming for the wealthy

Philip Aldrick
The Times

In the aftermath of this crisis, tax cuts will be needed to stimulate demand, says Philip Aldrick. But, eventually, despite "more QE and years of near-zero interest rates", taxes will have to rise to pay for the rise in spending (think better NHS preparedness, social-care reform, higher key-worker salaries). There will be calls for a "windfall tax on the winners" from the pandemic (eg, tech, pharma and supermarkets), but recurring revenues will also be needed. This is where the wealthy, who have increasingly used capital gains to dodge income tax over the past decade, come in. In 2018, taxable capital gains peaked at £55bn, up from £19bn in 2010. "About half of those relate to occupations rather than arm's length investments… If people are paying themselves in capital… it's not hard to see why." The top rate of capital gains tax is 28%, lower than that on dividends (30%) or the top rate of income tax (50%). So, business owners might take a tax-free loan, say, then dissolve their firm a few years later, paying 20% on capital gains. Such "unlisted structures" cost the Treasury up to £7bn a year. The chancellor is aware of this. "When the time comes, the well-off could be enlisted to our common cause simply by paying what is due."

Africa will benefit from disruption

Stewart Paterson
South China Morning Post

Covid-19 has "brought home" the risks of over-reliance on China, which enjoys a 28% share of global manufacturing, says Stewart Paterson. Could Africa benefit from the fallout? Africa's rapidly growing working-age population, and the recent creation of the African Continental Free Trade Area (AfCFTA), suggest so. By 2100, 40% of the world's population is forecast to live in Africa, putting it on a par with Asia, but with a greater proportion of working adults. It was China's "favourable demographic" combined with "rapid capital formation through rising foreign direct investments [FDI]" that spurred China's "spectacular" growth. But while China's FDI averaged around 4% of GDP in the 2010s, Africa currently averages 2.5%. Could Africa attract an extra $35bn a year to take it up to China's level? This now seems plausible. The idea behind AfCFTA is to establish a single market and customs union. This could lead to economies of scale and boost investment – for exports and the unified African market, too. This combination – a single market, cost competitiveness and a growing working-age population – makes Africa a potentially "compelling" investment destination for multinationals.

US enacts socialism for the rich

Nicholas Kristof
The New York Times

While President Trump and his allies in Congress seek to "tighten access to food stamps, they are showing compassion for one group: zillionaires", says Nicholas Kristof. A provision "quietly slipped" into America's 880-page economic relief package in March allocated a whopping $135bn to the wealthy including, potentially, Trump and his son-in-law Jared Kushner. The "fine print" has "nothing to do with the coronavirus and offers retroactive tax breaks" for periods long before Covid-19. Around 82% of this "zillionaire giveaway" goes to those earning more than $1m a year, who benefit, on average, by $1.6m. At the same time, it is becoming clear that money intended to rescue small businesses has gone not to those most in need, but to those with "the most shameless lawyers. They are part of our national equation: power creates money creates more power creates more money." A new study reveals that since 18 March America's billionaires saw their wealth collectively grow by 15%. Meanwhile, unemployment rates may have already hit 20% and a single mum juggling two jobs gets a maximum $1,200 stimulus cheque. "This is dog-eat-dog capitalism for struggling workers, and socialism for the rich."

Green valley can't escape diesel power

John Dizard
Financial Times

Silicon Valley is "chock-full of people" who believe that our data-intensive energy future shouldn't depend on fossil fuels, so why is the California Energy Commission about to approve diesel-fired back-up power plants for Silicon Valley data centres? asks John Dizard. In 2019 venture capitalists raised $2.3bn for battery storage, smart grids and energy efficiency; meanwhile, just one of the sponsors of the diesel back-up data centres, Edgecore, has secured at least $3bn of investment. Edgecore is run by a smart guy with an "impressive record investing in data centres", of which, it seems, the world will need more, not less. The diesel back-up plants are supposed never to operate, but unfortunately Silicon Valley's grid relies on the network owned by PG&E, which is close to emerging from bankruptcy after being hit with a $13.5bn settlement for claims relating to California's wildfires. Data centres require 99.9% reliability. Can PG&E really be relied on? As for the "battery farms", lithium-oxide battery packs provide just four hours of reserve power. All of us would "prefer the Holy Grail of cheap, long-lasting batteries", and technology that can reduce data-centre requirements. "Both stories are fiction."

Money talks

"It is just a madness to me but I can't do anything about it so I just ignore it. I don't get any money from it, but I am not going to worry about that because otherwise it affects your work."
Artist David Hockney (pictured) on receiving just $14,000 from the $90.3m resale of one of his paintings, quoted in The Times

"I didn't do A-Level mathematics, which is very unusual, actually, for an economist. That came back to bite me later on."
Andy Haldane, the Bank of England's chief economist, quoted in the Daily Mail

"Where does this leave my generation? … Of course people of every age are suffering financially right now, but research shows that coming of age in a great recession permanently damages economic health. To do it twice really is swimming this race with our clothes on."
Josh Glancy, columnist for The Sunday Times, on prospects for millennials

"If I sold everything I had, technically I would be. Remember, I am still in the so-called classical world so, although *Adiemus* sold a lot copies, it isn't the same as pop royalties."
Classical composer Sir Karl Jenkins when asked if he was a millionaire, quoted in The Sunday Telegraph

"Right now, Zoom is valued at more than the entire US airline industry. I mean, that's clearly nuts, right? What I hope is that tech companies realise that they have a responsibility to society, not just to their bottom line."
Lastminute.com founder Martha Lane Fox, quoted in The Times

"When my daughter was born I remember saying: 'I'll buy her everything she needs, but not everything she wants.' Unfortunately I didn't factor in her special power. Those eyes."
Martin Lewis, founder of moneysavingexpert.com, in The Sunday Times

©Getty Images

How to invest wisely in a crisis

It pays to listen to the experts

©Getty Images

blogs.cfainstitute.org
"No amount of sophistication is going to allay the fact that all of your knowledge is about the past and all your decisions are about the future." Insights such as this have helped steer the decades-long career of Oaktree Capital Management's Howard Marks, says Peter Gross. In an interview with Bloomberg's John Authers, Marks highlighted six key insights that have helped frame his investment philosophy.

1. Don't get carried away
When we hear of "booms" and "busts", our perspective is distorted. "The cycle, generally speaking, is a series of up and down oscillations around a central trend line." But emotive language may move us to make rash decisions. Think of such market movements more constructively instead as "excesses and corrections".

2. Be humble
It's important to know what you don't know, to be aware of the limits of your knowledge. The current coronavirus crisis is a case in point. It's "silly", says Marks, to build your investments around your view of what the outcome will be when we know nothing about it. Don't "make it up on your own… look to the experts".

3. Insist on a safety bumper
Value investors evaluate assets relative to the underlying fundamentals, then seek to define a margin of safety based on the stability of the company, the industry, and the predictability of both. "The expert calibrates the expression of his opinion based on how firm the evidence is," says Marks. "The investor should calibrate his confidence in his investment based on how much margin of safety there is."

4. Get aggressive
Most of the time, it pays to be cautious – it's a sensible concession when dealing with the unknown. Yet there's also a time to be bold. "I think that toggling between aggressive and defensive is the greatest single thing that an investor can do," says Marks. "If they can do it appropriately."

5. Be different, be right
To generate market-beating investment returns, you have to run separately from the herd. But you also have to be right. That is much easier said than done. Rejecting the consensus view is easy, but in investing, the consensus – that is, the market – is right more often than not. "Knee-jerk contrarianism is certainly not a successful strategy."

6. Get used to discomfort
"Every great investment begins in discomfort," says Marks. "If everyone else didn't hate the investments, they wouldn't be cheap." The challenge comes as the discomfort endures: "One of the most important adages in our business is that being too far ahead of your time is indistinguishable from being wrong".

The meaning of "R"

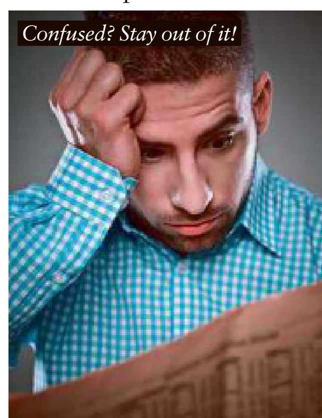
johnkay.com
A critical issue in the coronavirus pandemic has been whether "R" is greater or less than one – in other words, whether the number of people that each infected person infects leads to a spread of the disease or its demise. So is R greater or less than one? "If only it were so easy!" R is not the same for every individual or group. Medical staff in hospitals, for example, are likely to have a higher R than singles in lockdown. If the infection is brought under partial control, it is likely that a higher proportion of the infected population will be in the high R group than in low R. If so, the average R figure may rise. And even if the average R figure is below one, the disease will still spread widely if one group has an R of more than one. All this creates problems for those trying to model the spread of the disease.

"The lesson is not that models are useless, but that you cannot derive policies from them." That applies in economics and investing too. Models are a "means of organising thought, not of making predictions" and they are only as good as the data fed into them. The "greatest scandal of this epidemic is the delay in undertaking widespread testing… The cost of obtaining good economic and epidemiological information is trivial relative to the costs of bad policy made in its absence".

FOMO creates storm of stupid

businessinsider.com
A "perfect storm of stupid" has hit the stockmarkets, says Linette Lopez. As a result of the coronavirus, millions of Americans are bored at home, many without a job. As a result, 780,000 of them have created new accounts with three of the largest stockbrokers in the country, according to the Financial Times. This "herd of newbies has changed the market at a time of incredible uncertainty".

The market is reflecting the "depth of emotion" out there. When pharmaceutical firm Moderna announced positive immune responses in a trial of its vaccine candidate, the stock jumped 26%. Then the market read the actual results of the trial, found that the positive result came from only eight patients, and the stock tanked.


Confused? Stay out of it!

©Stockphotos

Everyone wants to be the one who "scores big" on a treatment and has a fear of missing out (or "FOMO") on opportunities. "I could not have dreamt of a more perfect condition for separating investors from their money if I tried." "Bored, unseasoned, emotionally conflicted investors are playing around in a murky pool [and] people are going to drown."

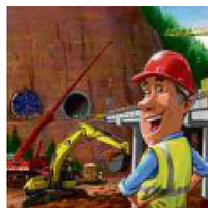
Liberals have not changed their tune

iea.org.uk
Some critics suggest that free-market liberals have changed their tune in the face of the coronavirus crisis. We haven't, says Julian Jessop. "There is a huge difference between supporting a temporary increase in public spending in response to a one-off shock, which I support, and a permanent increase in public spending and the role of the state, which I would continue to oppose." Whether this year's budget deficit is £200bn or £400bn "matters far less than whether this is a temporary increase or a longer lasting, structural deterioration".

There is a case for small rises in state-funded investment over the coming years, but this was true before the crisis hit – the government's cost of borrowing was already very low pre-Covid-19. The best way the state can support economic recovery remains to "step aside" and let the market "get back to work again". Whitehall is never going to be good at allocating funds efficiently over the long term. The Treasury should instead examine tax-cutting measures if it wants to promote innovation and entrepreneurial activity.

Building a new world: profit from the global spending spree

The crisis is far from over. Yet many of the world's largest economies are already looking to the future, and the odds are that infrastructure spending will be key to the recovery. Matthew Partridge investigates.



Have we passed the peak of the pandemic? The numbers of infections and deaths are dwindling. However, the economic fallout is likely to persist for a long time, even after lockdowns are relaxed. While this is bad news for some sectors of the economy, such as hospitality and retail, it also provides opportunities for others. One key beneficiary of the post-coronavirus world, in which governments look set to embark on a spending spree, should be infrastructure.

From support to stimulus

Government spending has hitherto focused on measures "to prevent firms going bust", says Shaniel Ramjee, senior investment manager with Pictet Asset Management. This is understandable given that reducing the number of bankruptcies "gives the economy the best chance to minimise structural damage"; bankrupt firms "no longer employ people [or] contribute to economic activity". Wage support measures and job retention schemes, such as the UK scheme that pays 80% of the salaries of those furloughed by their employer, will temper any surge in unemployment, thus bolstering consumption.

