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MoneyWeek

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Easy money

How technology will change global banking

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14 January 2022 | Issue 1086

Britain's best-selling financial magazine

From the editor-in-chief...

It's finally happening. For a few years we've been looking at the valuation gulf between "growth" and "value" stocks and wondering when it might close. This distinction is silly in some ways – presumably everyone who buys a growth stock thinks they are buying for less than it is worth, and thus getting value. But it's still a reasonable way to divide up stocks if you want to explain the last few years – everything offering excitement, a good story and potential for fast growth has been bought pretty much regardless of price. Everything a bit staid, old hat or out of fashion has been ignored – again pretty much regardless of price.

This week things look a little different. In the last six weeks or so value has beaten growth by around 10%, the Nasdaq has been more often in the red than not, and 40% of shares in the index are 50% off their one-year highs, with those that aren't profitable doing the worst (see page 30). For a hint of just how bad things are for believers in speculative tech investment, look to ARK Invest's flagship exchange-traded fund (ETF). It's down 15% this year alone. Confidence seems to be falling even among the management of the stocks it holds: "insider sales in these companies have been... well above historic norms" in recent months, reports the Financial Times.

Meanwhile, shares in companies that many have dismissed as being in long-term structural decline have been rising (see page 16). Shell is up nearly 6% year-to-date and 23% in the last six months. The great rotation might actually be upon us. There are many implications to this – not least the fact that we will, I think, all turn out to own many more growth ("long duration") stocks than we know: having performed so well for so long, they dominate most passive and active portfolios. But one interesting effect might be on the environmental, social and governance (ESG) bandwagon.

Nuclear power: the only way to oust fossil fuels fast

©Alamy

"The great rotation from growth to value might actually be upon us"

Bad news for ESG

The great bull market in exciting stories has been fabulous for stocks that it's easy to justify holding in any ESG portfolio – and not so fabulous for anything a bit grubby that is harder to make excuses for. So you will have heard plenty about how ESG portfolios at best outperform non-ESG ones and at worst perform much the same (the do-goodery comes for free). That reassurance has been one driver behind the shift into funds with an ESG bent: 75% of the money flowing into funds in the UK last November went into some kind of responsible fund, according to the Investment Association.

But what will happen now? As JPMorgan notes, much of the ESG difference came from renewable energy stocks outperforming old energy stocks. If traditional energy now outperforms, do-goodery will no longer come for free. Indeed, 2022 might be the year we find out that the main driver of long-term returns is not stories, greenwash, or feelings – but the price you pay. The lower the better. Luckily, there are still some investments you can buy at what looks like a bit below the right price. On page 32, Luke Hyde-Smith (who'll be on the podcast soon) looks at assets to hold in a negative real interest-rate world. On page 26 we look at some investment trusts trading on a discount (one is Temple Bar – whose managers discuss their top picks on this week's podcast). Finally, uranium – if anything can oust fossil fuels quickly, it'll be nuclear. You may want to invest while the rest of the market is getting used to the idea.

Merryn Somerset Webb
editor@moneyweek.com

PR disaster of the week

One of the UK's largest energy suppliers has apologised for suggesting that customers should "cuddle with your pets" or try "doing a few star jumps" to stay warm in this winter's energy crisis, says BBC News. SSE Energy Services, which is owned by Ovo Energy, posted the tips on how to cut bills on its blog and sent them to customers. Other suggestions included "challenging the kids to a hula-hoop contest", "open your curtains when it's sunny" and "keep your oven open after you've finished cooking – just be careful if there are pets or small children around". Energy prices have risen sharply in recent months and bills could surge by up to 50% (more than £700 extra per year for the average household) when the current level of the price cap increases in April.

Cover illustration: Howard McWilliam. Photos: Getty Images; iStockphotos; Lego

Good week for:

Sales are soaring at luxury carmaker **Rolls-Royce** as the pandemic encourages wealthy customers to splash out, says the Financial Times. The company sold 5,586 vehicles in 2021, up 49% from the year before and the highest number in its history. Buyers think "life can be short, and you'd better live now than postpone it to a later date", says chief executive Torsten Müller-Otvös.

Mary Trump, the niece of former US president Donald Trump, has spent some of the proceeds of her tell-all family memoir on a $7m luxury condominium in New York, says The Wall Street Journal. Trump's book, *Too Much and Never Enough: How My Family Created the World's Most Dangerous Man,* sold more than 1.35 million copies in its first week on sale in July 2020, according to its publisher.

Bad week for:

Car-repair firm owner **Miles Walker** is facing a $36,971 lawsuit from the US Department of Labour (DoL) after dumping 91,500 oil-covered pennies on a former employee's driveway, says The New York Times. After Andreas Flaten complained that he hadn't received his final paycheque of $915, Walker left the sticky mess outside his house. The stunt came to the attention of the DoL, which is now suing Walker over back wages and damages for Flaten and eight other employees.

Meghan Markle (pictured), the Duchess of Sussex, has been awarded just £1 in damages after winning her case against The Mail on Sunday for invasion of privacy, says The Guardian. A typical award would be £75,000-£125,000. The paper will also pay an unspecified sum for infringing copyright by publishing parts of a letter she sent to her father, and will cover some of her legal costs, estimated at over £1m.

©Getty Images; iStockphotos

Tech teeters as Treasuries tick up

Alex Rankine
Markets editor

US traders must get used to rising rates

©Getty Images

Expect 2022 to be "a year of policy tightening", says Andrew Sheets of Morgan Stanley. This time last year, investors thought America's Federal Reserve wouldn't raise interest rates until April 2024. As recently as last August, market pricing still implied that "liftoff" wouldn't come until April 2023. Yet with inflation soaring, the Fed has been forced to take a more hawkish stance. Traders are now expecting the first hike as soon as this March.

Bond yields spike

The dawning realisation that money is about to get tighter caused the biggest weekly sell-off (and resulting rise in yields) in the US ten-year Treasury bond since 2019. The yield on the ten-year Treasury topped 1.8% on Monday, a level not seen since before the pandemic began, and up from less than 1.25% in August. Meanwhile, the yield on the German ten-year bund has come within spitting distance of zero. Germany's benchmark bond has had a negative yield for almost three years, meaning investors have effectively been paying the government for the privilege of lending it money. That strange state of affairs may not last much longer.

Higher yields are likely to be bad news for popular growth stocks, including many fashionable firms in the tech sector. When interest rates are low investors are happy to take punts on unprofitable, fast-growing businesses that they hope will reap rewards in the future. Conversely, better bond yields may tempt some to take advantage of safer returns in the here and now instead.

Tech stocks have been especially spooked by hints that the Fed is examining how to reduce its $9trn balance sheet (ie, putting quantitative easing into reverse), says Katie Martin in the Financial Times. On Monday, the tech-heavy Nasdaq index briefly entered correction territory, after falling 10% from its last peak in November.

A stronger economy

"Rising yields aren't all bad news," says Sam Goldfarb in The Wall Street Journal. Higher yields on long-term debt may signal that investors feel positive about the economy. Indeed, as tech sold off, shares "in economically sensitive sectors such as banking, industrials and energy generally rose". US financial stocks have had their "best five-day start to a year since 2010".

Nonetheless, the S&P 500 has fallen more than 2% since the start of the month, reflecting how big an impact the tech sector now has on its performance. US stocks have beaten the rest of the world for four years running, says Joe Wallace in The Wall Street Journal. Last year the MSCI USA index did 19 percentage points better than the rest of the world in dollar terms , the biggest margin of victory since 1997.

Yet with Apple's value now comparable to that of the entire UK FTSE 100 index, some analysts question whether the outperformance can continue – especially if the US Federal Reserve raises interest rates faster than many other central banks this year. The challenge for US policymakers will be to tighten policy through "baby steps" without prompting the market to "throw its toys out of the pram", says Mark Dowding of BlueBay Asset Management.

Fears of Ukraine invasion leave Russia cheap

"The Russian economy is at its strongest in years," says Anna Hirtenstein in The Wall Street Journal. A "gusher of gas and oil revenues" has helped make the rouble one of the few emerging market currencies to hold its own against the dollar over the past year. Russia only needs oil prices of $40 a barrel to break even; this week Brent crude was trading at $83 a barrel. Soaring European gas prices help fill the coffers. Yet while Western oil majors rally, shares in state-controlled Gazprom are being left behind. "Geopolitics, not economics, are driving Russian markets."

Certainly, intrepid bargain-hunters will find much to like in Russia, says Danil Kolyako on Seeking Alpha. The oil market looks likely to remain tight in

It's not the economy making investors nervous

©Getty Images

2022 and Russian stocks boast some of the most eye-catching dividend yields in the world. "The majority of Russian dividend-paying stocks are going to deliver dividend yields ranging mainly from 9% to 15% in 2021 and 2022." That partly reflects strong commodity prices, but also the fact that with local interest rates at 8.5% – the result of "hardcore monetary policy" – dividends need to keep up.

Russian markets look "extraordinarily cheap", agrees Paul McNamara of asset manager GAM. "Ukraine is the issue." Despite being "the toast of emerging markets" for much of 2021, stocks have fallen 11% since October as Russian troops mass on its neighbour's border and investors become wary, say Alexander Sazonov and Anna Andrianova on Bloomberg. If Russia were to invade Ukraine, the resulting sanctions would make it "impossible to know what you can and can't do", rendering the country "uninvestable", says Elena Loven of Swedbank Robur Fonder, a Swedish asset manager that currently has investments in Russia. "If it invades Ukraine, Russia would disappear as an asset class."

Bitcoin miners hit by Kazakh crisis

Bitcoin prices dipped below $40,000 on Monday, the cryptocurrency's lowest level since September last year and down from over $67,000 two months ago. The latest wobble began after the release of December's Federal Reserve minutes, says Daren Fonda in Barron's. US policymakers suggested that they might raise interest rates "sooner, or at a faster pace, than participants had earlier anticipated".

Bitcoin has also been caught up in the turmoil in Kazakhstan. The country is the second-biggest centre for bitcoin "mining", which essentially involves computers completing mathematical puzzles in order to create new bitcoin. Kazakh authorities have cut internet access in order to regain control, says Aurore Gayte for Numerama. This sent the hashrate – a measure of the computing power used by the bitcoin network – down by around 13%. That is not "catastrophic" for bitcoin – miners in other locations can step in to keep the blockchain running – but it is far from ideal.

Many cryptocurrency miners had moved to Kazakhstan after being thrown out of China last year, says Keita Sekiguchi for Nikkei Asia. Some think that their "energy-intensive mining operations are partly to blame for the current turmoil", which was caused by rising energy prices. Billed as a libertarian alternative to state-backed currencies, bitcoin is proving surprisingly susceptible to "geopolitical risks".

Uranium set to keep rising

©Alamy

Kazakhstan is the leading supplier of uranium

Kazakhstan's "dominant" role in the uranium market is "akin to that of the Opec+ group in crude oil", says Neil Hume in the Financial Times. So turmoil in the country (see page 11) has sent uranium prices up more than 8% in a week to $45.65 a pound. The country is the world's leading supplier of the nuclear fuel, accounting for more than 40% of supply. Globally, utility companies use about 180 million pounds of uranium per year, but only 125 million pounds is being mined, partly due to "a lack of investment in new deposits". For now, the shortfall is being made up with stockpiles and re-purposed "military warheads".

Supplies are secure

Still, disruption and shortages are unlikely, says Lucas Mediavilla in L'Express. The Kazakh mines are located in an isolated region far from the violence and no stoppages have been reported. What's more, Kazakh uranium extraction is done by injecting liquid into the ground (a method similar to that used in oil fracking), says Teva Meyer, a nuclear specialist at the University of Haute-Alsace. Unlike large open-cast mines, this creates a relatively small surface footprint that is easier to secure against threats.

The risk of shortages in the short term is "minimal", agrees Étienne Goetz in Les Echos. Nuclear power plants maintain large stockpiles of uranium fuel (known as yellowcake). Changes in uranium spot prices will also not feed through directly into electricity costs because industrial users overwhelming meet their needs through long-term contracts at pre-agreed rates.

A tighter market

However, uranium prices are historically volatile, says Charles Archer for IG, varying from as high as $136 a pound in 2007 to a low of $18 a pound in 2016. The fuel has been in the doldrums during the decade since the Fukushima nuclear disaster, but things are changing as governments push to decarbonise the economy. Nuclear, which currently accounts for 10% of global electricity production, avoids the problem of intermittent production that dogs many renewables. China plans to build "150 new nuclear reactors over the next 15 years", a significant addition to the 440 currently operating globally.