However, policymakers are beginning to realise that such measures are, at best, a short-term sticking plaster, not a long-term solution, with a growing realisation that merely "returning to the normal pace of activity will not be enough to regain lost growth". While money-printing was the preferred policy option during the last crisis, this time it is likely to be complemented by an aggressive fiscal policy in order to "stimulate demand more effectively".

Plenty of bang for your buck

Viewed in this context, infrastructure spending is particularly attractive because it not only increases overall demand but also helps rectify the problems created by "decades" of under-investment. What's more, it can "boost the underlying rate of economic growth through increasing productivity". Studies certainly suggest that it has a beneficial effect on the economy's long-term growth potential. According to the US Economic Policy Institute's review of previous studies, every $100 spent on infrastructure boosts private-sector output by an average of $17 in the long run.

"Every $100 spent on infrastructure boosts private-sector output by $17"

If governments are as serious as they claim to be about investing in infrastructure, then the spending is likely to cover a wide range of areas, says Mark Mobius of Mobius Capital Partners. For example, in the energy sector, solar and wind power projects could help speed the transition to a low-carbon future and help governments meet their targets to reduce emissions. High-speed railways and new underground systems could help move people towards public transport and away from cars. Finally, there is a strong case for spending on physical infrastructure ranging from "bridges to school buildings".

This all bodes very well for the companies involved in the sector, says Mobius. These include the major engineering and construction groups "capable of planning and executing large projects". Companies that "supply the tools and equipment required to execute such projects" also stand to make money.

Where Asia will spend its money

Asia was the first part of the world to both experience the coronavirus and contain it, says Freya Beamish, chief Asia economist for Pantheon Macroeconomics. So, it should come as no surprise that they are ahead of the game when it comes to infrastructure spending. China famously chose to respond to the recession that followed the financial crisis of 2008 with a blitz of infrastructure spending "so successful" that growth rapidly eclipsed pre-crisis levels.

For now it seems the Chinese government isn't going to be launching a package quite on the scale of 2008-2009. Still, there is plenty of evidence that Beijing's plan to compensate for the "huge drop-off" in external demand will involve much extra infrastructure investment. The Chinese government has been historically reluctant to reveal the specific detail of its spending programmes, which makes it difficult to gauge how much is being spent. Still, state newspapers are already talking up the new infrastructure projects that have been announced.

Meanwhile, local governments "are also issuing a lot of special infrastructure bonds", typically a sign that they are swinging into action since these bonds apply specifically to infrastructure. Survey data appears to confirm this, with the construction sector the "star performer" in recent surveys of economic activity.

With China running out of "rail, road and bridge" projects to invest in, Beamish expects the latest round of Chinese spending to focus on digital and environmental infrastructure, especially given mounting popular anger at high levels of pollution, which officials are worried could feed through into more general discontent.

Japan "has also carried out a lot of infrastructure projects in the past", says Beamish. Indeed, it has probably overinvested, with many projects producing little or no economic benefit and increasing Japan's national debt, leading some experts to joke that they make as much sense as "paving Mount Fuji". Still, she thinks that there "will definitely be more infrastructure spending" as it "always looks good for politicians to be associated with big public projects". South Korea is also likely to be a "big spender" in this area over the next year too.

India, moreover, has already indicated that infrastructure spending will form a significant part of its current round of stimulus, says Ramesh Mantri of the Ashoka India Equity Investment Trust. For example, $13bn has been allocated towards agricultural infrastructure spending alone. Mantri also expects the crisis to prompt Indian prime minister Narendra Modi's government to keep "stepping up" the amount that it spends on more traditional projects such as roads and power plants. Over the last few years investment in such areas has been gaining "serious momentum". It is expanding at a rate of around 15% a year.

©Getty Images

China's local governments are issuing special infrastructure bonds

America is in desperate need of repair

With unemployment claims exceeding 25 million in the US since the start of May, infrastructure spending is an "obvious area where the federal government could deploy capital into a depressed economy", says Jim Wright of asset management group Premier Miton. The precedent of the New Deal in the 1930s – when huge amounts of money were spent on projects such as the Tennessee Valley Authority in an attempt to combat the Great Depression – will also be attractive to both Joe Biden and Donald Trump, as they are "looking for vote-winning policies going into the November elections". Just as the need to spend more on infrastructure provided "one of the few areas of consensus" between the two presidential candidates in 2016, both current contenders are likely to promise significant spending in this area.

One of the "most obvious" specific areas where money could be spent is transport, with most experts acknowledging that the highway and bridge network across the US is in "desperate need of repair and refurbishment". However, investment in this area is complicated by the fact that control of the road network is divided between the federal government and states, cities and counties, each of which has their own priorities and interests. The partisan feelings generated by the upcoming elections, with both parties wary of doing anything that could be perceived as a "victory" for the other side, may also postpone any major transport spending until after November.

Still, Wright believes that the wrangling between the two parties will only postpone rather than preclude infrastructure spending, since the barriers to cooperation will disappear once the election takes place, irrespective of who ends up winning. What's more, even if it takes a little longer for a transport package to be agreed, there are plenty of "less high-profile areas" that could enjoy both federal and private spending. One of these is renewable energy generation, "where tax credits have been used to incentivise spending on new wind and solar capacity".

Another part of America's infrastructure that needs an overhaul is broadband and communication networks. The recent lockdown and isolation has accelerated the transition to remote working but thereby also highlighted parts of the country where there is "limited or even no access to fixed or mobile broadband for work, education or social interaction". This presents an opportunity for the US government to work with the network operators to augment investment in these areas. The Federal Communications Commission should ensure that any money allocated to this area improves internet connectivity in rural areas.

Europe

While America is pondering more infrastructure spending, Europe is already getting on with it, says Robert Alster, head of investment services at Close Brothers Asset Management. Even before the virus hit "some significant investment projects had... been signed off", including the Grand Paris Express metro

Continued on page 22

"Both Donald Trump and Joe Biden are seeking vote-winning policies, and a better transport network appeals to everyone"

Continued from page 21

project. This scheme aims to build a new underground driverless metro network connecting the Paris suburbs with each other, as well as to major airports, adding 68 new stations and 200km of line. It will cost around €39bn, with €12bn worth of work completed by 2022.

An undersea tunnel linking Germany and Denmark, which will be the largest road and rail tunnel anywhere in the world, has also been agreed in principle. The project should be signed off by the end of the year. Road projects taking place include the A3 autobahn expansion in Germany, the RCEA motorway project in central France and the enlargement of airport facilities in Lisbon.

Given that a lot of these projects involve transport, there is always the chance that they could be scaled back or cancelled if the collapse in travel as a result of the coronavirus proves permanent, cautions Alster. However, he thinks that this is unlikely. All the signs are that those under 40 are as enthusiastic about travel as ever, even if it takes longer than expected for a coronavirus vaccine to be developed. And airlines and rail companies "managed to take the security restrictions brought in after 9/11 in their stride".

Post-Covid-19, there should be plenty more billions of spending to come. The initial emphasis in Covid-19 bailouts has been on social and welfare measures; Germany committed 10% of its GDP to a fiscal package comprising mostly recapitalisations and stakes in stricken companies. But with public debt at just 60% of GDP there is plenty of scope to increase spending on infrastructure, especially given widespread concern over the country's notoriously shabby railways and roads.

Britain: levelling up the regions

It's a similar story in the UK, says David Owen, chief European economist at Jefferies International. Prime Minister Boris Johnson knows that "he needs a long-term strategy to deal with the aftermath of the pandemic". Johnson and senior advisers such as Dominic Cummings are aware that there is a

©Getty Images

The Grand Paris Express metro project will cost €39bn

"great deal of support for infrastructure spending, especially in the regions". The government also feels that increased infrastructure spending isn't just good politics, but also a way for it to make much needed "fundamental changes" to the economy on everything from climate change to "levelling up" the regions, says Owen. One sign of the "direction of travel" is its treatment of the controversial High Speed 2 rail project, one of the largest single infrastructure projects in the world. While many would have liked to see the government reassess whether it really represents good value for money, Johnson has continued with the project, with construction work going ahead through the lockdown.

Owen also thinks that the long-term shift to remote working will encourage the government to put more money into access to high-speed broadband and Wi-Fi. Johnson's well-known love of cycling, along with his suggestion that people cycle to work, is also likely to lead to more money being spent on building dedicated cycle paths. We look at potential beneficiaries of these and other countries' plans in the box below.

> *"There is strong support for higher investment in Britain's regions"*

What to buy now

One fund that specialises in infrastructure is the **LF Miton Global Infrastructure Income Fund**. At present it is mostly focused on utilities, telecom and energy companies, with some additional exposure to the transport sector. Managed by Jim Wright, the fund has returned a cumulative total of 12.7%, after annual charges of 1%, since it was set up in March 2017, outperforming both the FTSE All-Share and similar infrastructure funds.

Wright's biggest holding, accounting for 5.5% of his fund's portfolio, is **NextEra Energy Partners LP (NYSE: NEP)**. NextEra, which is a listed subsidiary of the energy company NextEra Energy, invests in renewable energy infrastructure projects that should benefit from any push to decarbonise the US economy. Its projects are set up to generate stable cash flows, allowing it to continue to make money amid the collapse in global energy prices. The company has been growing revenue by around 20% a year, a pace set to endure. This justifies a 2021 price/earnings (p/e) ratio of 25.

More infrastructure projects should also lead to an increase in demand for construction equipment. This would be good news for **Caterpillar (NYSE: CAT)**, the world's largest construction equipment manufacturer and dealer.

A large proportion of its revenue now comes from China, so it stands to make plenty of money from any Chinese stimulus. Earnings per share (EPS) have expanded at an average annual pace of almost 20% over the last five years. It trades at 14 times 2021 earnings and yields 3.9%.

With the rise of remote working encouraging countries to pay more attention to the state of their digital infrastructure, **Deutsche Telekom (Frankfurt: DTE)** looks increasingly appealing. In addition to being the largest telecoms company in Europe by revenue, with subsidiaries around the world and a minority stake in BT Group, it is involved in the rollout of 5G mobile networks around Germany.

Between 2014 and 2019 it managed to increase sales by just under 6% a year while EPS more than doubled. Despite this strong record, it trades on a 2021 p/e of just 11.6, with a very attractive dividend yield of 4.8%.

John Laing Group (LSE: JLG) has a strong record when it comes to developing, financing and operating infrastructure projects. Although based in the UK, it manages projects all around the world, with 33% of its investment projects in North America, 28% in Asia and 19% in Latin America. In the past few years there has been a shift towards transportation projects, which now account for two-thirds of its portfolio. It is on a 2021 p/e of just 7.4 and yields 2.8%.

Engineering and construction company **Kier Group (LSE: KIE)** is a contrarian play. Given that shares are still 35% below their March level and have slipped by two-thirds in the year since the company unexpectedly announced a profit warning, this is certainly not a stock for the faint-hearted. However, its involvement with HS2 should bring in £250m a year for at least the next six years, while it also has plenty of cash on hand. With shares in the company trading at a bargain basement level of three times 2021 earnings, the potential upside if its management team can steady the ship could be immense.

Try 6 issues of THE WEEK for free

Every week, we provide our 356,000 open-minded readers with only the most **relevant, important and entertaining** news. Why not join them?

The Week provides a platform for the voices and opinions that need to be heard. We thread all sides of an argument together, giving you a **360° view of the last seven days**. Perhaps *The Week* will crystallise your thinking; maybe we'll challenge it.

Whatever the case, with over 200 of the world's most trusted media sources analysed in one magazine, you'll have the confidence of being on top of events and ready for any discussion.

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

Your subscription will start with your first 6 issues free, then £35.99 every 13 issues (UK Print Only)

Offer code
P20DFMW

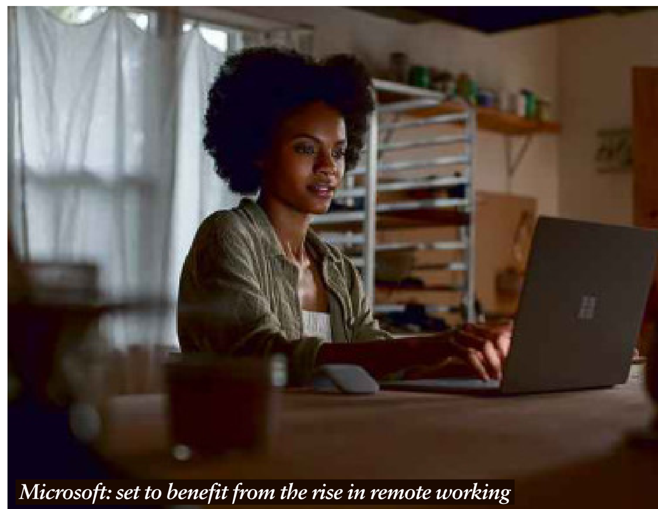
Covid-19 is no crisis for big tech

The global lockdowns have greatly accelerated changes in how we live and work

Stephen Connolly
Investment columnist

As Covid-19 spread, the world went remote. People were forced into isolation, physical interaction outside households was outlawed and everything had to be done from afar. This disruption has offered investors their clearest view yet of how the world will adapt and integrate technology. And given tech stocks are trouncing everything else this year, they like what they're seeing.

To appreciate tech right now means recognising that it's serving two needs. There's the immediate surge in demand so that things can still get done. Online videoconferencing is an obvious one, because people can't get together for business meetings. Then there's the more far-reaching paradigm shift in which the way we've been doing things changes for good across an industry or society as a whole. Working from home, for example, will become the norm for many because it's effective and cheaper than renting office space. So tech companies are needed to help businesses bring together staff, documents and processes anywhere to build virtual offices.



Microsoft: set to benefit from the rise in remote working

©Microsoft

Accelerating change

This rapid adjustment means everything suddenly seems to be happening at once. "We've seen two years' worth of digital transformation in two months," said Satya Nadella, chief executive of tech titan Microsoft, recently. Progress is leapfrogging. Investors gauging where firms might be in one, two or five years' time could find that their hopes (and profits) arrive sooner.

"Sterling investors in US tech are up by 15% this year"

It's little surprise, then, that while UK and eurozone stocks are down 20% this year, sterling investors in the US tech sector are up 15%. Of course, buying into tech has never really been a bad long-term decision. For all the experts dithering and debating over whether tech is expensive, due a correction or going to be overtaken by apparently cheaper, so-called value stocks, if you'd bought the tech sector at any time over the last decade and sat tight, you'd be winning.

Microsoft has been no exception, leading much of the advance. Satya Nadella is widely credited with transforming a business that was losing its way when he took the top job in 2014. He dropped the smartphone aspirations, cut the advertising business and shed staff. The focus instead became cloud computing, which is all about seamlessly connecting computers and devices anywhere – a high-growth area today. Rising sales and profits quickly followed, and investors couldn't get enough. If you'd backed him, £10,000 would be worth about £55,000 now, while an investment in the US market as a whole wouldn't have reached £20,000. Big doesn't always mean boring and the story is far from over.

Powering the cloud

The shares have returned 24% in sterling this year, helped by recently well-received results showing another round of double-digit sales and earnings growth.

Change is ongoing, but the direction of travel is clear and the speed accelerating. People need linking up so they can work, study and communicate anywhere; physical offices are going online; and vast cloud capability is needed to manage all this economically.

It's hard to think of a firm better placed for this than Microsoft, which is one of the market-leading cloud businesses and is beating expectations. The Windows 10 operating system is now on a billion devices, 30% more than last year. Its Teams software now has 75 million users and is helping them collaborate and share projects anywhere. And it's a powerhouse in productivity, sales management and computing software – everyone is familiar with applications such as Word and Excel. From beginning to end, Microsoft is enabling businesses from Coca-Cola to Vodafone to go virtual.

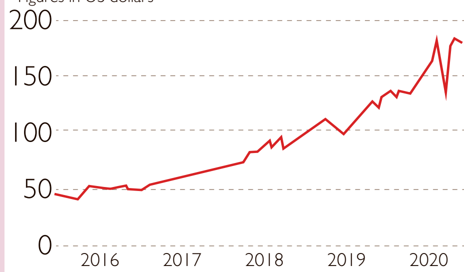
Double-digit growth is set to continue and its high cash flows should keep lifting the $137bn-plus cash pile, making it defensive while also allowing for rising dividends and bolt-on investments – great qualities in what are difficult but also auspicious times as the world adjusts. The numbers are showing that Microsoft is largely immune to Covid-19. Both it and its shareholders will be all the stronger for it as the new normal emerges.

Stephen Connolly (sc@plainmoney.co.uk) writes on finance and business. He has worked in investment banking and asset management for over 25 years.

A long-term holding for a changing world

Microsoft's (Nasdaq: MSFT) quarterly results in April were strong again, with earnings per share growth of over 20%. Cash-flow generation remained high and the balance sheet is robust. Of course, shares trading near their peaks on high valuations are not to everyone's taste. However, Microsoft's dominant offering and positioning in a rapidly changing world means it has exceptional opportunities to grow further. Its strong balance sheet and cash generation, meanwhile, give it defensive qualities.

Microsoft is vulnerable to economic ups and downs like many others. While Covid-19 presents opportunities as companies adjust, hard-hit sectors may look to cut costs and IT spending could suffer. Having said that, the imperatives for facilitating working remotely, for example, can't be ignored. Moreover, switching to cloud computing will save businesses money and this is a secular trend that to some degree can ride through periods of general economic weakness.



Microsoft is a long-term investment and should be bought on that basis. The company is optimistic and has put out well-received profit guidance for the rest of the year. Management is highly regarded and extremely sure-footed. The risk/reward is favourable and the opportunity to profit from the fast-changing world that is still lying ahead of us should prove rewarding.

Toast the rebound with Wetherspoon

The pub chain is a disciplined and highly profitable operator whose shares now look reasonably priced

Matthew Partridge
Senior writer

The FTSE 100 index slumped by more than third between the start of the year and the trough at the end of March. Even after a modest rally, the market is still 20% off its peak, so many solid stocks that were previously too expensive are now priced much more affordably. One is the pub chain **J D Wetherspoon (LSE: JDW)**.

Wetherspoon is not exactly a fashionable brand: it is widely deemed to be the Ryanair of its particular trade. However, just as Ryanair has dominated short-haul travel, Wetherspoon has been one of the few success stories in the pub retail trade. It has focused relentlessly on what its customers want: decent food and drink at an affordable price.

Unlike its competitors, it has avoided the perils of over-diversification, staying focused on its branded pubs and a handful of hotels instead of trying to branch out into other areas. Between 2014 and 2019 total sales grew by an average of 5% a year, while earnings per share more than doubled.

The group is known as the Ryanair of pubs

©Alamy

Despite its continued success, the problem with Wetherspoon in recent years has been a very high valuation. It traded at a price/earnings (p/e) ratio of more than 20 while its competitors were far cheaper. As a result, I've avoided it in the past as too expensive, and even recommended that you short it in March 2017. However, given that it is now down by a third from its price on 1 January, it is much more affordable. It currently trades on a 2021 p/e of 15.

Of course, the big reason for this fall is that Wetherspoon, like all pubs and restaurants, is currently shut down as part of the lockdown and not due to re-open until July at the earliest. There is also a worry that even when it is allowed to open again, the combination of a weakened economy and a cautious public will lead to a dramatic fall in earnings over the next few years.

Ripe for a rebound

However, while revenue will clearly take a short-term hit from the ongoing closures, the increase in the number of people flocking to beaches and parks in the last fortnight suggests that there is plenty of pent-up demand for pubs.

Possible changes to the social-distancing rule (the safe gap could be reduced from 2m to 1.5m) and a surge in "staycations" this summer owing to travel restrictions could accelerate the recovery.

Wetherspoon has already doubled since its low in late March, so market confidence appears to be returning already. However, I think the shares have room to rise further.

I recommend going long on Wetherspoon at the current price of 1,114p at £4 per 1p. Put the stop-loss at 850p, compared with IG Index's minimum of £1 per 1p, for a total downside of £1,056.

London Specialist Auctioneers
Dix Noonan Webb 16 Bolton Street Mayfair London W1J 8BQ

Jewellery, Watches and Objects of Vertu

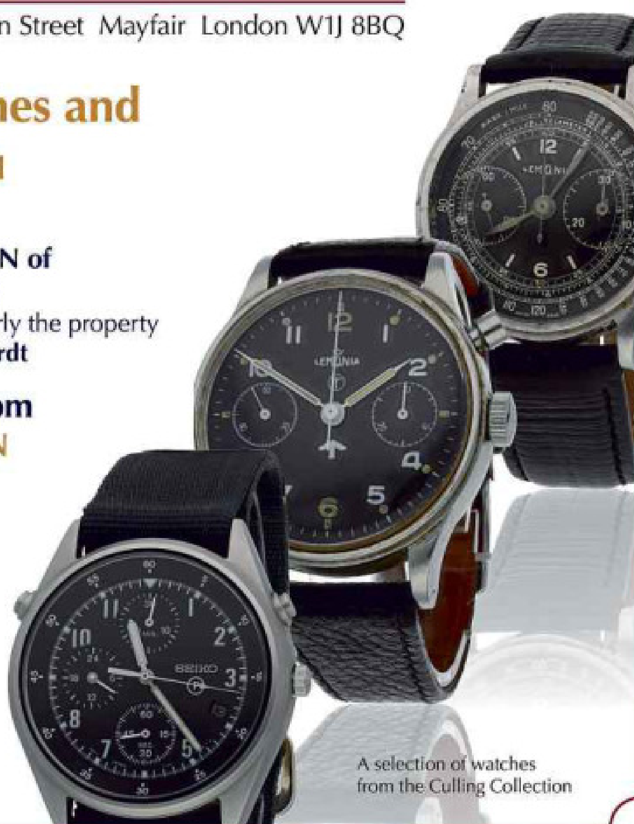
to include
THE CULLING COLLECTION of MILITARY WATCHES Part 1
and a collection of items formerly the property of French actress **Sarah Bernhardt**

Tuesday 9th June at 1pm
LIVE ONLINE AUCTION

See our website for full catalogue descriptions, images and condition reports available to view online at
www.dnw.co.uk

For all enquiries, please ring
020 7016 1700
or email **jewellery@dnw.co.uk**

An emerald and diamond locket from the Sarah Bernhardt collection enclosing lock of her son's hair, to be included in the sale



A selection of watches from the Culling Collection

Protect your passwords

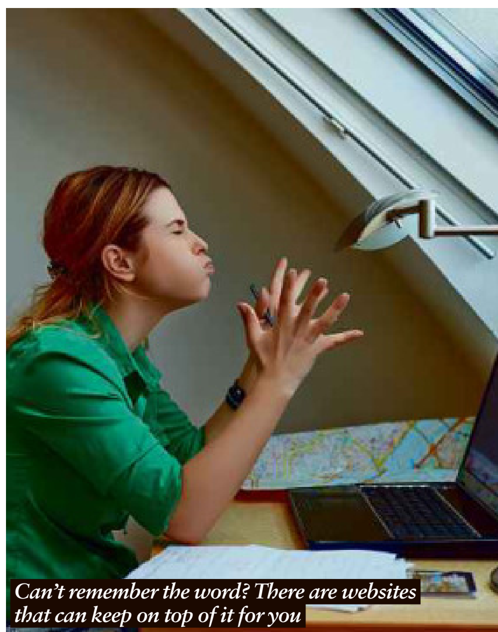
There are several ways to help prevent cyber-criminals from accessing your online accounts

Ruth Jackson-Kirby
Money columnist

Nine million EasyJet customers have had their emails and travel details hacked in a cyber-attack. The airline says all affected customers should change their password for the site. But even if you aren't an EasyJet customer, it is worth thinking about making your passwords safer.

Cyber-criminals seem to have little trouble working them out. On average we all have seven passwords for sale on the dark web, according to ClearScore, a financial technology group. The dark web is the part of the internet that is invisible to search engines, and criminals use it to exchange goods and data. A new free service, ClearScore Protect, will scan the dark web to see if any passwords associated with your email address are for sale. Taking the time to scan your own email address can be eye opening. I thought I was pretty secure but found that four of my passwords were available on the dark web.