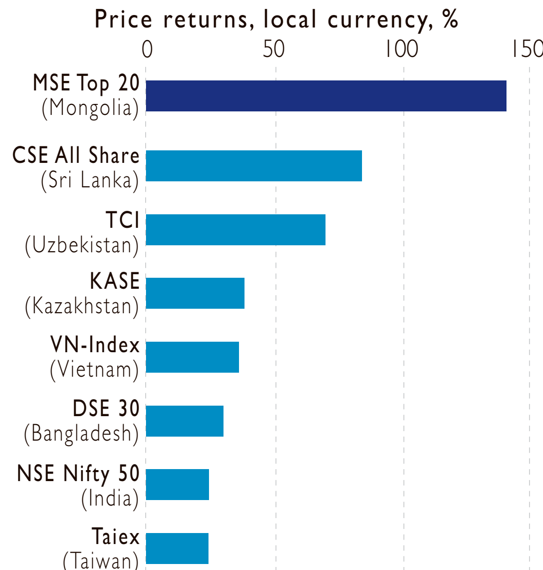
The launch last year of the Sprott Physical Uranium Trust in Canada shook up this opaque market, says Emily Graffeo on Bloomberg. The fund has seen "explosive growth", enabling it to buy "almost a third of the world's annual supply" and helping push up uranium prices by more than 30% last year. It now plans to raise and invest $3.5bn (£2.6bn) in the next two years. Taking the corresponding amount of uranium off the market "could seriously jack up prices", says Alex Hamer in Investors' Chronicle. UK-listed **Yellow Cake (Aim: YCA)**, which follows a similar strategy, should benefit.

Viewpoint

"I left Hong Kong in 2018, before its protests and the ensuing political crackdown... I already felt the keen disappointment of living in a city in structural decline... Hong Kong is an urban paradise: a tropical island with a splendid geographic setting... But Hong Kong was also the most bureaucratic city I've ever lived in. Its business landscape has remained static for decades: the preserve of property developers that has created no noteworthy companies in the last three decades. That is a heritage of British colonial rule, in which administrators controlled economic elites by allocating land... to the more docile. Hong Kong bureaucrats enforce the pettiest rules... a stagnant spirit hangs over the city... there is little excuse for young people to live in Hong Kong. They should hop over to Shenzhen, which is an hour away by subway and decades younger by spirit."

Dan Wang, Gavekal Dragonomics

Mongolia beats the world



Source: asia.nikkei.com

The world's best-performing stockmarket in 2021 was Mongolia, says Nikkei Asia. The MSE Top 20 benchmark gained 132.7% last year, the best in the world and easily beating other Asian markets. Commodity investors know Mongolia for its "ample deposits of coal, copper and gold", but the local market is more unfamiliar; major index providers don't even classify Mongolia as a "frontier market". Foreign investors accounted for just 1.3% of trades during the third quarter. The rally has instead been driven by local money. Last year brought lockdowns and an election campaign, prompting the government "to dole out aid to citizens, including utility bill waivers and cash handouts". Many have opted to put the extra income into stocks.

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

Three to buy

4Global
The Mail on Sunday
4Global helps cities and organisations arrange and profit from sporting events. The firm has worked on "virtually every summer and winter Olympic Games", from London to Tokyo, as well as World Cups and other football championships. Over the last few months alone it secured a £4m contract with Sport England, a £370,000 contract with the Peruvian government, and a deal with the city of Los Angeles to "maximise the legacy of the 2028 Olympic

Games". It has a pipeline of contracts worth over £100m over the next four years, and profits are expected to more than triple to £1.1m for the year to March 2023 from £325,000 this year. Buy in now. *84p.*

Medtronic
The Daily Telegraph
US-listed Medtronic isn't a household name, but its products play a big part in the lives of many people. The firm makes devices such as insulin pumps and defibrillators. Its shares have underperformed for three years, initially because it seemed to be losing market share and recently because Covid-19 has caused delays to elective surgeries. But a new CEO should get growth back on track after the pandemic. The shares are cheap, assuming a forecast free cash flow yield of 4.5%-5% and high single-digits growth. *$106.39.*

Amgen
Motley Fool
Biotech giant Amgen's stock fell slightly over the last year, but thanks to an increase in its dividend and the "market wide pivot to large-cap stocks among investors", its stock has gained 13.2% from the start of December. That "ought to continue for the remainder of the year", helped by the FDA's approval of its lung cancer treatment last May. *$229.20.*

Three to sell

Aston Martin
The Sunday Times
No Time to Die, the latest James Bond film, featured "no fewer than four Aston Martin models", including the carmaker's latest offering, the Valhalla. This £700,000 plug-in electric hybrid is set to launch in 2023 and only 1,000 will be made. But the company "has more immediate concerns". Profits for the financial year to December 2021 are set to be £15m below expectations due to sluggish deliveries of the Valkyrie, its £2.5m "flagship hypercar". Sell now. *1,452p.*

Wood Group
The Sunday Telegraph
Investors who purchased shares in energy-services specialist Wood Group over the last few years "are likely to be deeply in the red": the shares have lost 76% of their value over the last five years. First-half revenue for the six months to June 2021 fell 23% compared to the same period the year before, and its latest trading update "included a downward revision to revenue and profit". Debt is also expected to be higher than anticipated. Avoid. *206.5p.*

Robinhood Markets
Forbes
Shares in discount-brokerage firm Robinhood began trading at $35 when the company floated in July, and peaked at $85 a week later. They have now plunged around 80%. The biggest problem is its reliance on users trading cryptocurrencies: the shares dropped after its third-quarter report showed revenue fell "way short of expectations" due to reduced activity. Accounts also dropped 4% to 22.4 million, monthly active users fell 11% to 18.9 million, and average revenue per user fell 36% to $65. The firm expects "seasonal headwinds and lower retail trading" in its December update. Avoid. *$16.*

...and the rest

The Daily Telegraph
Naked Wines has reinvented itself from a chain of wine warehouses to a promising online wine business. Sales growth has fallen from last year and the company is suffering from supply chain problems, but it has a "well defined and differentiated strategy". However, real profitability "lies in the future", making it difficult to value. Hold. *602p.* Videogames company **Team17** benefitted from the pandemic as more people sought out entertainment at home. Its latest trading update revealed sales and profits are set to be ahead of expectations and better than in 2020. Keep holding. *800p.*

The Mail on Sunday
Made Tech helps the public sector use technology better. Revenues doubled last year, then soared 131% to £11.7m in the six months to November. Expect it to win more contracts from central government and local authorities *(112p)*. **Medica** provides teleradiology services, allowing the NHS to share scans quickly among specialists.

Demand fell in 2020 as hospitals focused on Covid-19, but its services will be even more important as they try to clear their backlog. Sales are expected to rise 66% to £61m this year and profits to double to £10.3m. Solid cash flow should let it pay a 2.6p dividend. *163p.* **Hornby** makes train sets, as well as owning the Scalextric, Airfix and Corgi toy brands. The business has been transformed since the current CEO took over in 2017. It was hit by supply-chain issues last summer, but demand is robust in the UK and overseas. The stock should recover strongly from here. *42p.* **Ideagen**'s software helps organisations comply with regulations. Its market is fragmented with plenty of opportunity for growth through acquisitions. Buy. *£2.70.*

An American view

Graham Holdings is "a small-scale version of [Warren Buffett's] Berkshire Hathaway , with a large group of unrelated businesses and a strong balance sheet", says Barron's. It used to own The Washington Post newspaper until it sold that to Jeff Bezos for $250m in 2013. Now it flies under the radar and is "little-followed by Wall Street". Yet it owns valuable assets including "local TV stations, the Kaplan education business, manufacturing and healthcare operations, several auto dealerships, and restaurants". Book value is $800 per share based on the accounts, but the real value could be over $1,100, making the stock look cheap at $590. It's an "inexpensive, asset-rich company" in a pricey market.

IPO watch

More companies went public in 2021 than in the whole of 2020 and 2019 combined, says the Evening Standard, and the 2022 pipeline is strong. Digital banks Monzo and Starling have "been the focus of much IPO [initial public offering] chatter", though neither listing is currently confirmed. Burger King's UK arm is also said to be floating as soon as this spring, seeking a valuation of £600m. Brewdog, the UK's biggest craft beer maker, originally planned to list in 2020 and though it could wait until 2023, "its army of small investors" is patiently waiting. Online fashion-to-sofa retailer Very Group is also said to be making plans, as well as e-scooter startup Voi Technology, airline Virgin Atlantic, and roof-tiling firm Marley.

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Bet on the retail and leisure recovery

The newspaper tipsters are still publishing their top picks for 2022. We round up the latest ideas

Evening Standard

The world's wealthy are unlikely to suffer from inflation – indeed they find **Burberry's** clothes and handbags "reassuringly expensive". Strong free cash flow, lower net debt and the prospect of a share buyback are all auspicious signs for the shares, which still trade 21% below their pre-pandemic level *(1,820p)*. American pet food seller **Chewy** is "in the doghouse" after the shares nearly halved in the past year. That presents a "buying opportunity" – pet ownership is rising and it won't be long before the vegan food trend moves into pet food, bringing better margins *($51.11)*.

Clipper Logistics helps retailers of everything from bikes to blouses to manage sales across shops and online. Revenue rose 40% last year. Whatever happens to the economy, e-commerce will go from strength to strength *(716p)*. Britons are desperate to go on holiday, so shares in **easyJet** may "take off". Just pray soaring oil prices and new variants don't generate a "turbulent ride" *(624p)*.

©Getty Images

GB Group's work fighting cyber fraud has never been more in demand from big business. On 27 times forecast 2022 earnings, the shares trade at a discount to the average for global tech *(696.5p)*.

Life Science Reit owns the labs and offices that house the UK's flourishing biotech sector. The group, which joined the Aim market in November, has brighter prospects than many other commercial landlords *(102.25p)*.

Rising interest rates mean this could be a good year for banks. Cash-generative **Lloyds Bank** is heavily exposed to the UK economy, making it a top bet that 2022 will bring a strong recovery from the pandemic *(52p)*. Shares in **Studio Retail**, an online seller of "fashion and homewares", are trading at their lowest level since March 2020. This year will bring a "big squeeze" of living standards, so its value credentials leave it well-placed to profit from consumer belt-tightening *(162p)*.

Investors' Chronicle

US wealth manager **Charles Schwab** looks after 33 million brokerage accounts and "almost $8trn of client assets". Its $22bn takeover of broker TD Ameritrade has only extended the firm's "mammoth client base", leaving it well-placed to benefit as Americans pour their lockdown savings into the stockmarket *($89.30)*.

The rise of "buy now pay later" shopping is making credit scoring ever more essential. Credit-checking specialist **Experian** has a solid position in the UK and US markets and is expanding fast in Latin America. With a return on capital employed of 18%, this is a high-quality business, but it trades on "a decent discount" to US rivals such as Equifax because of the general cheapness of FTSE stocks *(3,513p)*.

In 2003 it had taken "13 years and $3bn" to sequence a genome. Today, the same process takes less than an hour and just $600, thanks to technology developed by US biotech business **Illumina**. The firm enjoys a dominant position in a growing market, with more than 70 countries using its technology to track variants of Covid-19 *($379.5)*. The pandemic and the e-commerce boom have been hard on retail. **NewRiver Reit**, the owner of 30 British shopping centres and 18 retail parks, has seen its book value more than halve since March 2018. Investors betting on a retail renaissance have long been disappointed, but on a discount to net asset value of 29% the sell-off looks "overdone" *(86p)*.

YouGov is best known for its political polling, but its main business is providing commercial clients with market research. Its 17 million registered members provide deep insight into consumer trends that competitors struggle to match. It also has a strong presence in the US. Savvy acquisitions should see the business continue to "flourish" *(1,350p)*.

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Aston Martin's false start

The luxury carmaker has seen earnings stall after difficulties boosting production of its new Valkyrie hypercar. Matthew Partridge reports

Troubled carmaker Aston Martin Lagonda was forced to announce yet another profit warning last week, when it admitted that annual profits will be £15m lower than thought after it shipped "just ten of its Valkyrie hypercars", says Hugo Duncan in the Daily Mail. This poor performance comes despite previous hopes that it would have delivered 25 of the new models by now.

Aston Martin argues that the delays are only a "timing" issue and will have little impact on its long-term profitability, as all of the limited-edition cars it plans to make have already been sold to customers. Yet despite its insistence that profits "will not suffer in the longer term", the delay is embarrassing, says Peter Campbell in the Financial Times. The Valkyrie is a "flagship product" that "has been plagued by delays since it started in 2016", especially by "difficulties in the testing process to make the car legal to drive on the road". It also comes after the departure of a number of senior people, with reports circulating that the chairman, Lawrence Stroll, is even looking for a replacement for chief executive Tobias Moers (although Stroll denies this).

Just ten Valkyries were shipped last year

A long line of setbacks

"Aston Martin's troubles have left petrolheads in a permanent state of bewilderment," says Ben Marlow in The Daily Telegraph. While it struggles with "persistent mismanagement, huge debts and production problems", its rival Bentley, owned by VW, is "experiencing something of a renaissance", with "sales up a third to nearly 15,000 cars". It's true that Stroll, who bought a 20% stake in the firm in 2020, "has set about with vigour trying to address some of the long-standing problems" and has temporarily succeeded in putting it "on a more secure financial footing". Yet interest costs are high and plans to refinance its debts in 2023 are a "high-wire financial juggling act".

Still, while the shares "have had a rougher run than a James Bond car chase" over the past four years, there are a few positive signs, says Robert Lea in The Times. One of these is the success of the DBX sport utility vehicle, which already accounts for half of Aston Martin's sales, and has claimed "20% of the luxury high-end 4x4 market". Aston Martin hopes this will become the "engine behind the firm's targeted growth".

Stroll was also able to point out that overall "wholesale sales grew 82% to 6,182 last year", says Mark Sweney in The Guardian – an apparent vindication of the decision to change strategy and "limit the number of cars made available for sale to increase its prestige status", as well as its decision to return to Formula One racing to increase "brand exposure, perception and desirability". Management believes Aston Martin "is on track to achieve its target of £2bn in revenues and £500m in adjusted profits by 2024-2025". On this score, "Stroll's determination is admirable", says Marlow, but you have to wonder how realistic that figure is at this stage. "Fittingly, such targets feel highly aspirational."

Take-Two bids to get into mobile gaming

Take-Two Interactive, the video-games group behind the *Grand Theft Auto* series, has agreed to spend the equivalent of $12.7bn (£9.3bn) to buy Zynga, the specialist mobile developer that made *FarmVille* and *Words with Friends*, says Callum Jones in The Times. Shareholders will get $9.86 per share — $3.50 in cash and $6.36 of stock, which amounts to a 64% premium on Zynga's previous closing price.

The deal isn't simply about Zynga's existing titles: Take-Two will acquire expertise in building hugely popular free-to-play mobile titles that it can use to "make new hit games based on its own properties", says Jay Peters on The Verge. Developers from across the industry have already "been bringing big franchises to mobile and earning a lot of money doing so". *Call of Duty: Mobile* "reportedly earned $10bn in 2020". Still, Take Two is taking a huge gamble. For the $12bn price tag, "you could throw in the money Disney paid for Lucasfilm and still have cash left over".

"There is some strategic logic to the deal," but the price seems high, agrees Robert Cyran on Breakingviews. Even if the estimates of "$100m of cost savings" turn out to be true, the value of these savings will "cover less than a fifth of the premium" that Take-Two has offered. And "mobile gaming also suffers from faddish trends, which can make long-term performance and the odds of deals succeeding somewhat inconsistent", as shown by the fact that Zynga's share price is still less than it was when it first went public over a decade ago. So it's not surprising that Take-Two's shareholders reacted badly, pushing shares down by 13%.

City talk

● THG, the "embattled e-commerce business" formerly known as The Hut Group, must have hoped "a new week would mean a new start" after shares tumbled 15% at the start of the year, says Jessica Newman in The Times. "No such luck." The firm, which has been sliding since September amid concerns over corporate governance and its technology platform, dropped another 7.7% on Monday – even after Matt Moulding (pictured with the prime minister), co-founder and CEO, handed regulators a dossier claiming stockbrokers and hedge funds had "co-ordinated an attack" on its share price. "The saga looks far from over."

● US retailer GameStop saw its shares soar last year after it achieved "meme-stock fame", says the FT's Lex. So it's no surprise it now wants to jump onto the non-fungible token (NFT) bandwagon by creating an NFT marketplace. Interest in NFTs, which allow proof of ownership of digital goods to be stored on a blockchain, is soaring: there were $23bn in transactions last year. The move would be "in line with chair Ryan Cohen's push to transform the brick-and-mortar retailer into an online hub for e-commerce, esports and online gaming". But none of this should distract from GameStop's "sales woes", which have seen its shares almost halve since November.

● Activist hedge fund Elliott Advisors wants housebuilder Taylor Wimpey to pick Dave Jenkinson as chief executive, says Alistair Osborne in The Times. That's the same Dave Jenkinson who was "the wingman to the tin-eared Jeff Fairburn of £76m bonus fame" at Persimmon and pocketed £40m from the same scheme. "If Elliott really thinks he's the ideal new boss for Taylor Wimpey, dry rot must have set in."

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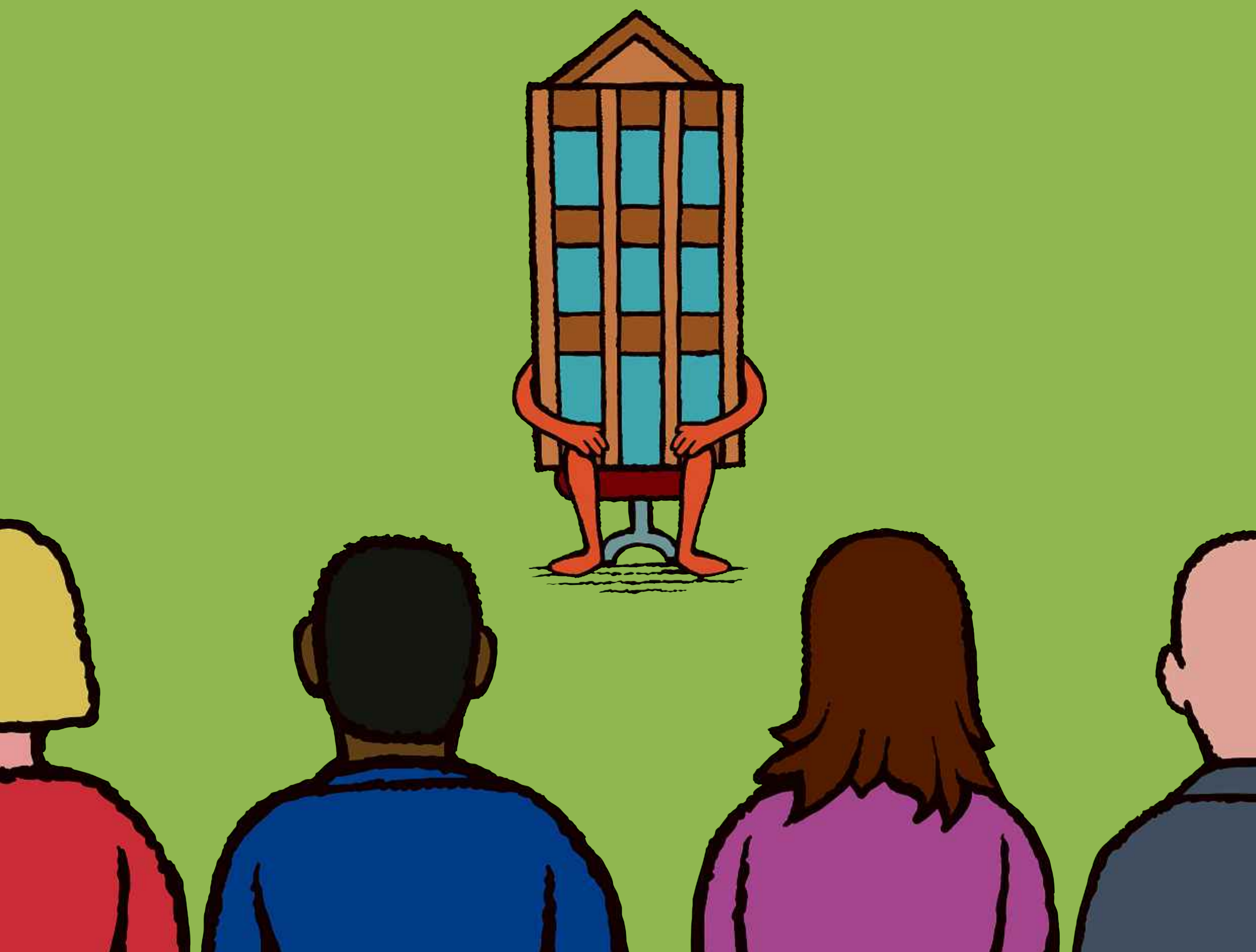

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The mutiny against the PM

The latest scandal is corroding public trust, but Tory MPs are holding fire. Emily Hohler reports

Boris Johnson faces a growing "mutiny" against his leadership over the rule-breaking "bring your own booze" party on 20 May 2020 in Downing Street, says George Parker in the Financial Times. A Tory MP said letters of no-confidence have already been handed to Graham Brady: 54 would trigger a no-confidence vote, at which point 180 MPs would need to vote against him. However, since a challenge can only take place once every 12 months, Johnson's enemies will "not want to shoot and miss", says Robert Shrimsley in the same paper. The temptation to "hold off until the May local elections" will be strong. "For now, Tory MPs are sheltering, as was intended," behind an inquiry being conducted by civil servant Sue Gray. "Preposterously," even Johnson was using this as an excuse to avoid saying whether he attended the party or not.

Johnson is taking shelter behind Sue Gray

©Alamy

The truth is, no MP needs an inquiry to "know where they stand". They are "hesitant to strike" because there is no obvious way to reverse the "downward trends" on the horizon: cost-of-living increases, tax hikes, Brexit "dislocations" and "rows over net-zero policies". Whatever happens, it is hard to see how Johnson "can recover his authority and popularity". Since June, the percentage of voters who think Johnson is doing a good job has fallen to 23% from 48%. In a Savanta ComRes poll on Monday, 66% wanted Johnson to resign.

The pointless rules were for everyone

There is "nothing more corrosive to public trust" than the impression that the government does not abide by the rules "foisted upon the rest of us, especially when the rules are stupid or pointless", says Philip Johnston in The Daily Telegraph. There is growing evidence that they are, yet throughout the past year, "in the name of public health and the collective interest", governments around the world have actually "upped the ante, coming up with even more invasive, oppressive and discriminatory measures", say Thomas Fazi and Toby Green in UnHerd. It emerged, early on in the pandemic, that Covid-19 was "almost exclusively a threat" to those over 60. In the last quarter of 2020, the mean age of those dying with and of Covid-19 in the UK was 82.4 years. Acknowledging this at the time would have avoided "much of the loss of trust in public institutions" and allowed for a "rational discussion" around "important questions of intergenerational equity, proportionality and the balancing of rights and interests". In early 2021, Stanford's John Ioannidis, one of the world's most eminent epidemiologists, published a paper claiming there was "no practical difference in epidemiological terms between countries that had locked down and those that hadn't". Sweden never did so and its excess mortality is below the European average for 2020.

Omicron has put an end to lockdowns

Those seeking to pare back restrictions have an "unlikely ally", says Ryan Bourne in The Daily Telegraph: the Omicron variant of the virus. "Its sheer transmissibility is tearing apart the justification for many Covid-19 protocols, whether the public-health bureaucracy likes it or not." It has already, for example, forced a relaxation of testing regulations, since the government baulked at the cost of all the workplace disruption. Travel restrictions are also being lifted – "with the virus everywhere, extensive screening and isolation for those travelling into Britain amounts to holding your finger in a dam's hole with the village already flooded". As a result, "even those most hawkish" about restrictions are "waking up" to the reality that we'll have to live with a now endemic disease. "As millions and millions recover from infection, locking them down again for no benefit creates an ever-strengthening political barrier against society-wide lockdowns."

Gove: a sensible first step

©Getty Images

A win for leaseholders in cladding scandal

Michael Gove's promise on Monday, four and a half years after the Grenfell Tower fire, that no person living in a building higher than 11 metres will be "forced to pay" for dangerous cladding to be removed, was "long overdue", says Lucie Heath in The Guardian. Instead, the £4bn bill will fall to developers who have until March to sign up to a deal to make annual contributions to cover the costs. Those who fail to do so are being "threatened with public contract bans, planning restrictions and legal action".