If you find your password is for sale on the dark web you need to check all accounts associated with that password. Look for any suspicious activity and change your password. Britain's National Cyber Security Centre recommends that you "use a sequence of three random but memorable words for passwords", says Kenza Bryan in The Times. "These could be the three first cities you visited or the names of your three best friends." Use special characters and numbers to make it more complex. Make sure the password for your email account is particularly secure. "Websites usually send links to your email if you tell them that you have forgotten your password… If your email account is breached, all your other passwords can be reset."



Can't remember the word? There are websites that can keep on top of it for you

©iStockphotos

You can use a password manager to keep track of all your passwords. Services such as 1Password or LastPass let you choose one password to access an account with them. They then encrypt and store all your other passwords, so you needn't remember them all.

Opting for two-step authentication where possible will make your accounts a lot more secure. This means as well as entering a password you'll need to tap in a code that is sent to you via text, email or a phone call when you log in.

"Opting for two-step authentication adds another layer of security"

Also make sure you keep the software on your phone, tablet and computers up to date. Developers "scan the dark web for potential ways their products can be hacked. They release updated versions to protect against outside interference, so always download these to make sure you are fully protected," says Bryan. Finally, avoid storing your card details on any shopping accounts. Then if your account is hacked the criminals can't make purchases with your cards.

Pocket money... mortgage holidays extended

The government has extended its mortgage payment holiday scheme by three months. More than 1.8 million homeowners have taken a three-month break from mortgage repayments since the scheme began in March, says Mark Sweney in The Guardian.

The payment holidays were due to expire at the end of June, but you can now apply to prolong yours until September.

"The government said that while homeowners who had taken a mortgage holiday should restart making payments if they could, it was extending the scheme to help those still struggling with the impact of the coronavirus," says Sweney.

Small business owners take note: employers will be obliged "to pay a quarter of the wages of furloughed staff under Treasury plans to unwind the state subsidy scheme", says Steven Swinford in The Times. The change is expected to apply from August to all employers using the furlough scheme, even those that are still prevented from working due to lockdown rules. "Companies will also be required to restart paying national insurance, but the government will continue to pay pension contributions."

Employers will be able to take furloughed workers back on a part-time basis for as many hours a week as they want. Over eight million people have been furloughed, representing a third of the private sector workforce.

Around 130,000 married women could be owed up to £100m owing to "government blunders", says Ben Wilkinson in the Daily Mail. Retired married women are entitled to a state pension based on their husband's work record. But an investigation by the Daily Mail has revealed that around 130,000 are "receiving less than they should". The women in question reached state pension age before April 2016. "They are entitled to 60% of the state pension their husband gets." This was supposed to be paid automatically but many haven't got their extra pension.

Beware airlines' refund ruses

The battle for refunds for cancelled holidays rumbles on. All airlines must provide a refund within seven days of a trip being cancelled. While many airlines are doing their best to process a huge backlog, some are digging in their heels. Around 47,000 passengers are still waiting for refunds from British Airways, according to David Byers in The Sunday Times. Now BA has "begun offering passengers points on its Avios air miles scheme instead of cash refunds".

There are two reasons you shouldn't accept airmiles. First, if British Airways were to collapse before you used your miles you would lose them. Second, the airline can devalue its airmiles at any time, so you could end up with airmiles worth far less than the original price of your flight.

BA is not alone; Ryanair is also trying to avoid its legal responsibility to refund passengers for cancelled flights. Customers have been offered vouchers with the option to claim a refund after 12 months.

If your airline refuses you a refund and you paid for your flights with a credit card you can use section 75 of the Consumer Credit Act to ask for a refund from your credit card provider instead. If you paid with a debit card you can try chargeback. This is a protection scheme that allows you to request that a transaction is reversed if there is a problem with the item or service paid for. Yet Ryanair customers "are wrongly being told that using the chargeback card-protection scheme is… fraudulent", says Grace Gausden on This is Money. Some staff have also said customers using chargeback could be "blacklisted by the airline in the future". But chargeback is entirely legal. If you have "exhausted all attempts to get the money back", you are entirely within your rights to try to regain it via chargeback. Just get in touch with your card provider.

Tax relief in jeopardy

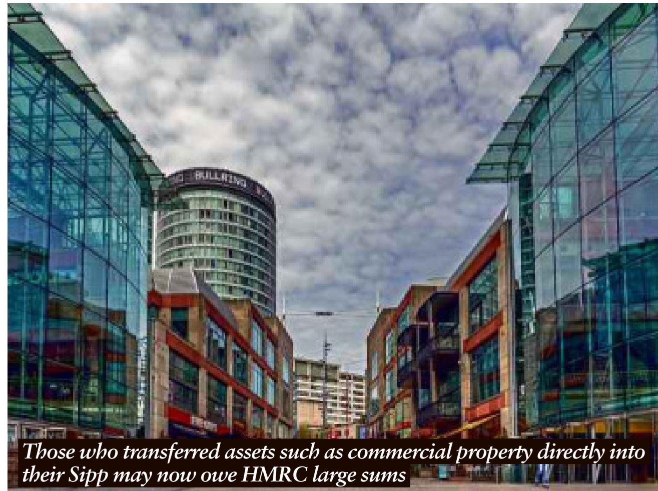
Savers who made *in specie* contributions to pensions could face big bills

David Prosser
Business columnist

Thousands of savers could face big bills from the taxman following a landmark legal ruling that non-cash contributions to their pension plans should not have been given tax relief. The ruling by the Upper Tribunal court, which considers specialist tax cases, potentially affects anyone who has made an *in specie* contribution to their pension plan: directly transferring assets such as shares or commercial property into their savings rather than simply paying in cash.

For many years *in specie* contributions were popular and regarded as perfectly normal, with providers applying to HM Revenue & Customs for tax relief on the value of such contributions in the same way as cash savings qualify for relief at the taxpayer's marginal rate of income tax. HMRC's own guidance also suggested this was acceptable.

In 2016, however, HMRC began blocking such applications amid claims the system was being abused. That prompted Sippchoice, a leading provider of self-invested personal pensions (Sipps), to mount a legal challenge against the tax authority. Last week the court ruled in favour of HMRC.



Those who transferred assets such as commercial property directly into their Sipp may now owe HMRC large sums

©iStockphotos

The judgment has sent the pensions industry into a spin. HMRC is in theory now entitled to ask pension providers to repay the tax relief they secured on behalf of clients. In which case, many providers may seek to pass the bill on to their customers.

Will HMRC be lenient?

Experts are appealing to HMRC to take a lenient approach, rather than pursuing reclaims, particularly since its own guidance prior to 2016 seems to have been based on a misunderstanding of the law. Some hope that pension providers' indemnity insurance might cover the cost of any payments they may be asked to make to HMRC. However, the ruling is a potential threat to the pension savings of thousands, with the industry estimating tax-relief repayments could run into tens of millions of pounds.

While HMRC's first port of call for tax-relief repayments would be providers themselves, the terms of most pension plans would enable the industry to try to recoup its losses from individual savers. That could see providers take funds out of savers' pension plans or, in extreme circumstances, take legal action against savers who have already cashed in their pensions. Sippchoice itself said it was considering an appeal against the judgment. A more junior court had previously ruled against HMRC. However, in the meantime Sipp and small self administered scheme (SSAS) providers are scrambling to understand how savers might be affected.

A Sipp provider can't do your research

Pension savers who lose money after making unregulated investments without taking financial advice are unlikely to be able to claim redress from their pension providers following a court ruling last week.

The judgment is a blow to the notion that providers should protect savers from high-risk pension investments in all circumstances.

Lawyers acting for a saver with a self-invested personal pension (Sipp) run by Options Pensions had hoped the company would be forced to pay compensation after it followed his instructions to invest in a high-risk, unregulated property scheme. The scheme subsequently resulted in big losses for the saver. However, Options Pensions argued that like many providers of Sipps, it operated on an execution-only basis and had made it clear that it did not offer investment advice. It said it had therefore simply carried out its customer's instructions and was not under any obligation to carry out due diligence on the investment, or to warn the saver against making it.

The ruling has been keenly awaited by the pensions industry. It is in line with the stance taken by the Financial Ombudsman Service, which has also refused to order pension providers to pay compensation in similar cases.

Savers tap pensions as Covid-19 saps cash

Record numbers of savers made withdrawals from their pensions during the first quarter of the year, new figures show, prompting warnings that the pandemic may be forcing people to dip into pensions cash.

Some 348,000 savers withdrew £2.5bn from their pension funds under the pension freedom reforms between January and March, new data from HM Revenue & Customs shows, with pension advisers warning of potential adverse impacts on people's tax bills and long-term financial planning.

First-quarter withdrawals from pensions were around 19% higher than in the same period of last year. But pension advisers fear the second quarter may have seen an even more substantial trend towards higher pension withdrawals, given that the UK's Covid-19 crisis did not begin to grip the country until mid-March. Advisers warn that while savers over the age of 55 are entitled to dip into their savings – and that pension funds might be a tempting target for those suffering financially because of Covid-19 – doing so could result in a large tax bill.

Savers going above their tax-free cash allowances pay income tax on withdrawals. Taking out larger sums, or even their whole pension, could push them into a higher income-tax band.

There is also the risk that pension withdrawals made early on will leave savers without sufficient cash to see them through retirement.

Some older people are also exploring other options for securing additional cash during the pandemic. The Equity Release Council said the number of older people borrowing against the value of their property with an equity-release plan increased by 14% during the first three months of the year. Since then, specialist equity-release advisers have reported a substantial increase in enquiries about the product.

©Alamy

Elsewhere, the Pensions Regulator this week ordered pension schemes to prioritise switching requests made by savers looking to move their pension savings. There have been claims that the industry is using the Covid-19 pandemic as an excuse to delay carrying out the instructions of savers who want to take their money elsewhere.

The regulator pointed out that schemes are entitled to delay switches of final-salary or other defined-benefit pension plans where there have been fears about poor advice. However, no such rules apply to defined-contribution transfers.

Long-term winners the market has missed

A professional investor tells us where he'd put his money. This week: Jamie Ward, fund manager, TM CRUX UK Core Fund, highlights three favourites

We follow a simple process to allow our portfolio to generate real returns over the long term. The process comprises stock selection and risk management. In stock selection, we are trying to find companies that satisfy three crucial criteria.

One, economics: it must make an economic return, meaning that the outputs are more valuable than the inputs and there is some reinvestment opportunity. Two, sustainability: a qualitative assessment of whether the economic return determined in point one can be continued into the foreseeable future, meaning a decade or so hence.

Three, management: the company must be stewarded by competent people whose incentives are aligned with shareholders and – crucially – act with integrity and honesty.

How to manage risk

Risk management is where we consider what can go wrong. There are two elements to this process: concentration and valuation. As far as the former is concerned, we want to ensure a balanced portfolio. We can gauge how our selections are geared to disparate economic outcomes, which helps us recognise when the portfolio could become overly skewed towards one scenario – perhaps an over-optimistic one.

Valuation is where stock selection and risk management meet. We concentrate on where a company sits within its cycle: rather than focusing simply on price, we look at earnings too. We avoid investing when earnings are too high, not simply when the price relative to those earnings is too high. This helps us steer clear of companies whose profits are peaking and set to fall.

The pick of the banks

Banking stocks in general are attractive to us, but we consider **Barclays** (LSE: BARC) particularly compelling. The years of gruelling balance sheet repair are behind us and what is emerging is a franchise that we believe can generate decent returns in a relatively low-risk manner.

Investors remain reluctant to consider banking stocks, which has created a scenario where we struggle to find a greater divergence between the quality of a business and investors' perceptions of it.

Notwithstanding the current global crisis, we believe that **Euromoney Institutional Investor** (LSE: ERM) , a financial publisher and events organiser, is well positioned for the future given its recurring revenue streams coupled with sustainably high returns and exemplary balance sheet strength. The strong balance sheet is to be expected given that Euromoney is a capital-light business.

With regard to sustainability, Euromoney is a business where we can make a strong case that profitability could actually improve over the long term. Nevertheless, because a part of the business is involved in events, the shares have been marked down substantially recently.