While this is a "huge victory" for leaseholders, the "fight is not over". The plan only appears to cover the cost of cladding replacement, but this is just a "small fraction of the building safety work required". Additionally, it focuses on developers, even though the Grenfell inquiry found that manufacturers have "just as much to answer for". It was also a "project of successive governments", notably David Cameron's, to "remove rules" seen as unnecessarily onerous for construction businesses, says an editorial in the same paper. What happens next will depend partly on how far the Tory party is "prepared to risk its relationship with the industry whose leading figures are among its most generous donors" as well as what comes of housebuilders' efforts to "shift the blame" to manufacturers of cladding.

"Safety cannot wait," says The Times. Around three million people remain "trapped in unsafe or unsaleable flats". Gove's plans are "sensible" and making builders pay is a "viable first step to reform", but the government must "not allow a stand-off to degenerate into a prolonged delay".Further reforms are also needed, says the Financial Times. Soaring ground rents, unexplained high service charges and the "exorbitant cost" of extending leases all urgently need addressing. "Leaseholders have already spent too long paying for developers' mistakes."

Betting on politics

To say that this has been a bad week for UK prime minister Boris Johnson is perhaps something of an understatement (see story, left). At the time of writing, the betting markets were assuming that his departure is likely to be before the end of the year. With £357,005 matched on Betfair on his year of departure, Johnson (pictured) is now favourite to depart this year at 1.62 (61.2%), with 2023 at 7.4 (13.4%) and 2024 or later at 3.55 (28.1%).

Punters don't even think he is likely to make it to the Conservative party conference, currently scheduled for October. With £127,729 matched, they have him at 1.66 (60.2%) to depart before then, with the odds on him surviving until then at 2.42 (41.3%).

Perhaps the only crumb of comfort for Johnson is that markets

expect his departure to take months, rather than just weeks, as they still think he will last until the summer. With £471,883 matched, the odds are 1.68 (59.5%) on him lasting till at least July. Still, the odds of him departing before the end of March are 3.8 (26.3%), and the chances of him leaving between the start of April and the end of June are 5.6 (17.8%).

However, even were he to resign today, a leadership contest (during which time he'd still be prime minister) would take at least six weeks. I would therefore lay (bet against) him departing between January and the end of March at 4 (25%), which is the same as betting on him not departing at 1.33 (75%).

©Getty Images

Putin battles on two fronts

What is Russia's president up to? No one knows but him, says Matthew Partridge

Kazakhstan has been left reeling after a "tragic few days of violence" in "which military vehicles rolled through the streets, government buildings burned and state television carried rolling threats that 'bandits and terrorists' would be eliminated without mercy", says Shaun Walker in The Guardian. The unrest began when protests in western cities, sparked by rising fuel prices, quickly spread to other cities, before being "hijacked by violent groups". The chaos prompted Russia to send in troops at the request of Kazakh president Kassym-Jomart Tokayev, which led to "dozens of deaths" and more than 4,000 people being detained.

Kassym-Jomart Tokayev with Putin: together they put down the unrest

A tussle over a strategic prize

It's easy to see the protests as the equivalent of the "Maidan or Orange Revolution" that overthrew the pro-Russian government of Ukraine in 2014, says Francis Pike in The Spectator. The real story, however, is more complicated. There is "credible" evidence, for example, that some of the violence may have been carried out by jihadi groups. Infighting between Tokayev and his predecessor, Nursultan Nazarbayev, who has supposedly tried to retain power and influence behind the scenes, may also have played a part in stoking tensions.

Indeed, it looks like Russia has taken advantage of the unrest "to uproot any pro-Chinese trend in the Kazakh oligarchy", by ensuring that Nazarbayev, who had tried to "carve out greater independence from Moscow and welcomed economic co-operation with Beijing", permanently disappears from view, says The Times. Certainly, the fact that Kazakhstan mines 40% of the world's uranium supply and provides a fifth of China's gas imports makes it a "prize" worth fighting over. It looks like Kazakhstan has become a "football in the Russian-Chinese struggle for influence in central Asia".

Years of corruption

Whether the initial unrest was prompted by high energy prices or years of corruption and repression, or by something else, Russia's intervention shouldn't come as a shock, says Con Coughlin in The Daily Telegraph. Russian president Vladimir Putin "was never likely to allow a regime headed by a friendly autocrat to fall to mass protests". Nor is the crisis in Kazakhstan likely to distract Putin from his main foreign-policy priority: Ukraine, where the threat of a Russian invasion "has not disappeared". Indeed, the only response Western nations have been able to muster thus far are "warnings of economic sanctions", which have not dissuaded the Kremlin in the past.

At the moment, Putin's real intentions towards Ukraine remain as "thick as fog", with Russian negotiators delivering a "series of seemingly contradictory messages" upon emerging from two days of high-stakes security talks with the US, says Anton Troianovski in The New York Times. They continue to warn that "failure to meet Russia's demands could put the security of the whole European continent" at risk. Experts believe that "not even members of Putin's inner circle" are "likely to know how seriously he is contemplating full-scale war with Ukraine" nor "what American concessions he is prepared to accept in order to defuse the crisis". That is just the way Putin likes it.

Lithuania stands up to Beijing's bullying

Taiwan's embassy in Lithuania: united against China

Taiwan stepped up its financial pledges to Lithuania with a $1bn credit fund to "bolster the Baltic nation" in its showdown with Beijing, says Stuart Lau for Politico. The move came just days after Taipei announced a $200m fund to invest in strategic sectors in Lithuania, which is facing a full trade embargo from Beijing in retaliation for Lithuania's allowing Taiwan to open a representative office in the capital, under its own name rather than that of Taipei, which China sees as undermining its "one China policy".

This isn't the first time China has tried to bully countries through trade restrictions, says Elisabeth Braw in The Wall Street Journal. Previous trade sanctions, however, such as its suspending salmon imports from Norway after a Chinese dissident was awarded the Nobel Peace Prize, and banning Australian wine after Canberra called for an investigation into the origins of Covid-19, although serious, harmed only those countries. In contrast, the sanctions on Lithuania ban any good that contains components from the country, even if they were mostly made elsewhere. This makes it an attack on "global supply chains" and already global CEOs are pleading with Lithuania "to accommodate Beijing".

China's attempt to get Europe to do its dirty work through collective punishment underlines the need for a "coherent EU response", say Chien-Huei Wu and Nai-Yu Chen in The Diplomat. Doing nothing would make a mockery of the EU's recent unveiling of "its first anti-coercion instrument" and "encourage external actors to seek to divide and undermine the interests and rights of the bloc and its members".

Washington DC

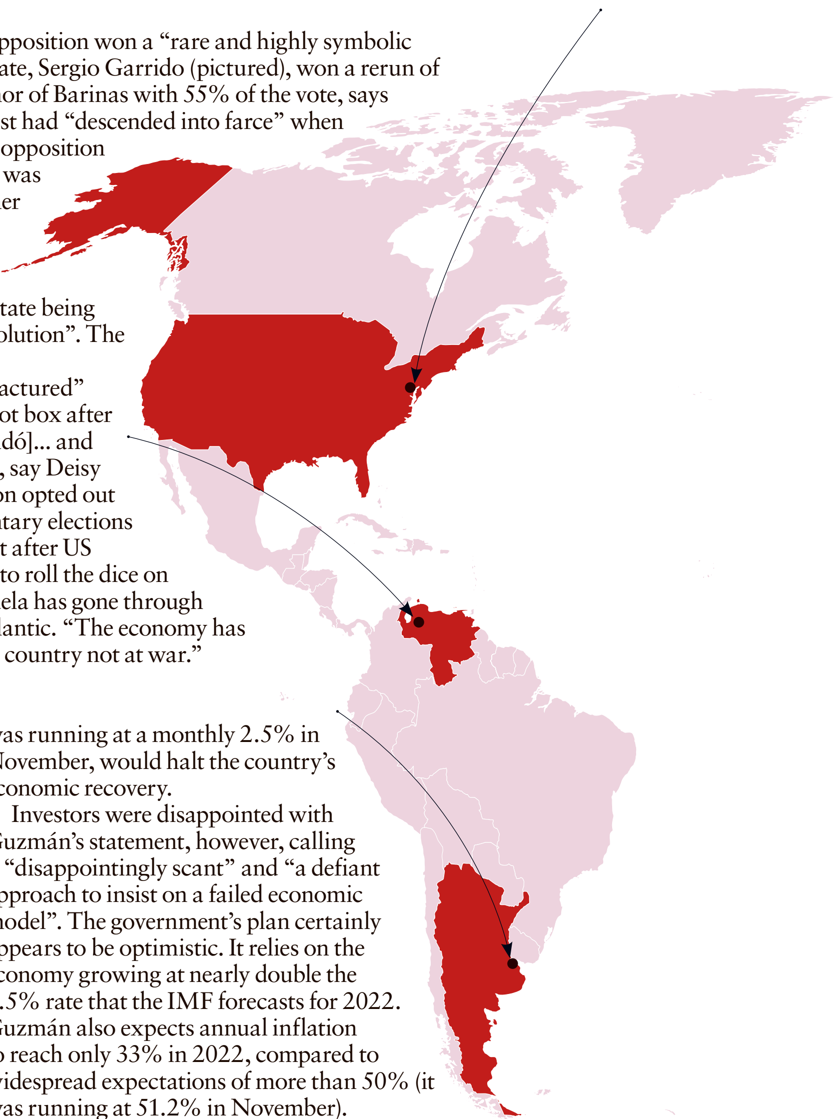
Fed vice-chair resigns: Richard Clarida (pictured), vice-chair of the Federal Reserve, said he would leave his post by today, two weeks before his four-year term was due to end, says Bloomberg. The announcement followed questions over trades he made at the onset of the pandemic. "Amended disclosures" filed last month had cast doubt on his original explanation that he had moved between $1m and $5m from a bond fund into a stock fund in late February as part of a "pre-planned rebalancing". They revealed that on 24 February 2020, Clarida sold shares in three stock funds, including one he would repurchase on 27 February for a similar amount. Stocks fell during the interim amid headlines about the spread of Covid-19. Shortly afterwards, the Fed "announced emergency measures to shore up financial markets", says the FT.

Clarida is the third trading-related resignation of a senior Fed official in recent months, following those of Eric Rosengren and Robert Kaplan. Elsewhere, headline consumer price inflation – the Fed's other ongoing headache – rose to an annual 7% in December, from 6.8% the previous month, due to continuing supply-chain disruption. Prices are rising at the fastest rate since 1982.

Barinas

Rare opposition victory: Venezuela's opposition won a "rare and highly symbolic victory" on Sunday, when its candidate, Sergio Garrido (pictured), won a rerun of last November's election for governor of Barinas with 55% of the vote, says The Guardian. The previous contest had "descended into farce" when the supreme court disqualified the opposition candidate, Freddy Superlano, who was set to defeat Argenis Chávez, brother of the late president, Hugo Chávez. This time, the ruling Socialist party's candidate, former vice president Jorge Arreaza, secured a 41% share, despite the state being the birthplace of Hugo Chávez and his "Bolivarian revolution". The opposition now holds four out of 23 states.

To replicate the victory more widely, Venezuela's "fractured" opposition must "refocus on winning power at the ballot box after years of boycotts, unify its leadership [under Juan Guaidó]... and prepare for an upcoming presidential election in 2024", say Deisy Buitrago and Vivian Sequera on Reuters. The opposition opted out of the 2018 presidential elections and 2020's parliamentary elections due to interference from President Nicolás Maduro. But after US sanctions failed to oust him, "opposition parties opted to roll the dice on the ballot box". "Since Chávez's death in 2013, Venezuela has gone through an extended... crisis," says William Neuman in The Atlantic. "The economy has shrunk by about 80% – an unprecedented collapse in a country not at war."



Buenos Aires

Debt talks falter: Argentina and the International Monetary Fund (IMF) have been locked in talks for over a year to avoid a default, but the two are "on a fresh collision course", says Rodrigo Campos on Reuters. Argentina owes $19bn in payments in 2022 as part of a $45bn debt that has to be refinanced to "restore the South American nation's credibility with markets".

The biggest issue in negotiations has been how and at what speed the country should reduce its deficit. Finance minister Martín Guzmán's economic plan involves five more years of money printing and running deficits "to patch the holes". He has also argued that the IMF's suggestions of raising interest rates above inflation, which was running at a monthly 2.5% in November, would halt the country's economic recovery.

Investors were disappointed with Guzmán's statement, however, calling it "disappointingly scant" and "a defiant approach to insist on a failed economic model". The government's plan certainly appears to be optimistic. It relies on the economy growing at nearly double the 2.5% rate that the IMF forecasts for 2022. Guzmán also expects annual inflation to reach only 33% in 2022, compared to widespread expectations of more than 50% (it was running at 51.2% in November).

The way we live now: Finger-nibbling robotic moggies

Amagami Ham Ham: the wackiest robot pet

Every January, the Consumer Electronics Show (CES) in Las Vegas, Nevada, showcases the latest, and often weirdest, gadgets set to transform our lives, says Tom Knowles in The Times. This year's buzzwords from the show were "matter" and "metaverse". The former describes the new code of practice that tech firms are "begrudgingly" signing up to, which will allow the internet-connected appliances in our "smart" homes to "talk" to each other – whether that be the light bulb, unveiled by Shanghai-based Sengled, that can read your heart rate and sleeping pattern, or the WashTower, an "intelligent" washing machine and dryer from Korea's LG that senses the size and fabric type of a load, along with "level of soiling". Meanwhile, "metaverse" is the "hottest new term in Silicon Valley" and refers to the immersive 3D digital worlds championed by Mark Zuckerberg. References were everywhere, even if there was a "large gap between rhetoric and reality". Still, Sony announced it is designing a virtual-reality headset for its PlayStation 5 games console that will feature eye-tracking technology. The prize for the wackiest gadget, however, goes to Japan's Yukai Engineering for its Amagami Ham Ham, a robotic cat that nibbles on its owner's fingers.

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Brussels

Merger blocked: The European Commission is preparing to block a $2bn merger between South Korea's Daewoo Shipbuilding & Marine Engineering and Hyundai Heavy Industries, two of the world's biggest shipbuilders, says the Financial Times. It would be the first time Brussels has intervened in a "corporate tie-up" since 2019 when it prevented a merger between India's Tata Steel and Germany's Thyssenkrupp due to competition fears. The present merger would dominate the market for building ships that carry liquified natural gas (LNG). The shipbuilders are "significant suppliers" to companies in the European Union, and represent around 30% of global demand for cargo vessels. The EU is the world's third largest importer of LNG. Brussels has demanded the companies, which first announced the merger in 2019, "provide remedies to limit concerns about preserving competition". Energy prices have risen to record highs in Europe, while freight costs for LNG in Asia have increased to $300,000 per day.

A merger between two shipbuilding behemoths is set to be blocked

©Getty Images

Seoul

Electric-car market revs up: Demand for electric-car batteries is expected to quadruple by 2050, thanks to surging electric vehicle (EV) sales in Asia, says Robyn Mak on Breakingviews. So, it's no surprise Korean firm LG Energy Solution is in "pole position" to become Asia's biggest initial public offering (IPO) for 2022 when it lists next week. The battery-making spinoff from LG Chem, which supplies US electric-car manufacturer Tesla, is expected to raise $10.7bn from the float, valuing the business at around $60bn.

LG Energy Solution is not the only Korean battery company making its stockmarket debut. Rival SK On is on course to raise $2.5bn in pre-IPO funding. Meanwhile, Chinese firm CATL is eyeing a private $7bn share placement later this year. Still, despite "turbo-charged" valuations, the companies should have no problem in raising the necessary funds, which are needed to finance "high upfront research and development costs, as well as rising prices for lithium, nickel and cobalt". Governments are in a worldwide race to achieve net-zero emissions and that in turn is fuelling fund managers to seek "greener" options. "It should be easy to fill up the capital tanks."

London

Turbulence in the skies: Heathrow, Britain's busiest airport, welcomed the lowest number of passengers last year since 1972, says The Daily Telegraph. Just 19.4 million passengers passed through, compared with 81 million in 2019, although passenger traffic tripled in December from the same month in 2020. Around 600,000 passengers had their flights cancelled last month owing to Covid-19 infections and new travel restrictions. The Civil Aviation Authority (CAA), the airport regulator, has conceded to an interim 37% increase in landing charges for the first six months of this year. Heathrow had warned it risked running out of cash. However, airlines fear the rise in charges to £30.19 per passenger puts their own recoveries at risk. US carrier United Airlines has slashed its flight schedule for January and February as it struggles with around 3,000 staff off sick.

An added headache for big airlines is the way in which they price their tickets, says David Fickling on Bloomberg. Pricing systems that are guided by last year's traffic data, as opposed to real-time bookings, have been rendered "almost meaningless" by the pandemic. They will have to upgrade their "antiquated legacy systems" and that won't come cheap. Regardless, it will ultimately be up to passengers to bear the cost.

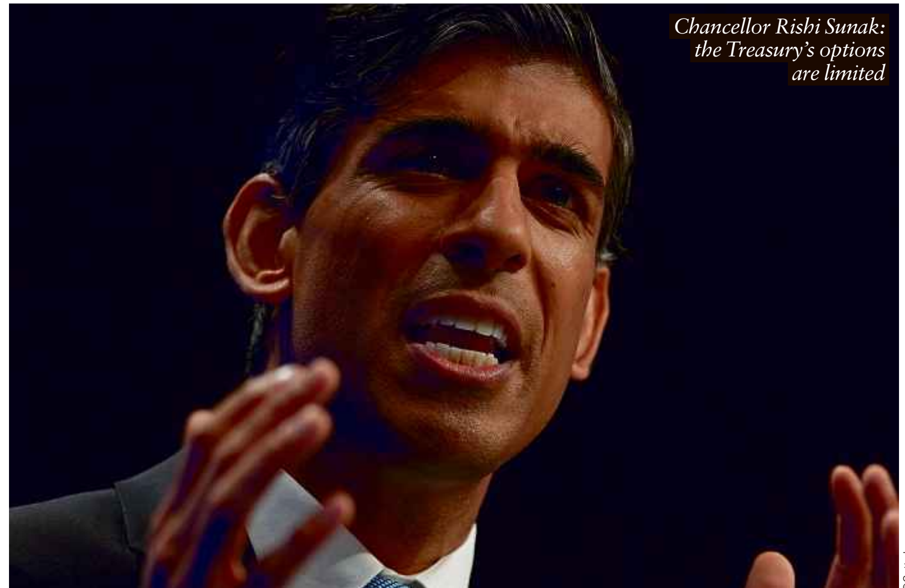
New Delhi

Government buys stake in telecoms company: The Indian government is to become Vodafone Idea's largest shareholder, taking a stake of nearly 36% of the telecoms firm "to prevent its collapse", says the Financial Times. Vodafone Idea was founded in 2018 after a merger between a struggling operator owned by British telecoms group Vodafone and one run by the conglomerate of billionaire Kumar Mangalam Birla (pictured). The tie-up did "little to turn round the business", which has lost market share and was hit by a huge bill for historic spectrum and other licence-fee payments.

The deal will stave off bankruptcy for now, but it does not bode well for investors, says Bloomberg. The carrier, which owes the government 160bn rupees (£1.6bn), hasn't reported an annual profit since 2016, when better-funded rival Reliance Jio launched a "brutal price war". The restructuring will see some of the debts that it owes to the government converted to equity, but it "will result in dilution for all existing shareholders of the company". Vodafone will own 28.5%, with the Aditya Birla group keeping 17.8%. Shares in the company dropped 21% in Mumbai on Tuesday, the most since March 2020.

The cost of living crisis

Soaring bills, inflation and tax rises are about to squeeze household incomes. And it doesn't seem that there is much the government can do about it. Simon Wilson reports


Chancellor Rishi Sunak: the Treasury's options are limited

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What's happening?

A triple whammy of soaring energy costs, galloping inflation and tax rises is about to whack UK households, with some economists predicting a cut in real incomes worse than that seen during the financial crisis of 2008. Inflation as measured by the consumer price index (CPI) was 5.1% in the 12 months to November 2021 (up from 4.2% in October, and more than twice the Bank of England's target rate). The old retail price index measure of inflation is already at 7.1% – one reason why ministers insist it is "no longer an official measure". On tax, national insurance rises in April, plus a freeze on thresholds (another form of real tax rises), means that Britain is heading for its highest overall tax burden since the 1950s. And energy bills are set to soar, also in April, with a YouGov poll showing that one in three Britons think they won't be able to pay their energy bills this year.

What's up with energy?

In early February the energy watchdog Ofgem will announce the new maximum price for energy bills. Because the market price of gas is now vastly higher than when the cap was last set, that maximum could easily go from £1,277 for an average household to above £2,000, twice what it was last winter. That extra £723 is equivalent to about 3% of disposable income (after housing costs) for a household on (median) average income – in other words a "hit to living standards of a sizeable recession", calculates Chris Giles in the Financial Times. Together with tax rises, the Resolution Foundation calculates that the average household stands to lose an extra £1,200 a year. And that's before you take account of the impact of energy prices on inflation. Goldman Sachs reckons the April price hikes will take the CPI inflation rate from that 5.1% to 6.8%, the highest rate for 30 years.

What can the government do?

It could remove VAT on energy. Before the EU referendum of 2016 Boris Johnson argued that an upside of Brexit would be the freedom to "scrap this unfair and damaging tax". Now, he says, removing VAT would be a "blunt instrument" that wouldn't direct help towards those in most dire financial need. He is right, says David Gauke in the New Statesman – and the unlikely alliance of Labour and Tory rightwingers calling for such a move are wrong. The typical household saving would be just £90 a year: far better to target help at the worst affected (as the government has hinted it will). Another option would be for the government to extend a credit line to energy providers, allowing a smoothing out of price rises for consumers. Given the unpredictability of gas prices, that's a risk the Treasury is unlikely to embrace, says The Times – especially given the precedent it would set for other industries subject to volatile commodity prices. Similarly, the removal of green levies (of around £150 a year on average) "would be little more than tinkering and would be deceptive if general taxation then merely took up the burden".

> *"We're facing a hit to living standards equivalent to a sizeable recession"*

So there are no good options?

None that will save the government political pain. The roots of the problem are global, says Jeremy Warner in The Daily Telegraph, yet it has "been made very much worse in the UK by years of short-sighted, populist energy policy" that encouraged short-termism and unrealistic price-setting. The long-term solutions to the UK's rising taxes and energy bills "lie in radical reform of healthcare spending and energy markets". Yet even if we had a strong government bold enough to take the plunge, it wouldn't solve the immediate problem. "Unless saved by rising wages, ministers are about to stumble out of Covid-19 straight into the path of an oncoming lorry marked Lower Living Standards" – and there's nothing they can do.

What's the broader context?

The broader context is a government struggling to emerge from the pandemic with a convincing agenda, a governing party increasingly divided over fiscal policy, and a prime minister weakened by questions over his integrity. The Johnson administration appears to have no plan to deal with the crisis, says The Daily Telegraph – and "has yet to detail a credible set of policies, including genuine deregulation, pro-growth tax reform and higher quality skills, to boost productivity and wages across the board". The government claims it wants to deliver a "high wage, high productivity economy", says the Financial Times – but for now it "must focus on heading off a high-cost, high-poverty one instead".

But isn't the UK getting richer?

The UK has got richer over the past half century, but the share of wealth taken by labour has fallen, according to the Office for National Statistics (ONS). Increases in productivity will pass through to higher labour income – and hence drive real higher living standards – only if the labour share of income is constant or growing. If not, those productivity gains are captured by businesses as lower operating costs (lower unit labour costs), increased business profits and lower consumer prices. ONS data shows that the labour share of income falling. In the period 1955-1970, the average share was about 70%. But it fell steadily between the mid-1970s and the mid-1990s, and since the turn of the century, it's been broadly flat at around 60%. A similar trend can be seen in the US, and many other rich economies. That is a context in which lower paid workers are unlikely to have much ability to weather a dramatic shift in their living standards. The public has been "remarkably forgiving" of the government's missteps during the pandemic, says The Spectator. But the soured mood over lockdown-flouting parties will turn far nastier when voters find their real incomes shrinking and bills soaring. "A government which owes its existence to a newfound ability to reach relatively low-income voters is fast approaching a crisis which could turn out to be terminal."

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The high street is back from the dead

Creative destruction has wrought its magic and there are new signs of life in retail

Matthew Lynn
City columnist

Ever since Woolworths closed its doors for the final time in 2008, the post-Christmas retail collapse has been as much a part of the festive season as leftover turkey and worryingly high credit-card bills. Retailers are critically dependent on the festive season, often the one month when they actually make any money. Many of them would hang on, hoping that Christmas would save them for another year. When that didn't happen, there would often be no choice but to call in the receivers. Comet, Blockbuster, Austin Reed, Maplin and Toys R Us are among the household names that have disappeared in this way over the last few years. Many more announced profit warnings or the closure of some stores.