"Building-materials group Breedon would benefit from a likely fiscal stimulus"

Finally, **Breedon Group** (Aim: BREE), a construction materials group whose products include specialist concrete and clay products, asphalt and aggregates, has a simple but hugely effective business strategy with predictable earnings power and a superb management team at the helm. Not only are quarries highly lucrative, but the company would also be a prime beneficiary of a likely fiscal stimulus resulting from the extreme economic slowdown.

If only you'd invested in...

Naked Wines (Aim: WINE) is an online wine retailer. It is headquartered in Britain and delivers across the country; it also has a presence in the US and Australia. With drinking on the rise during lockdown, investors have propelled the stock up by 204p since March 2020, returning it to the all-time highs seen in 2013. "It's no surprise that wine clubs previously dedicated to the online sphere have seen a substantial uptick in business," says Stacy Briscoe on Winemag.com. Nor that sales have climbed by 55% over the past 12 months.

Be glad you didn't buy...

Shares in **Whitbread (LSE: WTE)**, the owner of British hotel chain Premier Inn, have slipped by 53% from their 2020 high as the virus has forced it to close its doors and forfeit months of earnings. Whitbread was allowed to open its German hotels on 11 May, but lockdown uncertainty in the UK continues to depress the stock. "Even in the autumn, business is expected to pick up only gradually once physical-distancing restrictions are relaxed," says Sarah Butler in The Guardian. The group has warned that it might make no profits in 2020 and has launched a £1 billion rights issue.

©The Telegraph 2020

The god of tech tests the faithful

Masayoshi Son, the founder of Japanese tech giant Softbank, has had a bad crisis. He has bounced back before, and will do again, he insists. It wouldn't be the first time he's performed miracles, says Jane Lewis

In certain Japanese companies, founder-presidents are sometimes referred to as "*kamisama*", or "god", says the Financial Times. Not all deserve the title, but Masayoshi Son, the irrepressible founder of SoftBank, "has been Japan's archetypal *kamisama* for decades. He has led, inspired and been worshipped." To support the faithful, "Masa" has appeared to perform miracles – his early $20m investment in the Chinese ecommerce start-up Alibaba is now worth around $140bn and considered "among the greatest in tech history", for example. Which might help explain why – when unveiling the worst loss in SoftBank's history last week – Son compared himself to Jesus, noting that the Messiah was also "misunderstood and criticised" yet managed to bounce back. Time, he said, would show the value of his investments.

An extraordinary resurrection

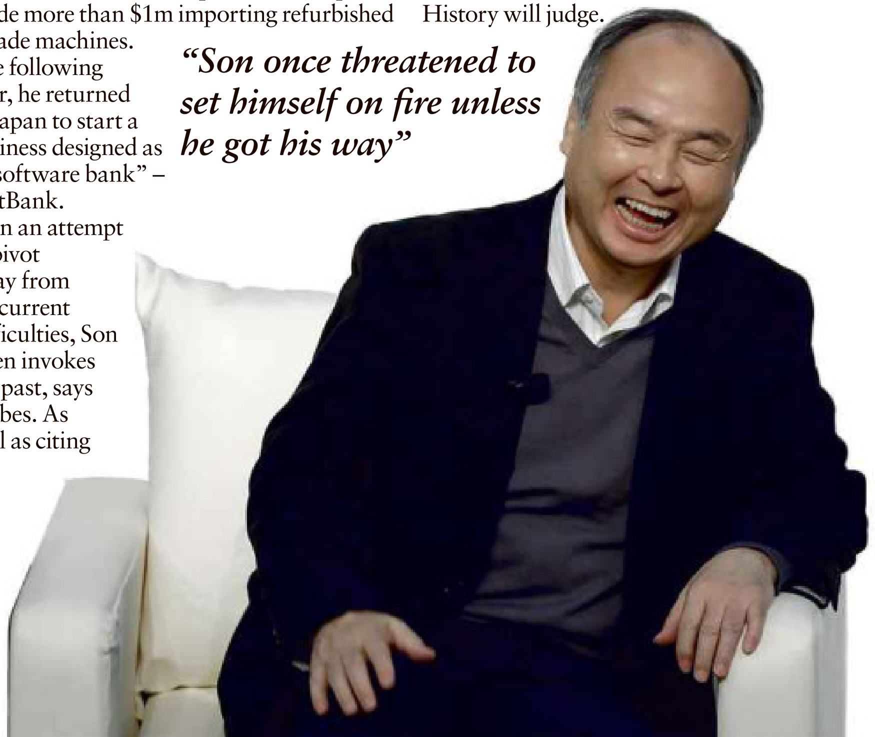
Son has always strived "to think big", says The Japan Times. In 2010, "he laid out SoftBank's strategy for the next 300 years". But his most ambitious project yet – the $100bn Vision Fund, conceived as a vehicle to propel SoftBank to the forefront of emerging technologies like AI and robotics – has been floundering. The fund has suffered some $18bn in losses, led by heavy blows to Son's flagship investments in tech firms such as WeWork and Uber. And while SoftBank itself is still very much alive and kicking (shares have rebounded 71% since their March lows), there are mutterings that Masa has lost his magic touch.

Son, 62, has "an unshakeable belief in his own convictions", says The New York Times: "He once threatened to set himself on fire in the offices of a Japanese telecom regulator unless policymakers gave him what he wanted". His stubbornness is perhaps a legacy of being born into a family of second-generation Korean immigrants and being bullied as a child.

The first big break came early, when Son took advantage of a study-abroad programme and flew to California aged 16 to attend college, says Forbes. From there, he transferred to the University of California, Berkeley, where he majored in economics and met his future wife. Clearly no slouch, he was already in the money by the time he graduated in 1980. After selling an electronic-translator patent to Sharp, he made more than $1m importing refurbished arcade machines. The following year, he returned to Japan to start a business designed as a "software bank" – SoftBank.

In an attempt to pivot away from his current difficulties, Son often invokes the past, says Forbes. As well as citing his Alibaba coup, he can also point to his extraordinary resurrection 20 years ago. No one made more riding the dotcom bubble via investments such as E-Trade and Yahoo – "for three days at the bubble's peak, Son has claimed he was the richest man in the world". And no one lost more. By the time the bubble burst SoftBank had lost 99% of its market cap. Yet, within a decade, he had earned his billions back. He thinks the same will happen this time around. Is he "the ultimate escape artist", preparing for his third act? Or just "a bubble chaser"? History will judge.

"Son once threatened to set himself on fire unless he got his way"



Great frauds in history… *a Marxist's money-making machine*

Belgian Jean-Pierre van Rossem (born 1945) was a star economics student at the University of Ghent, making money on the side writing other students' dissertations. He became a Marxist, then won a scholarship to study under Lawrence Klein, a Nobel Prize-winner who pioneered the use of computers to predict market fluctuations. Van Rossem later started his own company in the US, but went bankrupt financing a heroin habit and served time for fraud.

©Getty Images

What was the scam?

Upon release he returned to Europe, later claiming he intended to join the Baader–Meinhof Gang of far-left militants, but running off instead with the wife of a rich industrialist ("I decided to punish capitalism by taking his wife"). To finance her shopping habit, as he put it, he then set up in business as a stockmarket guru, founding MoneyTron, an investment firm that had a supercomputer able to predict market movements.

Where did he get that?

It's a mystery as nobody ever got to see the machine, which was kept behind a locked door. Van Rossem still attracted large sums from wealthy investors, including members of the Belgian royal family, by the simple expedient of appearing to be wealthy and successful. By 1989 he claimed the firm was managing $7bn in assets. In reality, he was running a Ponzi scheme, taking money from new investors to pay older ones and bankroll his own extravagant lifestyle. At one point he owned the Formula 1 racing team Onyx, a $4m yacht, two aircraft and 108 Ferraris.

What happened next?

Van Rossem's empire collapsed in 1990 after a $50m cheque to a French businessman bounced. He was later convicted of fraud and sentenced to five years in jail. "The good news is that there will be one capitalist less in the world, the bad news is that he is me," he said. Parliamentary immunity delayed his sentence until 1995, however: he was elected to parliament as a libertarian dedicated to making everyone rich and abolishing marriage and the monarchy.

Lessons for investors

As Van Rossem himself said: "If you show a million returns to millionaires, they no longer ask questions." Swindlers down the ages have known this truth. Be sceptical.

MoneyWeek
WINE CLUB

FREE UK delivery
Order today

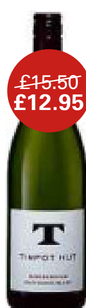
A stunning collection of wines

The wine trade is going through the wringer right now and, just like many other types of business, independent retailers and larger merchants are looking to online sales to try to keep themselves going. A lack of staff and testing working conditions are understandably slowing down orders to a snail's pace and I applaud all of the companies that are battling hard to keep great wines on our tables. I was supposed to host a wonderful 100 Best Australian Wines event at The Old Bridge Hotel, with my old pal and owner of this terrific set-up, John Hoskins MW, on the 26th April, but this, of course, had to be postponed. This makes May's MoneyWeek Wine Club selection even more timely because it is John's wine shop which has suggested these six awesome wines. I hope that MWWC fans load up this month because John is a mercurial talent and he is greatly respected in our business.

Matthew **Matthew Jukes**

- **All wines come personally recommended**
- **Exclusive discounts and FREE UK delivery**
- **No membership needed**

Prices shown below are per case of 12 bottles. Wines are also available in a 12 bottle mixed case (2 of each of the wines) and is **keenly-priced at £161.40, saving over £28 on the full price** - it's a chance for you to try them all, and is the most popular choice with *MoneyWeek* readers!



~~£15.50~~ **£12.95**

2019 Tinpot Hut, Sauvignon Blanc, Marlborough, New Zealand

It is fair to say that this brilliant winery has made some of the best value and most impressive Kiwi Sauvignon Blanc in the last few years. Never once tipping over into fruit salad notes and maintaining a healthy dose of cleansing minerality on the palate, this is a winery that understands this much-derided grape variety while respecting its Loire Valley origins. This is why Tinpot tastes so darn good – it is keen and nervy while making the most of the Marlborough sunshine to give it some gloss and allure. In short, this is a summer classic!

CASE PRICE: £155.40

~~£14.95~~ **£12.95**

2019 Ikigall, Gallina de Piel, Penedès, Cataluña, Spain

David Seijas, the man behind this amazing creation, was the Head Sommelier at three-Michelin-starred restaurant El Bulli, in Spain. I reviewed El Bulli for the Guardian back in 2002 and returned a second time seven years later with David looking after my table on both occasions. These were two of the most amazing gastro experiences of my life and he was the conductor! Ikigall is an astonishing wine; brittle and challenging, fleshy and generous on the mid-palate and then, at once, chalky and lip-smacking - you will adore this wine.

CASE PRICE: £155.40

~~£15.95~~ **£13.95**

2018 Gašper, Malvazija, Goriška Brda, Slovenia

I do not write up many Slovenian wines, but this 100% Malvasia Istriana will have me actively seeking more of these beauties out. Made just over the Italian border from the Friuli wine region and using an identical climate to capture the drama and freshness which makes Italian wines so compelling, this is a fragrant number but it never slips into overt soapiness. A grapey, ripe, juicy demeanour, yet a tension which tightens the bright, generous nose and sharpens it to a stiletto point. Its sleek flavours are epic with South-East Asian dishes.

CASE PRICE: £167.40

~~£14.95~~ **£12.95**

2017 Vinha Grande, Casa Ferreirinha, Douro, Portugal

A long term favourite of mine which I usually drink in Portugal - a regular holiday destination for the Jukes clan. We raid the supermarkets as soon as we arrive and do a tasting to determine which will be our favoured bottles for entertaining our pals during our hols. Vinha Grande is always in the mix. Made from Touriga Franca, Touriga Nacional, Tinta Roriz and Tinta Barroca, and rewarded with some time slumbering in French oak, this is a sensual Douro red and I find it is all too easy to demolish a bottle given its wonderful harmony and succulence.