People still like to shop

But so far, 2022 has not seen any major retail chains running into trouble. In fact, this is the first January in more than a decade when the high street hasn't been in crisis. Trading seems to have been fairly buoyant. Next, by far the UK's best-run retailer, reported another bumper set of results. All the others seem to have done at least OK too. Even M&S, at least at the time of writing, was expected to report a decent set of figures, and its share price is bouncing back. Store closures are slowing down. The high street seems to have touched bottom. There are three reasons for that.

First, people still like to shop. Over the course of the pandemic, online sales jumped by ten percentage points to hit 33% of total retail spend across the UK. But as shops have reopened, the amount we spend on the internet has fallen back. We may now have reached a plateau where around a quarter of our money is spent over our phone or a computer, but the rest is within a physical shop. People still like to browse and try things out before they buy them. They like to get out of the house. And they don't want to wait for a week and then have to retrieve a package from a neighbour.

Zara: the fittest retailers have survived

©Alamy

Second, landlords have become more reasonable. One of the reasons so many chains went under was that they were locked into upwards-only rental agreements with the giant property companies that owned their stores. Many were perfectly happy to see a retailer disappear as they could just let out the space to someone who would pay more instead. Over the last couple of years, however, they started to notice that the malls and high streets are remaining empty for longer. They need to hang on to the tenants they have as there isn't anyone else to take their place. The result? Landlords have started to ease off on rent rises and sometimes accept reductions instead, or tie payments to a percentage of sales. It makes it a lot easier for retailers to survive and to ride out a slump in sales.

Weeding out the weaklings

Finally, the retailers that have survived the last decade are in far better shape. They have been through a Darwinian process, with the weakest players taken out of the market, and only the strongest surviving. Let's be honest – does anyone really miss shopping at British Home Stores or Comet? Austin Reed was hardly setting the fashion world alight; even Topshop had lost its edge to the likes of Primark and Zara. The chains that remain are far better managed, with better ranges, a well-defined customer base, and helpful staff who might even know something about the stuff they are selling. It helps that far fewer of them are owned by private-equity firms that have loaded them up with unaffordable debts. Without that kind of financial engineering we might have a few more chains left than we do. Overall, the retailers who have made it through are well-run, with solid balance sheets – and they are far more likely to survive.

True, retailing is not exactly the future. It is hard to imagine it is going to replace the internet, nor is it where the great fortunes of the 2020s will be made. It still faces challenges, and one or two big names may still disappear before it is completely stable. But the post-Christmas collapse is behind us. The high street hit rock bottom in 2019 and 2020, and is about to stage a modest, if unspectacular recovery. Who knows, some of the shares may even be worth buying.

Who's getting what

● **Deborah Turness** (pictured), CEO of ITN, has been hired to take over from Fran Unsworth as CEO of BBC News. She will be paid £400,000 a year, around £60,000 more than Unsworth, says MailOnline. Turness began at ITN last April, having before that worked as the first female president of a US network news division, NBC News.

● Alphabet, Google's parent company, is raising the pay of four of its executives, from $650,000 to $1m, weeks after telling employees it wouldn't adjust salaries for rising inflation, says The Verge. Chief financial officer **Ruth Porat**, senior vice-president **Prabhakar Raghavan**, senior vice-president and chief business officer **Philipp Schindler**, and chief legal officer **Kent Walker** will also be able to participate in a $2m annual performance-based bonus scheme and have been granted stock awards with "target values in the millions of dollars".

● **Philip Green** and his family, who owned retail group Arcadia before it collapsed in 2020, are set to receive up to £2.5m from the sale by administrators of a former Topshop store in Norwich (then part of Arcadia). The site was bought for £12m in 2016, with an £11m loan from Aldsworth Equity – also owned by the Greens – the terms of which prioritised its debt above that of most other creditors, says The Guardian. Last year, Aldsworth Equity received £50m from the repayment of a loan it made against Topshop's Daventry warehouse.

©Getty Images

Nice work if you can get it

Last Friday at 9am, the average FTSE 100 chief executive had earned as much in 2022 as the average worker in Britain will make in the whole of the year, according to the High Pay Centre (HPC) think tank. Bosses had to work a few more hours this year – "High Pay Day" arrived in the fourth working day of 2022 (the HPC calculates this using backwards-looking data) and, crucially, average CEO pay fell by 17% to £2.7m in 2020, due to the pandemic (still 86 times the £31,285 average salary for full-time workers). "Do not, though, imagine a trend has been established," says Nils Pratley in The Guardian. The FTSE 100 rose 14% in 2021, and share-based incentive plans will rise accordingly; remuneration committees will now feel themselves "off the leash" now that furlough has ended and will come under pressure to award "catch-up" pay. Only the force of shareholders stands in their way.

January: the psychic month

Lots of stockmarket theories revolve around January's apparent predictive powers. Should you pay attention?

John Stepek
Executive editor

The "January barometer" is a persistent rule of thumb that stockmarket returns in the month of January give a good idea of what to expect for the rest of the year. If stocks go up in January, they'll end the year higher. If they go down, it's time to get out. This January has got off to a somewhat mixed start, with investors in the UK so far having a rather better time of it than their counterparts in the US. So is there anything to the idea, and if so, should you be acting on it?

At first sight, the evidence actually seems quite compelling. As with most of this sort of research, the majority of the work has been done on the US. One paper by Lawrence Brown and Liyu Luo, reported in The Journal of Investing in 2006, looked at data from 1941 to 2003 and concluded that returns in January did indeed have some predictive power. However, one tricky point on the January barometer is that it interacts with another seasonal pattern – the "January effect". This is the view that most assets (not just stocks) tend to do better in January than in other calendar months.

January: the key to market success?

Writing in The Wall Street Journal last week, Derek Horstmeyer, a professor at George Mason University in Virginia, said that his research found that the January effect "worked" in equities from 1950 to 1999. Large-cap stocks in the US rose by 1.89% in an average January, compared to an average 1.02% for other months. A similar pattern held for small caps and global stocks. However since then, January has become a losing month on average, with large-cap equities typically down 0.53% (although bonds apparently still favour Januaries).

This is not an investment strategy

So what's an investor to do? There are two main problems with seasonal patterns and similar theories. One is the limited data – eg, there have only been 77 Januaries between 1945 and now. So "data-mining" – thinking you've found a pattern in what is just a random series – is a big risk. If there were good reasons to believe that investor behaviour in January shifts in a way to drive higher returns, then this would be less of risk. But while there are plenty of theories (from tax planning to New Year's resolutions) there is no strong evidence to favour one over another.

The second is practicality. While trading costs are no longer as high as they once were, they still exist; and, more to the point, who has the time or the energy to jump in and out of their portfolio based on a market timing theory of dubious significance? Here at MoneyWeek we believe there is certainly room for actively managing your portfolio in terms of thinking about whether your asset allocation is suitable for the prevailing environment. But basing your investment decisions on the name of the month does not strike us as a sensible use of your valuable time.

I wish I knew what a price-to-sales ratio was, but I'm too embarrassed to ask

The price-to-sales (p/s) ratio is the market capitalisation of a company divided by its revenues. So a company that has a market value of £25bn and sales of £10bn has a p/s ratio of 2.5. This is sometimes also known as a "sales multiple". All else considered, the lower the number, the cheaper the stock.

The p/s is calculated in a similar way to other metrics such as the price-to-earnings (p/e) ratio (market capitalisation divided by profits). But of course, sales aren't the same as profits, so the p/s may at first glance appear less useful as a gauge of whether a firm is cheap or not. However, it can be a helpful tool when looking at firms or sectors where earnings are temporarily depressed as a result of one-off factors, but which are later expected to return to a more normal level (for example, companies in cyclical industries). Comparing companies using p/s rather than p/e may be more effective here.

It may also be used when comparing early-stage growth stocks operating in the same industry. Again, these firms may be expanding rapidly, but not yet making a profit, rendering the p/e useless. By comparing them based on p/s, an investor can work out how much the market is paying for each pound or dollar of sales.

However, investors must ensure that any assumptions they make about how profitable a company will be in the future are realistic. A business with a low p/s ratio but no prospect of ever achieving a profit will be a poor investment.

Also, as with the p/e ratio, the p/s ratio does not take any debt into account. Generally a heavily-indebted company is riskier and less appealing than one that has no debt at all (assuming you are comparing companies within the same industry).

To get a picture that includes debt, you need to find the enterprise value (EV) – which adds debt to the market cap – and divide it by sales. Overall, as with all ratios, p/s should not be used in isolation.

Guru watch

Albert Edwards, global strategist, Société Générale

"I can summarise my 2022 outlook in a few lines," says Albert Edwards, the famously bearish global strategist at French bank Société Générale. Firstly, Edwards reckons that "equity markets will surprise and fall sharply as US tech unravels in the first half". The current tech bubble is based around a handful of super-stocks, particularly the FAANG companies (Facebook, Apple, Amazon, Netflix and Alphabet / Google), whose valuations have grown dependent on "multiple expansion" (ie,

investors being willing to pay ever-higher prices for a given level of earnings). "If they go belly up... so too does the whole market".

Investors might expect central banks to step in to print more money if the bubble pops, but Edwards believes US Federal Reserve boss Jerome Powell may not be quite as quick to react as in the past, as central banks have been criticised for exacerbating wealth inequality with quantitative easing schemes. "While the Powell Put still exists, the strike price may be a lot lower for equities than it was at end 2018." We could even enter a period of "quantitative tightening" (whereby central banks sell assets rather than printing money to buy them).

As this drop unfolds, currency traders should also brace for a rapid devaluation of the Chinese currency, the renminbi. Disappointing growth there will push the authorities – who tightened credit conditions during 2021 – to inject massive monetary stimulus and rapidly loosen conditions again, causing a large sell-off in the currency.

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The public firm is alive and well

David Wighton
The Times

There has been much "hand-wringing" about the shrinking pool of public companies in the past 20 years, says David Wighton. "Doomsters" say that this trend has been bad for ordinary investors, who can't access the private markets, and bad for the City, which is losing out on fees. Yet not only was there a "wave of flotations" around the world last year, but it seems that the situation may also have been "greatly exaggerated in the first place". Most of the decline happened before 2010 and was driven largely by consolidation in a few sectors such as banking and tech, according to research by McKinsey. There may be fewer public firms, but – certainly in the US – their market value has "never been higher". Stepping up (costly) governance and reporting requirements for private firms at a time when rules for public firms are being relaxed will boost the health of public markets, and the smaller public-company pool shouldn't be a problem for retail investors provided they can access the "private universe through funds with reasonable fees". In any case, now may be a time for caution. Owners tend to go public when stockmarket prices are high. The last time flotations were "so buoyant" was 2007. "Remember what happened next."

Workers quit the metal-bashers

Heather Long
The Washington Post

The Great Resignation has seen more than 43 million Americans leave their jobs in the past year, but while resignation rates in certain sectors – hospitality, healthcare – are unsurprising, the 60% jump in workers quitting the manufacturing sector is more dramatic, yet has received far less attention, says Heather Long. The industry is down almost 220,000 workers; a "remarkable" shift. Partly, this is because workers can't work from home and are fearful of Covid-19 outbreaks. But it's also a fact that pay in the sector, long "glorified" for offering a middle-class lifestyle, is now below average, particularly in "non-durable" manufacturing, such as meatpacking, where average pay is now $22.62/hour. Another important shift is the rise of a two-tiered pay system. While some jobs are unionised and pay $30/hour plus benefits, others are temporary, come with fewer benefits and pay around $20/hour. Workers had "almost no leverage during the Great Recession"; today, it is the "best job seekers' market ever recorded" and the manufacturing sector looks strong. Workers want higher pay, respect, a safe workplace and more flexible schedules. An industry that "quietly looked for ways" to reduce labour costs now faces a "reckoning".

States must plan for green future

Vandana Hari
Nikkei Asia

One "clear lesson" from last year's energy shortages and high prices is that global energy needs "cannot be managed on a short-term basis", says Vandana Hari. Many of the challenges will persist since they are a by-product of the "accelerated push toward a lower-carbon future". The recent shortages of natural gas in Europe led the EU to cut taxes, cap prices and extend subsidies even as it burnt more coal. China "plugged" coal shortages by "cranking up" domestic output and reining in power consumption. But Europe and China are "not the only ones capable of making mistakes. The energy transition juggernaut will knock down other countries" unless policymakers "meticulously start to detail national road maps to net-zero targets". These should include a "comprehensive stocktaking" of current energy sources and consumption, factoring in projected demand and setting in motion a "unit-for-unit replacement plan for retiring fossil fuels that accounts for the availability, cost and infrastructure needs of the new energy sources". In the meantime, and until we are "assured" of reliable, affordable" greener alternatives, we must continue to source fossil fuels as well as support efforts by oil and gas firms to reduce their carbon emissions.

We should get back to the office

Camilla Cavendish
Financial Times

As workers launch lawsuits for being asked to return to the office, CEOs are "tiptoeing" around the working from home (WFH) issue, says Camilla Cavendish. In the early days of Covid-19, WFH seemed to make staff more productive. Since then, the picture has "become more nuanced". A study of 10,000 skilled professionals at an Asian tech firm found that productivity had fallen by a fifth, even as hours – driven by more meetings – increased. A small Cambridge study found UK workers spent less time on paid work during lockdowns. In parts of the public sector at least, it feels as though we have returned to the 1970s, with firms run for the benefit of staff, not customers. Last summer, 500,000 driving licences, many of them critical to a functioning economy, were delayed after staff went on strike after being asked to return to the office. WFH may be unhelpful all round. Humans are "social animals" and successful, complex organisations benefit from interactions. Leaders need to have informal contact with juniors; "casual" encounters allow us to express ourselves; "new hires" need to learn the nuance of the job. "It is said that 2022 will be the year of the employee" – 2023 could be the "year of workplace remorse".

Money talks

"I've always been good at putting money away – although I probably wouldn't have thought about a pension in my 20s if it hadn't been for my financial adviser. At that age you're like: 'What? I'm never going to be 60!'"
BBC presenter Philippa Forrester (pictured), quoted in The Daily Telegraph

"I once threw £300 out of the window of a bus. I'd taken the money out of the bank and I wanted to make sure I had the right amount, so I had it on my lap. But at the same time, I was eating an orange, throwing the peel out of the window, and I threw the money out instead. This was in the 1970s, so that was a lot of money."
Singer Patti Boulaye, quoted in The Sunday Times

"I was embarrassed about my lack of ambition. As a child, my ambition was always about having a house by the sea, a kitchen garden, children, some dogs and lots of friends. I wanted to make work with friends. It didn't matter what, it could be a wool shop. Those were my ambitions and they still are."
Actor Tilda Swinton, quoted in The Guardian

"People normally think wealth and fame change you, but I don't think they have, because by the time you're 40 you already know who you are. I don't think they'd change a 40-year-old like a 20-year-old."
Comedian Ricky Gervais, quoted in The Guardian

"In the late 1980s, nightclubs would sometimes pay me thousands of dollars to sing *All In All*, my biggest hit in America. It would take me six minutes and 31 seconds and I could earn up to $3,000."
Singer Joyce Sims, quoted in The Mail on Sunday

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The joys of a stay in hospital

It's not the H.A.P.P.Y. experience it used to be

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newenglishreview.org

"One of the most remarkable changes in medicine since I qualified not far short of half a century ago," says Theodore Dalrymple, "is the speed with which patients are now able, indeed enjoined or commanded, to leave hospital after an operation, even a serious one." Back in the day, patients would routinely stay in hospital for ten days to two weeks. Nowadays, a stay of two days is exceptional and patients are ushered out of the door as soon as it is apparent that they will not die if they are.

A pity about the progress

On the whole, this is a sign of "remarkable progress and great technical advance". Procedures that were once almost experimental (for example, hip and knee replacements) are now as routine as blood tests. But "as with all progress, there is some retrogression too". Hospitals increasingly resemble a factory production line. Patients are processed like objects to be assembled and there is hardly any time for human contact. "Efficiency is more valued than kindness", and the speed with which patients are ejected is "sometimes cruel and medically erroneous".

Still, the former system had its flaws too. People would remain in bed so long that they became institutionalised – seen to be as much residents as patients. And "it is astonishing how quickly people get used to having everything done for them and doing nothing themselves, especially as most of what they do have to do is boring". Writer Logan Pearsall Smith once said he knew a man who committed suicide because he couldn't face having to tie his shoelaces for the next few decades.

The joy of a hospital stay was that all that was taken care of for you, and you were left to your chess, cards or reading. Indeed, when I was admitted to a luxurious if ascetic 1930s hospital with an unknown condition, "I was really rather disappointed" when told I could go home. Like many an habitual prisoner told me years later while working as a prison doctor, life inside can come to seem preferable to that outside.

And a spell inside can free you up to be productive. One of the reasons why, in the past, some elites were so extremely productive was that they had others to do the tiresome tasks for them. The end of the prolonged stay in hospital is therefore also a loss to literature, as such stays were the subject, or at least the occasion, of a number of literary works – Thomas Mann's *The Magic Mountain*, Solzhenitsyn's *Cancer Ward*, and memorable poems by Elizabeth Jennings and W.E. Henley. "What will the poetry of production-line hospitals be, what time or opportunity do they give for reflection?"

The actual case for price controls

econlib.org

The return of inflation has seen some commentators call for a return to wage and price controls. As we saw in the early 1970s, when then-US president Richard Nixon tried it, this is a "terrible idea", says Scott Sumner. Nonetheless, there *is* an argument for such controls – just not the one that its supporters might assume. Wage/price controls cannot stop inflation, which is caused by monetary policy. What they might be able to do is prevent high unemployment. Since it's politically difficult to cut wages, a monetary policy that sharply and unexpectedly reduces inflation may lead to a period of high unemployment until wages adjust to the lower level. The "dirty little secret" of wage/price controls is that the government's actual objective is to control wage growth to try to prevent tighter monetary policy causing high unemployment; the price controls are a "fig leaf" to make the policy seem fairer and hence more politically feasible. Historically the UK government was more honest than most about this, calling such controls "incomes policies". That's the theory. But it won't work in the real world. Why? Because they assume a competent and well-intentioned government. But if you had a competent and well-intentioned government, you would never have had the inflation in the first place.

Why we love a charity shop

theconversation.com

Charity shops are no longer solely the preserve of those seeking cheap goods out of necessity, says Esther Pugh. They are becoming "the highly revered stomping ground" of savvy shoppers, "swooping like jackdaws" into what have become contemporary Aladdin's caves of surprising treasures. The eclectic shops "satisfy a desire for individuality and authenticity" and provide a "thrilling shopping experience" that is a welcome antidote to the overly designed retail spaces of first-hand shopping.

They also do good beyond the funds they provide for the charities that run them. There are currently more than 11,000 such shops in the UK, raising about £270m a year for all kinds of good work. But they are also a social good, providing employment to 25,000 people and volunteering opportunities to 233,000 more. They help keep goods in circulation that might otherwise end up in landfill, saving local councils at least £31m a year and reducing carbon dioxide emissions. And that's not even to mention that you really can find a Burberry trench coat for £30 – if you have the patience and willingness for regular treasure hunts.

A "thrilling shopping experience"

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Economics explains the Theranos fraud

fee.org

How did Elizabeth Holmes of Theranos manage to con so many people? (See page 40.) Her self-confidence and shtick surely helped, says Jon Miltimore. But she may have had an edge – she "may not have been aware that she was lying".

An experiment conducted by behavioural economist Dan Ariely involved participants rolling a die and getting cash based on the result ($4 for a four and so on). Before rolling, they could decide, without telling the researchers, which side of the die – top or bottom – would count.

This meant the participants could make money by lying – and many did. The experiment was repeated with participants connected to a lie detector, and they still cheated. The interesting twist was, when the participants were told the money would go to charity, they cheated even more – but the lie detector stopped working. The human tensions that such devices pick up on to recognise a lie had disappeared.

In other words, like many a zealot and socialist tyrant, Holmes may have believed she was serving a greater good – which may have made her blind to her own wrongdoing.

Five questions for the new year

There is no crystal ball for investment, but these trends could help prepare for what comes next

David Stevenson
Investment columnist

French philosopher Simone Weil once said the future is made of the same stuff as the present. So I'm going to abstain from any 2022 futurology and will instead pose five questions most private investors would be well served to ponder as we go into the new year.

From tech to VCTs

Do US technology growth stocks have much further to run? The average price/earnings (p/e) ratio of the FAANGs (Facebook, Apple, Amazon, Netflix and Google) is over 40. They may be overvalued by traditional metrics, but the continued flow of money into them shows investors don't care.

If the secular drivers pushing these types of shares higher stay in place, it has implications for UK venture capital trusts (VCTs). These tax-efficient venture funds are not the same as the US tech giants. They have their own unique selling points. However, if tech trends remain strong, I think UK investors will put even more money into the next round of VCTs. Most of the experts I've spoken to in the field believe the first quarter of 2021 will be a bumper year.

Conversely, if you think the US initial public offering (IPO) pipeline will shut and tech stocks will tank, now is probably not a great time to be backing VCTs.

Listed funds make it easy to invest in alternative assets, such as ships

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Consider alternatives

Are you ready to take the plunge into alternatives? There has been an explosion of alternative funds listing on the UK market, ranging from renewables and infrastructure funds to music royalty funds and shipping funds. There are also veteran private equity funds such as HgCapital, Harbourvest, and Oakley Capital. Institutions and wealth advisers remain dominant on their share registers, but their managers have reported increasing interest from private investors. The consensus among most institutions is that anything between 10% and 40% of their portfolios can be exposed to alternatives, and private equity specifically. By contrast I would suspect most private investors have less than 5% exposure to private equity in their portfolios.

Time for the UK to shine

UK-focused funds had a decent 2021, but will they do better in 2022? The average UK-focused fund returned 18% compared to 12.5% for global equity funds in 2021, according to Numis. UK all-companies funds returned 16.6%, and UK smaller-cap funds 21%. But, over the last five years, global equity funds have delivered a 102% total share price return while UK funds have produced returns of 54%. Most strategists believe the UK equity market is undervalued and UK equities are certainly under-owned by most large institutions.

ETFs go active

Will you consider an actively managed exchange traded fund (ETF)? ETFs are largely thought of as passive investment vehicles that track an index and that certainly used to be the case. However, the growth of thematic funds has paved the way for more concentrated portfolios of stocks – sometimes comprising no more than 30 to 50 shares – whose indices tend to be actively constructed. The next step was to get an active manager to run the portfolio. A few active ETFs have emerged in the UK and Europe, but I expect an increase in issuance in 2022. They are already a big thing in the US: roughly two thirds of all the ETFs launched in 2021 were actively managed.

Getting into crypto

My last question pertains to the most alternative asset class out there: cryptocurrencies or digital money. How will UK private investors choose to build their exposure to these investments? Many are interested but don't know how. Do they hold the currencies directly or in a diversified fund, or invest instead in the new digital infrastructure behind them? I believe it won't be long before someone launches an investment trust or active ETF that invests in and across currencies and the decentralised finance system behind them.

Activist watch

Toshiba's plan to break up into three companies is being fought by activist investor 3D Investment Partners, says Bloomberg. Singapore-based 3D, which is the Japanese technology conglomerate's second-largest shareholder with a 7.6% stake, claims that the strategic review behind the proposal doesn't address underlying issues and that a break-up would only create "three small Toshibas with similar problems". Instead, 3D wants Toshiba to consider selling all or part of the company, and has criticised the board for ending talks on the sale of a stake to a private-equity firm. Toshiba has faced a series of controversies, from an accounting scandal in 2015 to revelations of collusion between executives and government officials to influence shareholder votes in 2020.

Short positions... India funds beat China in 2021

■ **India and energy funds stood out alongside US large caps as the biggest winners of 2021, while China and emerging markets suffered heavy losses, says Sunniva Kolostyak on Morningstar. BGF World Energy was the best performing open-ended fund rated by Morningstar analysts, capitalising on soaring energy prices to deliver a 43% return. India equity funds accounted for four of the top ten funds, led by Stewart Investors Indian Subcontinent Sustainability at 35%. Chinese equities, which excelled in 2020, had a poor year: there were five China funds in the bottom ten. UBS EF China Opportunities took the wooden spoon, down 25%, followed closely by a pair of Baillie Gifford's emerging-market funds. The Baillie Gifford funds saw a particularly dramatic reversal of fortune, having both achieved returns of 70% the year before. The overall range of returns in 2021 was more muted than 2020, when the top performing fund gained 110% and the worst lost 34%.**

■ Investment trusts focusing on Asia and emerging markets also struggled in 2021, says James Gard on Morningstar. JPMorgan China Growth & Income was the weakest of the 36 Morningstar-rated trusts, down 21% following an 83% gain in 2020. The few exceptions included Fidelity Asian Values, which gained 17%. Montanaro European Smaller Companies topped the table, gaining 33% after a respectable 40% in the previous year, while Fidelity Special Values recovered from a weak 2020 to gain 33% as energy and financial stocks rebounded. Scottish Mortgage, which achieved an astonishing 107% in 2020, managed 13% this time: many of its US holdings in technology and science remained fashionable but could not match the spectacular returns they delivered early in the pandemic.