CASE PRICE: £155.40

~~£17.50~~ **£14.95**

2017 Chianti Rufina, Fattoria Selvapiana, Tuscany, Italy

I have written up many wines from this stellar estate in this column over the years, but never this glorious estate wine which, again, I have to admit to drinking very regularly indeed at home. Coming from the finest winery in the Florentine environs this is one of the greatest value Chiantis of all time and, unlike almost all of the competition it always drinks well young. Joyous blackberry and spice fruit notes abound, with a snap of freshness on the finish which reminds you that Rufina is a region blessed with altitude. Sheer heaven in a glass, and you can even chill it a tad when the temperature rises.

CASE PRICE: £179.40

~~£15.95~~ **£12.50**

2016 Rioja, Crianza, Bodegas Lan, Spain

While I know Tinpot, Selvapiana and Vinha Grande well, the other three wines on this page are relatively new flirtations for me and Lan is another wonderful surprise. There is nothing more dreary than old fashioned, sweaty Rioja. Bodegas Lan seemingly polishes every single grape that goes into this wine because it is super-flash, brightly-fruited, bouncy and refreshing on the palate. This is a perfect Rioja for the summer months because it doesn't let tradition get in the way of enjoyment.

CASE PRICE: £155.40

Enjoy exclusive savings

PLACE YOUR ORDER NOW

www.moneyweekwineclub.com/may

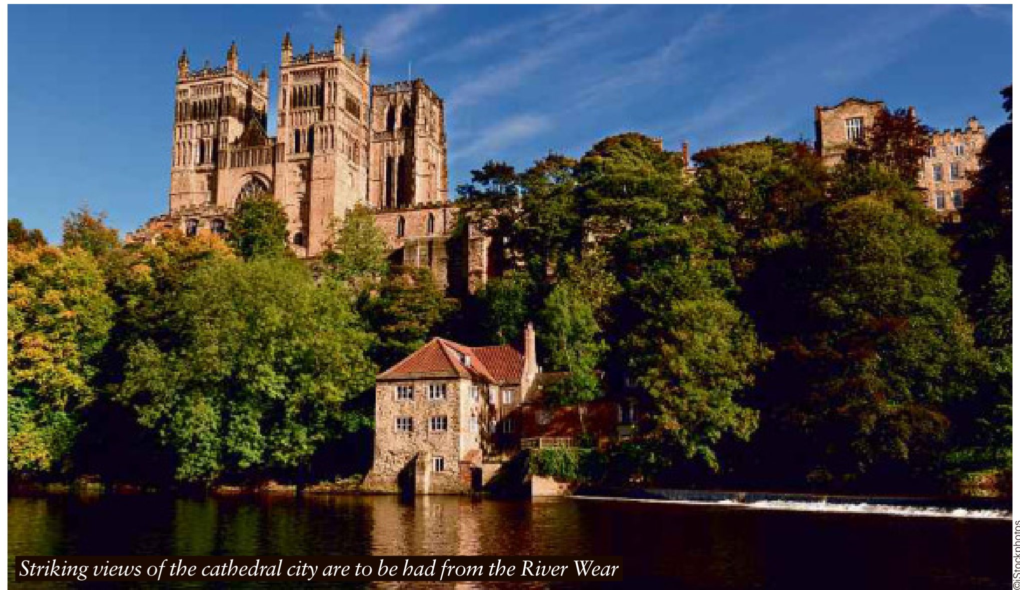
Or call The Old Bridge Wine Shop on 01480 458 410 and quote "MoneyWeek"

Terms & Conditions: Offer ends 3 July 2020. Free delivery is to UK mainland addresses only, Payment can be made by credit or debit card over the phone or online. Prices quoted are all inclusive of duty and VAT. Subject to availability.

Escape lockdown in a castle in Durham

When restrictions ease, the historic city will be a perfect spot to stretch your legs, says Matthew Partridge

I returned to Durham a few years ago, for a reunion at my old college, St Cuthbert's, and I'm pleased to say the city hadn't changed a bit. When the lockdown has ended, the historic city will be well worth a visit. Travel writer Bill Bryson, in his bestselling *Notes From a Small Island*, says that Durham is "the best part of the country, it should unseat London as the nation's capital… if you have never been to Durham, go at once. Take my car. It's wonderful." I'd take his advice.



Striking views of the cathedral city are to be had from the River Wear

©iStockphotos

A stroll through the city

Durham is architecturally dominated by its cathedral, which houses the relics of Saint Cuthbert, the patron saint of Northumbria. Regarded as one of the finest examples of Norman architecture in Europe, the cathedral was declared a World Heritage Site by Unesco in 1986, along with Durham Castle. The castle, which was originally built on the orders of William the Conqueror, was given to Durham University at its foundation, and is open to the public for tours.

The city is small enough to stroll through in an afternoon, and an enjoyable stroll it is too, with its mix of Georgian and Victorian architecture. The River Wear, which bisects the city, is a good spot for getting your bearings and for striking views of the city – either from one of the three bridges that cross the water or from a rented rowing boat or pleasure cruise. The remains of Finchale Priory, which was an important religious centre until Henry VIII's dissolution of the monasteries, are worth visiting too – they are only four miles from the city centre.

A bit further afield, the Beamish "living museum", an authentic recreation of a mining village at the turn of the 20th century, makes for a good day out too. Local stately homes include Auckland Castle, and lovers of fine art should head for Bowes Museum, just 30 miles away.

Where to stay

There are several outstanding hotels in Durham itself. The hotel chain Radisson Blu, for example, has an upmarket, four-star establishment in the city with views of the River Wear. Or there's the Indigo, a quirky four-star hotel in a magnificent Victorian-era building that was once Durham University's administrative centre.

> *"Durham is the best part of the country, it should unseat London as the nation's capital… If you have never been… go at once. Take my car. It's wonderful"*

A bit further out, nearby Sedgefield is home to the Hardwick Hall hotel, which is regarded as the area's premier luxury hotel. Dating from the 17th century and adjoining Hardwick Country Park, it boasts spacious, well-decorated rooms – the Celebration Suite has its own lounge and garden. The restaurant has a very good reputation and is worth visiting for high tea even if you are staying elsewhere.

Alternatively, consider a stay in one of the two state rooms at Durham Castle. The Chaplain's Suite has a double bedroom, bathroom and sitting room, with room for additional guests, and costs £200 a night. The real jewel in the crown, though, is the Bishop's Suite, which has a four-poster bed and elegant 17th-century tapestries.

Wine of the week: five exquisite creations from Burgundy

2018 Saint-Romain, Sous le Château, Domaine Henri & Gilles Buisson, Burgundy, France
£39, reduced to £34 for MoneyWeek readers, swig.co.uk

Matthew Jukes
Wine columnist

My old pal Robin Davis from wine merchant Swig told me he had found an absolute gem of a line-up from Burgundy and asked if I would like a look. Not one, but five bottles appeared on my doorstep. Three were 2018 Saint-Romains and two were Corton Grands Cru – true to form, Robin has found five exquisite creations. The entire quintet has made the cut and you simply must taste them all.

The 2018 Saint-Romain La Perrière and 2018 Saint-Roman Sous La Velle, both £32 (from £36), and my headliner Sous le Château, are all epic examples of 2018s. They are not too fat, too oleaginous or too forward, but dramatic, lustrous creatures with amazing firmness of acidity and joyous, layered fruit. The oak element in each is subtle and supportive, and at these prices they are all incredible value, too. Sous le Château is the fullest of the trio and La Perrière the most balletic, but I would urge you to buy all three – they show that, in warmer vintages, lesser-known villages tucked away in the Côte d'Or make far more scintillating wines than those that lounge around in the sun all day.

The same goes for the two reds: 2018 Corton, Grand Cru Les Renardes, £70 (from £75), and 2016 Corton, Grand Cru, Le Rognet-et-Corton, £70 (from £75). These are two of the finest Cortons I have tasted this year, not excepting DRC's 2017 Corton, which is 15 times the price!

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

This week: properties with outdoor sports facilities – from an 18th-century Cumbrian farmhouse with a tennis cou

▲ **Linden Farm House, Langwathby, Penrith, Cumbria.** A Cumbrian farmhouse dating from the 1780s with extensive grounds that include an all-weather tennis court. The house has wood-burning stoves and a newly fitted kitchen with an Aga oven. 5 beds, 2 baths, 5 receps, paddock, lake, 9.5 acres. £850,000 Finest Properties 01434-622234.

▶ **Yeaton Hall, Walford Heath, Shrewsbury, Shropshire.** A Grade II-listed Georgian country house with landscaped gardens that include a tennis court, a woodland walk with wildlife pond, and a walled vegetable garden. 7 beds, 4 baths, 3 receps, 2 cottages, cobbled courtyard with stabling, 13.5 acres. £2m Strutt & Parker 01743-284200.

▶ **Oakfield, Wimbledon, London.** A detached property close to Wimbledon Common. It was originally designed by Baillie Scott, a renowned architect famous for his Arts & Crafts style. It retains many original features, including the fireplaces and oakwood staircase. The landscaped gardens include a tennis court and have an irrigation system. 6 beds, 5 baths, 6 receps, conservatory, indoor pool. £4.75m Savills 020-8971 8111.

rt to a modern house with a croquet lawn and boules court in Dorset

◀ **New Pale Lodge, Manley, Chester.** A cottage with views of Delamere Forest and mature gardens that include a large York-stone terrace leading down to an outdoor heated pool and a sheltered artificial-turf tennis court. 6 beds, 4 baths, 3 receps, dining kitchen, pantry, orangery, study, 2-bed lodge, garaging, stable blocks, workshop, 2 summer houses, rockery garden with pond, railed paddocks, gardens, grounds, 11.32 acres. £3m Jackson-Stops 01244-328361.

▶ **Cawdreys Farm House, Sunton, Collingbourne Ducis, Wiltshire.** This Grade II-listed, 18th century property has a heated outdoor pool and tennis court with family room. 5 beds, 3 baths, 2 receps, 1-bed cottage, games room, stables, gardens, paddocks, 4.68 acres. £1.35m Knight Frank 01488-682726.

▲ **Meadowside, East Stour, Shaftesbury, Dorset.** A modern house surrounded by landscaped gardens that include a croquet lawn and a boules court. The house has floor-to-ceiling windows and a sitting room with views of the gardens. 5 beds, 4 baths, recep, dining kitchen, snug, butler's kitchen, laundry, 2 cloakrooms, garage, gardens, 5 acres. £1.875m Hamptons International 01722-480142.

◀ **Ward House, Ellel, Lancaster.** The original stone farmhouse was bought by Sir Lancelot Sanderson in 1894, who created a gentleman's residence surrounded by landscaped gardens with a stream and a 100-metre archery lawn. 4 beds, 2 baths, 3 receps, conservatory, butler's pantry, cloakroom, cellars, 2 garages, outbuildings, summer house, walled gardens, stream, bridges, 1.69 acres. £650,000 Fine & Country 01524-380560.

▶ **Horsmanshoad, Bolney, Haywards Heath, West Sussex.** A grand country house with parkland gardens and views of the South Downs. It has a swimming pool with bifold doors leading onto a sun terrace, a walled garden and a hedge-lined tennis court with pavilion. 9 beds, 6 baths, 4 receps, fitted bar, triple garage, games room, 2-storey office, tack rooms and stables, art studio, range of outbuildings, summer house, walled gardens, 2 bespoke greenhouses, 23 acres. £5.95m Strutt & Parker 020-7318 5025.

Four of the best barbecues

Lockdown rules mean no guests, but you can still enjoy the sunshine with an outdoor feast, says Jasper Spires

A great all-rounder

The **Weber Genesis II** is a popular all-round model, gives you plenty of cooking space and is "probably the best you can get", says Joseph Green in Mashable. It features porcelain-enamelled "flavouriser bars", designed to create a barbecue taste while protecting the burners from juices or grease. There are two side tables for keeping your utensils close, hooks to keep them tidy on the back, and a front-mounted control panel that allows for easy use. It'll set you back £1,179, but all the features might just make it worth it. *johnlewis.com*

A favourite of foodies

Kamado cookers impart a "delicious smokey flavour to everything they cook", says Brian Bennett on Cnet, and are perfect for creating "true steakhouse steaks and wood-fired pizzas". The **Big Green Egg** is the best all-rounder. It pretty much runs itself and, as the name suggests, it is big, "giving you lots of space to grill, smoke and cook to your heart's desire". There's a reason it is loved by Michelin-starred chefs and foodies. *From £1,045, biggreenegg.co.uk*

A portable barbie for a picnic

Heston Blumenthal's **Everdure Cube** is essentially a metal box that you put charcoal in, but the stylish and highly impressive portable barbecue remains a best buy, says Derek Adams in T3. The walls are raised an inch above the grill so your sausages won't roll off and there's a heat guard fitted to the bottom so it won't scorch the grass or ruin the patio table. This is a "proper barbecue that is also properly portable", unlike some of its heftier rivals, and is perfect for a romantic picnic for two. *£149, johnlewis.com*

The best for smoked meats

Bring your local steakhouse home with the **Traeger Timberline 850**. "The barbecue uses wood pellets to fire up the heat and allows you to smoke, slow-roast and grill your food for an authentic smokey barbecue flavour," says Luke Edwards on Ideal Home. It is accompanied by a smartphone app, which is filled with hints and tips on how to cook a selection of recipes. The barbecue is excellent for smoking meats, and the electrically-powered auger keeps the unit at a steady 180°C until the meat probe signals the food is cooked. £1,999, *thebbqshop.co.uk*

Oenophiles sniff opportunity

The lockdown has seen wine lovers rush online, says Chris Carter

It has never been easier to buy fine wine without ever seeing it, let alone tasting it. And with most of us stuck at home, there has rarely been so much time in which to do it. It's little wonder, then, that so many wine enthusiasts and collectors are turning to the internet in order to carry on indulging in their hobby.

That has been the experience of family-owned business Octavian (octavian.co.uk). Its vast wine cellar in Corsham, Wiltshire, has seen a keen uptake of its new MyCellar wine portal, launched last week, with a quarter of its customers logging on in the first few days. Around 250 items were for sale over that period, worth a collective £250,000.

It can make good tax sense to invest in wine

Wine tastings by Zoom

"We know that many people have a little more time on their hands right now and may be interested in enjoying their wine collection," says Vincent O'Brien, Octavian's managing director. The new portal allows collectors to access information on the wines, share tasting notes and even track the value of their vinous investments. "Virtual wine tastings via platforms such as Zoom are having their moment and we are confident that the MyCellar portal's more socially-orientated features will help raise spirits as collectors record their drinking experiences and share tasting notes," says O'Brien.

Octavian's cellars are huge, covering an area roughly equivalent to 11 full-sized football pitches. It needed to be big. The cellars, a former mine, served as munitions storage in World War II. For 30 years, it has stored fine wines in a carefully controlled environment so that they don't deteriorate under light and heat, for example.

Liv-ex (liv-ex.com), a business founded in London by two stockbrokers in 2000, has offered an online "global marketplace for the wine trade" for a while. And its spin-off, Cellar Watch (cellar-watch.com), offers users a real-time view on the wine trade, as well as the ability to access information and track prices. So what is Octavian bringing to the party that's new?

One of the most exciting features of Octavian's new online portal is the "Exchange". "The main differences [with Liv-ex] are that customers are able to trade directly with one another, not having to physically move assets from Octavian's storage conditions and secure custody," Octavian tells MoneyWeek. "Octavian is also the only one that shares the storage history with the buyer, giving more information on the wine and a higher level of authority."

So, while "Liv-ex membership is for wine professionals only", as Liv-ex states on its website (although anyone can pay to access its data and analysis), Octavian allows collectors and wine enthusiasts to buy and sell to each other – and "that may include some retail investors".

It can make good tax sense to invest in wine. You can buy and sell your wine "in bond" through Octavian, meaning you avoid paying VAT and duty (if you succumb to your urge and later decide to drink it, those taxes will have to be paid). Not everybody brings wine onto the Exchange that is "in bond", but "the majority of people do", says Octavian. It's something to be aware of as you trade from your sofa.

Auctions

Going...

In the last few weeks, collectors have been ravenous for "all things [Michael] Jordan", with auctions setting records and apparel "flying off shelves", says the Chicago Tribune. That has been fuelled by a recent critically acclaimed Netflix mini-series, called *The Last Dance*, which looks back at the career of the legendary basketball player. One of the highlights of Jordan's long-running career was the last-second game-winning shot that saw his team, the Chicago Bulls, beat the Cleveland Cavaliers in 1989. Basketball fans remember it as simply "The Shot". The hoop and backboard from that moment sold on Sunday with US-based Heritage Auctions for $18,000, including the buyer's premium.

Gone...

That, though, is nothing compared to the record $560,000 paid for a pair of Michael Jordan's trainers as part of an online sale with Sotheby's this month. The red, white and black Nike Air Jordan 1s, worn and signed by Jordan, had been created for the basketball star at the start of his career in 1985. Nike had hoped to tempt Jordan into signing a sponsorship deal with the shoes.

It worked. The shoes made $126m in sales in their first year, according to Jordan in *The Last Dance*. "These are the most iconic and coveted sneakers of all time," says the seller, Jordan Geller. Last year, Geller set the previous auction record for a pair of trainers when the prototype for the Nike Moon Shoe sold for $437,500.

©Cask Trade; Octavian; Sotheby's

New ways to profit from a love of whisky

Investing in whisky has also never been easier from the comfort of your home, even when it's still in the cask. Whisky Invest Direct (whiskyinvestdirect.com) is a platform that was launched five years ago by the people behind popular gold and precious-metals dealing service BullionVault. Users simply log on and buy whisky that is still in the barrel and kept in the original distiller's bonded warehouse. The idea is that, as it slowly ages, and other whiskies get consumed, your whisky appreciates in value. Then, you sell it via the platform. Just like on BullionVault, there is a live order board that allows you to set your own asking price.

Another option is to buy and sell whisky by the cask via an online auction. In February, Cask Trade's (casktrade.com) newly launched auction service, called auctionyourcask.com, held the world's first live, online whisky auction dedicated to casks. Around 300 whisky lovers registered to take part, with roughly 100 samples sent out to prospective buyers in North America, Asia, Europe and Australia.

"People loved the option of receiving samples," founder Simon Aron said. "Try before you buy is incredibly powerful." A 1995 Springbank sherry hogshead was among the casks sold, going for £45,000. Rather than you buying from the distiller, London-based Cask Trade owns the casks outright in bonded warehouses, and it only sells whole casks. The next auction is scheduled for 17 July.

Mr Bean's botched invasion

A desperate attempt to remove the Venezuelan president ends in farce

As get-rich-quick schemes go, it was complicated, says The Guardian. "Invade a foreign country you know little about. Abduct its president to the US. Collect a $15m bounty from the US government – and maybe an even bigger payoff from the people who then seize power." Yet desperate times call for desperate measures, and the plan must have seemed convincing to Juan Guaidó, head of the National Assembly of Venezuela, and recognised as the legitimate president by most Western democracies.

The "Bay of Piglets" – a propaganda victory for Nicolás Maduro

©Getty Images

> *"As get-rich-quick schemes go, it was complicated. Invade a foreign country. Abduct its president. Collect a $15m bounty"*

Guaidó had already tried "all legal means" of ousting Nicolás Maduro, "including piracy laws", and a botched coup attempt last year. Representatives of Guaidó therefore turned to "security consultants" to see if they could do the job. The fees for such consultants seemed "astronomical" – up to $1.5bn – until they came to Jordan Goudreau. He promised success for a fraction of that sum, and already had "800 men ready to invade".

007 presents his bill

Goudreau had served in Iraq and Afghanistan before leaving the US military to found a security contractor, Silvercorp USA, which has provided private security for Trump rallies. He promised he could overthrow Maduro and "bundle him off to Florida to face drug trafficking charges", all for the relatively modest sum of "$213m from Venezuela's future oil earnings and a $1.5m retainer". Talks between exiles and Goudreau – whose private email address includes the number 007 – progressed to the point where they signed a detailed "exploratory" contract last October, says The Economist. This promised that Goudreau's company would receive monthly instalments "averaging $14.8m for a 495-day mission", be granted "preferred-vendor" status with the government of a liberated Venezuela and be entitled to "14% of the value of any art, cash and gold it seized". Goudreau says Guaidó approved the plan and has shown the media his signature on a contract. Guaidó denies it. The exiles say they ended the contract in November when relations between the two camps broke down. Goudreau went ahead with the operation anyway, perhaps enticed by bounties offered by the US.

Goudreau's scheme may seem like "something out of a Hollywood script", but its execution was more Mr Bean than James Bond, says The New York Times. Colombian authorities seized a cache of weapons intended for the operation; the former officer who was to lead them was arrested and indicted by the US government on drugs charges; Goudreau himself was prevented from joining the operation by coronavirus restrictions. Those remaining were apprehended in raids by Venezuelan forces as they approached the coast in two boats, resulting in the deaths of eight – and a propaganda victory for Maduro.

"I'm out a lot of money, a lot," Goudreau has said. Long-suffering Venezuelans are out too. "For all the US bluster and sanctions, there is no end in sight to Venezuela's economic travails or its lack of democracy and rule of law," says Jon Lee Anderson in The New Yorker. "The Trump era's 'Bay of Piglets' won't bring it any closer."

Quintus Slide

Tabloid money... real men drink pink

● Actor Steve Coogan "is the worst kind of champagne socialist", says Jan Moir in the Daily Mail. For decades, Coogan (pictured) has "presented himself as an absolute darling of the Left; the kind of raging lefty who cares more, understands more, feels more and simply knows more than you do". So much for that! Despite his £10m personal fortune, he has furloughed the gardener and housekeeper at his £4m country home in Sussex. "His gardener and housekeeper!" Surely, this isn't what Chancellor Rishi Sunak had in mind when he announced the furlough scheme at the start of the pandemic to protect jobs and incomes. Is it right that rich people, such as Coogan, should use taxpayers' money rather than their own to pay their domestic staff? "No, it is not. It's outrageous."

● "Nothing sums up this country's recent history better than an appeal to Brits to pick fruit and veg because we're short of foreign workers," says Brian Reade in the Daily Mirror. And nothing better sums up its long-term history than "Prince Charles leading the appeal because he needs serfs to work his estates or his profits will wither". He pockets millions every year from his Duchy of Cornwall estate, yet his Clarence House website states he is "a farmer himself". Yeah, right. "The toughest thing he has to pick… is which one of the three boiled eggs, cooked to different consistencies, he wants for breakfast." He should look to his family first. "Our fields may need the jobless royals working them if recent efforts to plug the gap caused by tens of thousands of EU labourers staying away from post-Brexit Britain is anything to go by."

● Sales of rosé have "skyrocketed by a massive 400%" in the past week, says Jeremy Clarkson in The Sun. Many people think it can only be drunk at lunchtime on a hot summer's day. Nonsense. "It also works well when it's raining, foggy, windy, drizzling, cloudy or cold… I even took a case to the North Pole." "Some call it lady petrol, saying it's a girls' drink… But that's not so. Brad Pitt loves it. And the best sort is Léoube. Which is made by the family that also makes JCB diggers. So there you are. Real men drink pink." But best of all, if you drink rosé, wine lovers "won't bore you to death about the claret they had last night and how it had high notes of hot handbags in a Bovril factory". It's wine without the snobbishness.

©Getty Images

Bridge by Andrew Robson

Crossroads time

West cashed the Ace of Spades and continued "safely" with a second Spade (although this was to prove fatal). Plan the play in your Six Heart slam.

Dealer North — North-South vulnerable

North: ♠ KJ ♥ AK ♦ AJ952 ♣ QJ98

West: ♠ A9742 ♥ 10 ♦ 843 ♣ K1032

East: ♠ Q10853 ♥ 972 ♦ Q76 ♣ 64

South: ♠ 6 ♥ QJ86543 ♦ K10 ♣ A75

The bidding

South	West	North	East
		1♦	pass
1♥	1♠	3NT*	4♠
6♥	pass	pass	pass

* Not strictly balanced, but this rebid shows the strength of North's hand plus his Spade stopper.

Declarer sought to set up Diamonds and so avoid the Club finesse (which he expected to lose as West needed something for his overcall, whereas East needed precious little for his sacrificial raise). After winning dummy's King of Spades and discarding a Club from hand, declarer crossed to the King of Diamonds, returned to the Ace, then ruffed a Diamond (with the eight, not expecting to get overruffed after East's Queen of Diamonds popped up). He then crossed to dummy's King of trumps and noticed the fall of West's ten.

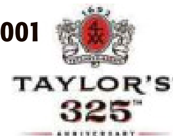
It was crossroads time. If West's ten of trumps was singleton, declarer needed to play a winning Diamond. He could overruff East, return to dummy's Ace of trumps (drawing East's last trump), then discard his second Club loser on the fifth Diamond. However, if the trumps were two-two, declarer needed to cash a second trump and then enjoy a Diamond winner.

Playing the ten of Hearts to be a true card (ie, singleton), declarer led a Diamond without playing a second trump. Slam made.

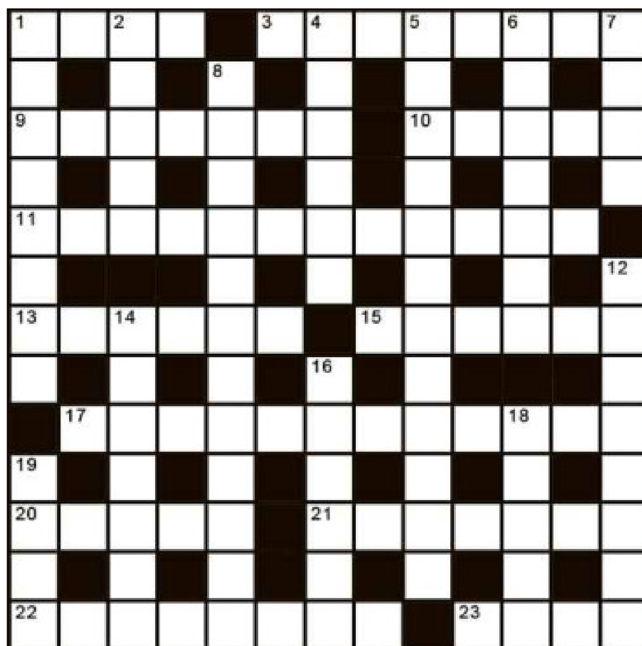
If West had switched to a trump at trick two, removing a dummy entry prematurely, the above line would have failed and only an unlikely Diamond to the ten at the next trick would have prevailed.

For Andrew's new daily BridgeCasts, go to patreon.com/andrewrobsonbridge

Tim Moorey's Quick Crossword No. 1,001



A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 8 June 2020. Answers to MoneyWeek's Quick Crossword No. 1,001, 31-32 Alfred Place, London, WC1E 7DP.



Across clues are mildly cryptic whereas down clues are straight

ACROSS

1 Cut of meat prepared promptly? Not half (4)
3 Widespread complaint upset mid-piece (8)
9 Royal Engineers exhausted – not working (7)
10 Host with a military honour one's heard (5)
11 Widest afloat at sea number 88! (3, 3, 6)
13 What's bordering on indecent Boris queried internally (6)
15 Frank sharpens act in the end (6)
17 One with lager drunk here? (8, 4)
20 Sadie unusually showing so long (5)
21 Top Ten for the Killers? (3, 4)
22 What pate, potage and prosciutto have in common (8)
23 Man by the way shortly to get a group of animals (4)

DOWN

1 Museum custodians (8)
2 Perform better than (someone) (5)
4 Small pool of water (6)
5 Powerful battleships (12)
6 Large knife (7)
7 Principal cook (4)
8 Game involving prize searches (8, 4)
12 Gave evidence formally (8)
14 Endurance (7)
16 A musical stringed instrument (6)
18 Shade of green (5)
19 Speaker's platform (4)

Name

Address

Solutions to 999

Across **1** Clothes **5** H-bomb **8** Refer **9** Ongoing **10** Sin **11** Intestate **13** Emergency call **15** Lambrusco **17** Aid **19** Puccini **21** Kyoto **22** Elope **23** Kittens.

Down **1** Corps *homophone* **2** Offence *of fence* **3** Harbinger *har(d) binger* **4** Shooting stick *cryptic def* **5** Hog *2 defs* **6** Ouija *oui ja* **7** Big deal *2 defs* **12** Sky-rocket *Sky rocket* **13** Ellipse *anag* **14** Abalone *a B alone* **16** Macho *hidden* **18** Dross *R in doss* **20** Ike *hidden.*

The winner of MoneyWeek Quick Crossword No. 999 is: Alan Wilson of Poole.

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

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

Sudoku 1,001

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

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.

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

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.

Here comes the flood

Everyone knows the dam is busted. Will the feds be able to bail us out?

Bill Bonner
Columnist

Don't worry – Dr Feelgood is on the case

Necessity may be the mother of invention. But it is the deadbeat dad of intervention, too. The authorities use "necessity" to meddle, control, tax and spend. They are like quack doctors, promising fantastic elixirs that will grow hair on a billiard ball. When the patients get worse, they come up with even quackier remedies – such as printing $10trn in fake money.

Yes, dear reader, welcome to the feds' treatment centre, where they're prescribing Clorox Chewables for the economy. Just take as directed… and die! The S&P 500 is trading near the top of its range. Yet anticipated earnings are going down, not up. Go figure.

What we figure is that stock prices reflect not anticipated earnings, but intervention. That is, stockmarket speculators know Dr Feelgood is on the case. And they're betting that the worse the ailment gets, the more funny-money he'll administer, much of which will go into the stockmarket. US Federal Reserve chairman Jerome Powell (pictured) says as much: "[We will] use our tools to their fullest until the crisis has passed and the economic recovery is well under way."

"The feds are prescribing Clorox Chewables. Just take as directed and die!"

The "recovery" is a long way off – and everybody knows it. Everyone knows the dam is busted. Now, we await the flood. At least, that's what the Federal Reserve Bank of Atlanta expects. Its "nowcast" for the US economy is showing a drop in GDP of 42.8%, based on second-quarter readings. The Congressional Budget Office sees GDP falling 38% on an annualised basis. The total loss of GDP during the three darkest years of the Great Depression was 28%.

One survey has shown that about half of all US small businesses said they might be out of business within six months. Already, the National Bureau of Economic Research says 100,000 small and medium-sized businesses will give up the ghost. And one quarter of all restaurants say they will never reopen.

Included in the second-quarter GDP numbers are huge declines in manufacturing and retail, not to mention leisure and hospitality. The former could be cut in half before this crisis passes. The latter – based on airline ticket sales and restaurant reservations – is down as much as 90% or more. And look at unemployment. More than 36 million people have applied for unemployment benefits in the US – the biggest deluge of joblessness in history. This is more than twice the number of people unemployed during the Great Depression.

As a percentage of the workforce, it is about even. But some data nerds – such as those at the Federal Reserve Bank of Chicago – put the actual number even higher, as high as 30%. ShadowStats says real unemployment is as high as 36%. Another study figured that 42% of the job cuts will never be restored.

This is all very bad news. Count on the feds to make it worse.

The bottom line

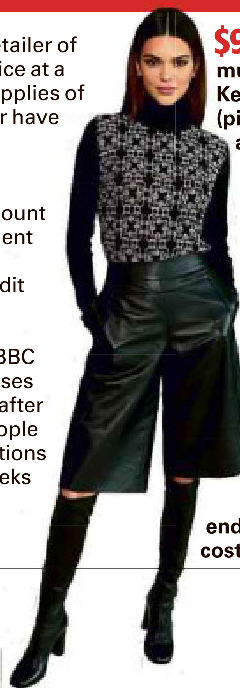
£742.6bn The combined wealth of the 1,000 entries in The Sunday Times Rich List this year, a 3.7% fall on 2019's total. You would have needed to have at least £120m to your name to make the list, the same amount as last year.

£43m The value of the Archer supercomputer at the University of Edinburgh, one of many supercomputers around the world that have had to be shut down after coming under attack from cyber criminals wanting to exploit their immense processing power to "mine" for (create) cryptocurrency. Archer had been used for modelling the coronavirus pandemic.

16.8 The percentage of UK income, including taxable capital gains, received by the highest paid 1% of British earners in 2017-2018, according to analysis from Warwick University, the London School of Economics and the Resolution Foundation think tank.

£11.50 The price of a 500ml bottle of Belux Instant Hand Sanitizer at Marks & Spencer. Customers have taken to social media to accuse the high-street retailer of raising the price at a time when supplies of hand sanitiser have run short.

£1.5bn The estimated amount lost to fraudulent claims for Universal Credit during the pandemic, according to BBC News. Processes were relaxed after 1.5 million people made applications in the four weeks to 9 April – six times more than normal.



$90,000 How much model Kendall Jenner (pictured) has agreed to pay investors in the 2017 Fyre Festival in a settlement over an Instagram post promoting the music event, for which she was reportedly paid $250,000. The festival, which was eventually cancelled, ended up being a costly disaster.

Editor-in-chief: Merryn Somerset Webb
Executive editor: John Stepek
Editor: Andrew Van Sickle
Markets editor: Alexander Rankine
Comment editor: Stuart Watkins
Politics editor: Emily Hohler
Digital editor: Ben Judge
Wealth editor: Chris Carter
Senior writer: Matthew Partridge
Editorial assistant & writer: Nicole Garcia Merida
Contributors: Bill Bonner, Ruth Jackson-Kirby, Max King, Jane Lewis, Matthew Lynn, David Prosser, David Stevenson, Simon Wilson

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

Founder: Jolyon Connell

Senior account manager: Joe Teal (020-3890 3933)
Group advertising director: Caroline Fenner (020-3890 3841)
Chief customer officer: Abi Spooner
Publisher: Kerin O'Connor
Chief executive officer: James Tye

Subscriptions
Email: subscriptions@moneyweek.co.uk
Web: MoneyWeek.com/contact-us
Post: MoneyWeek subscriptions, Rockwood House, Perrymount Road, Haywards Heath, West Sussex, RH16 3DH.
Subscription costs: £109.95 a year (credit card/cheque/direct debit), £129 in Europe and ROW £147.

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. MoneyWeek Ltd 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, 31-32 Alfred Place, London WC1E 7DP
Tel: 020-3890 4060. Email: editor@moneyweek.com.

MoneyWeek is published by MoneyWeek Ltd. MoneyWeek Ltd is a subsidiary of Dennis Publishing Ltd, 31-32 Alfred Place, London, WC1E 7DP. Phone: 020-3890 3890.

© Dennis Publishing Limited 2020. All rights reserved. MoneyWeek and Money Morning are registered trade marks. 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 2020
ISSN: 1472-2062
•ABC, Jan –Jun 2018: 43,933

AGT
AVI GLOBAL TRUST

ACTIVELY MANAGED. DESIGNED TO PERFORM.

Sparking change
to deliver value.

We look for quality assets with growth potential trading at a discount with an identifiable catalyst for narrowing the discount. We engage actively with management, directors and shareholders to seek an exit opportunity at a tighter discount. Discount contraction is key, and we look to be a dominant shareholder to instigate change.

The universe of listed closed-end funds is a rich and diverse one, with almost 300 investable funds in London alone, of which approximately 200 are on a discount. We look for a number of qualities when we consider a closed-end fund as an investment. Most importantly, we look for diversified portfolios of high-quality assets (both listed and unlisted) with good growth potential. Our portfolio of closed-end funds gives us exposure to a number of quality companies, such as: Starbucks, Berkshire Hathaway, Time Out, Essilor Luxottica, Nestle, Minor International, Centauro, Lowe's and many more.

We also focus to a great extent on the discount to NAV at which the closed-end fund under consideration trades. In a nuanced distinction from holding companies, we insist on a high probability of the discount narrowing or vanishing entirely before we will consider making an investment. This would predict that a greater proportion of our returns should come from discount narrowing – and we find this to be the case.

Historically, our portfolio of closed-end funds has generated over one-third of its returns from discount narrowing.

DISCOVER AGT AT WWW.AVIGLOBAL.CO.UK

Past performance should not be seen as an indication of future performance. The value of your investment may go down as well as up and you may not get back the full amount invested. Issued by Asset Value Investors Ltd who are authorised and regulated by the Financial Conduct Authority.

AVI
Asset Value Investors