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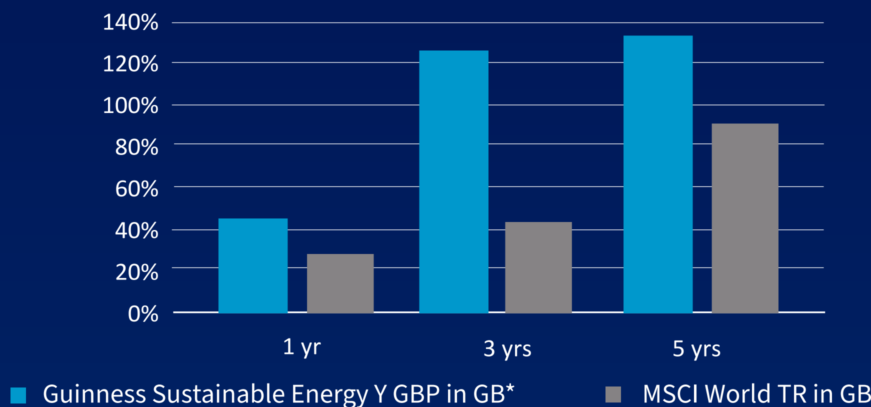
Guinness Sustainable Energy Fund Performance*
(Y class, 0.68% Ongoing Charges Figure (OCF), % Total return in GBP to 30.09.2021)
Past performance does not predict future returns. Source: Financial Express



	Sep' 21	Sep' 20	Sep'19	Sep' 18	Sep' 17
Fund	43.4%	42.6%	11.0%	-1.4%	4.9%
Index	23.5%	5.2%	7.8%	14.4%	14.4%

- As the global population rises, sustainable energy will meet rising energy demand more cheaply than incumbent energy sources.
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Calls will be recorded.

How fintech is revolutionising ban

Financial technology – from apps to APIs to the cloud – is rapidly transforming financial services. This will spell doom for some incumbent firms, while others are set to win big. Matthew Partridge looks at how to find the winners.

Finance has used technology "since the days of the abacus", as Philipp Buschmann, the chief executive of smart-banking platform AAZZUR, puts it. However, up until a few years ago most financial firms and institutions remained relatively insulated from the digital revolution that had disrupted many other sectors of the economy. Even the rise of online banking had failed to challenge the dominant retail banks in the UK, while basic financial tasks such as processing payments or making cross border transactions still relied on the infrastructure created decades ago.

That's changing – and changing fast. Customers are now much more comfortable carrying out a wide range of tasks through new channels such as apps. They are increasingly looking for the kind of convenience in financial services that they are getting elsewhere in the modern economy. The result is a fast-spreading financial technology (fintech) revolution.

Payments technology is an example where the industry is changing very rapidly, says Nina Moffatt from the fintech and payments team at law firm Paul Hastings. Until recently, companies selling goods and services over the internet had a very limited choice of providers when it came to processing payments and moving the money to their bank. However, the wider use of application programming interfaces (APIs) is now giving them a lot more choice.

An API is essentially a way for one piece of software to communicate directly with another. Among other things, APIs make it easier for websites to use different services from multiple providers and ensure that these providers share data with each other. This means that a company selling goods over the internet can use an app provided by one firm to receive and process payments, have the money deposited into an account provided by another business and even have a link to a third app that offers credit.

Taking paperwork online

Payments technology might be experiencing a "big wave" of innovation at the moment, but other parts of the financial service industry aren't far behind, says Michael Kent, chief executive of payments company Azimo. For example, some aspects of compliance and "know your customer" requirements "are already being automated and moving online". Meanwhile, digital technology is increasingly being applied to payroll management and some tasks traditionally associated with a company's chief financial officer, "which makes it much easier for small firms to deal with these tasks in real time".

A slightly longer-term project is the digitalisation of the insurance industry. For example, Kent notes that "many underwriters are using big data – large amounts of detailed data from multiple sources – to get a much more accurate estimation of risk". It's true that the behaviour of the first generation of short-term lenders, such as Wonga, which was criticised for its high interest rates, "dealt a blow" to the public perception of the online lending industry. However, he argues that the successful digitalisation of consumer credit shows what can be achieved in other areas.

"Payments technology is an example of rapid change in the industry"

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Brazil's Nubank listed in New York in December

Build your own bank

Perhaps the biggest change to the current model of financial services comes from the rise of "embedded banking", says Buschmann. This involves companies cutting out the middleman and "effectively creating their own bank in order to offer financial services directly to their own customers". Some companies, such as General Electric in the US or the supermarkets in the UK, have offered banking services to their customers in the past, but this has been limited by the technological and regulatory complexity of creating their own banks.

However, the rise of digital technology, as well as firms such as Railsbank, which specialise in creating the necessary digital infrastructure, means that "the time to set up your own bank has been cut from five years to six months". As a result, many more companies are now in a position where they should think about providing their own financial services, says Buschmann. "Just as many forward-thinking firms realised in 1999 that having a website could be extremely useful, or even a necessity, many companies are now realising that providing their own financial services to their customers is a good idea."

Finding a new advantage over peers

The development of buy now, pay later (BNPL) services is an example of ordinary companies using a "novel customer-centric product" from non-traditional providers to gain a competitive advantage over their peers, says John Pauley of law firm Harper James. In return for the retailer giving companies such

king around the world

as Klarna or Clearpay a cut of the sale price, the BNPL provider pays the retailer for the goods, while allowing the customer to defer payment without incurring interest or charges (so long as the subsequent payment is made within a certain time).

Even after the fee that the retailer must pay is taken into account, BNPL ends up giving many customers "cheaper credit than traditional credit cards and much cheaper than payday loan operators", says Pauley. So it's perhaps not surprising that there has been a "lot of development" in BNPL, with volumes "growing significantly", accelerated by the Covid-19 pandemic as well as low interest rates. Indeed, if anything the main complaint about BNPL is that it has made it so easy to access credit that people may be using it too much – which is why the Financial Conduct Authority has announced that it will begin regulating the sector.

Emerging markets embrace fintech

Perhaps surprisingly, the fintech revolution may end up having the biggest impact in emerging markets, says Aman Behzad of corporate-advisory firm Royal Park Partners. This is because one of the problems that fintech firms have had to deal with in developed markets is overcoming apathy and suspicion from consumers in countries where "almost everyone already has credit cards and bank accounts". By contrast, large numbers of people in emerging economies are excluded from the financial system, which means that "there's no consumer inertia or legacy systems to contend with".

What's more, most people in emerging markets have mobiles and smartphones, so they are also comfortable with using online apps, says Behzad. The huge number of unbanked consumers, especially among poor and middle-income groups, combined with this "massive mobile and smartphone penetration", means that there is a "huge opportunity" for fintech firms. Investors' enthusiasm over this theme is shown by the hype around Brazil's Nubank, which listed on the New York Stock Exchange last year and is valued at around $43bn. Nubank is the world's largest standalone digital bank: it has around 48 million customers and could reach 108 million by 2025, according to forecasts by Goldman Sachs.

Behzad thinks that emerging markets can be divided into "three buckets". At the forefront is Latin America, where you have a "massive fintech boom", not least because many immigrants in the US are looking for a cheaper way to send remittances to their families back home. Africa is a "close follower", with "massive amounts of capital going into payments and wallets services, especially in East Africa. Countries in Asia, notably in Southeast Asia, have been slower to adopt fintech. However, there are signs that the revolution is "now gathering momentum", even among late adopters such as Indonesia and Pakistan.

"Latin America has seen a massive fintech boom"

Incumbents will come under pressure

The rise of financial technology will be good for consumers and for non-financial firms, says William Howlett of wealth manager Quilter Cheviot. They will benefit from lower prices and charges as competition and technology pushes down costs and will also gain from "an evolution in customer service standards". However, as you might expect, the picture for the incumbent banks is much less rosy.

There are a few possible silver linings. The move to online banking has enabled banks to cut the number of branches they have to operate, with their market power enabling them to retain some of the savings "from improved cost-income ratios". But things are going to get tougher, says Howlett. Banks "will have to deal with increased competition on pricing from the fintechs, who can offer a more nimble and cheaper service with fewer regulatory hurdles to navigate". What's more, the rise of fintech, and the fortunes being made by start-ups, is also hurting banking by luring the "best and the brightest" away from the industry. This is draining the pool of talent and also forcing firms to offer higher salaries to retain the staff that they will need in order to compete with other fintech companies.

The technology challenge

Indeed, banks have already found that developing digital products in-house to compete with those offered by specialist fintech firms is "tricky and costs a lot of money", and even when they have spent the necessary funds "they have had mixed results doing it internally", says Gary Bond, chief executive of TISAtech, which connects fintechs with financial institutions. While many top-tier banks make enough profits "to spend the necessary sums to stay in the race", smaller banks, building societies and other financial institutions that lack such resources "can't just throw money at the problem".

Some firms may be able to adapt by focusing on areas such as high-end wealth management, which are less threatened by fintech since they "involve

Continued on page 24

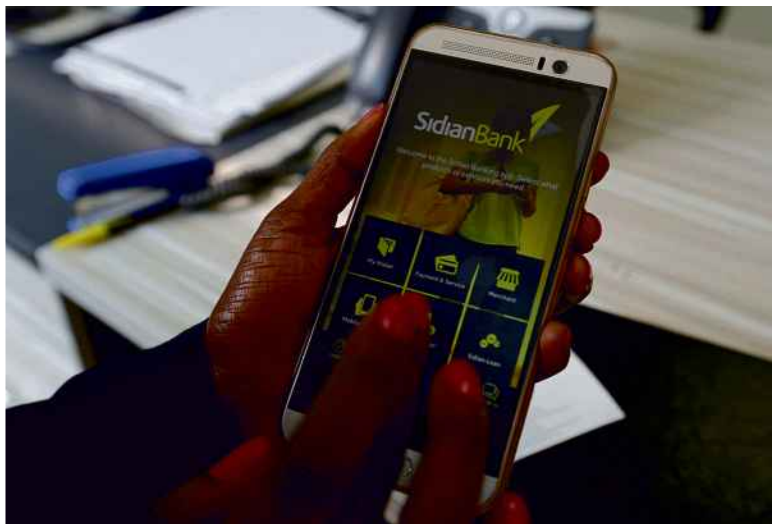
Continued from page 23

a high degree of human interaction", says Bond. However, even such firms realise that in the longer term the saying that "if you're not riding the wave of change, you'll find yourself beneath it" still applies. For the smaller banks and institutions, this involves partnering with fintech firms to buy in specific capabilities and applications.

Buying the expertise

Many banks aren't just buying particular applications, but are going further by taking over entire fintech companies. The aim is to improve their technology, create an environment that is more conducive to future innovation (in contrast to the relatively bureaucratic environments of traditional financial institutions) and even to eliminate a potential competitor. Hence there's been a lot of mergers and acquisition (M&A) activity in fintech over the past few years, says Moffatt. Much of this has been led by banks, who are not only afraid of the threat posed to their existing business, but also believe that such takeovers make sense because "they are still better than the new entrants when it comes to providing services on a large scale". Banks also have the advantage that they have a lot of experience with dealing with regulators, something that's going to be an increasing issue as fintech enters the mainstream.

However, other financial-services companies have also been taking steps either to buy up other fintech companies, or at least to enter into strategic partnerships with them. For example, credit-cards and payments giant Visa was an early investor in start-up Currencycloud – a cloud-based platform for cross-border business-to-business payments – before buying the company outright for around £700m at the end of last year. Of course, while these deals may end up being advantageous for the banks and institutions, the real big winners from all this activity will be the owners and investors behind these fintech companies, especially the venture-capital firms, says Moffatt.



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Countries such as Kenya quickly adopted digital banking

Supplying the infrastructure

Some non-fintech firms will also make large profits by providing the infrastructure that these new services rely upon, or by providing other services to fintech companies. Very few fintech businesses are completely self-reliant, says Moffatt. Most combine their own proprietary technology with services that come from third-party providers. With regulators set to require that fintech companies deliver much higher levels of security and governance, "those third parties that can provide a product that is not only reliable, but also ticks all the regulatory boxes, will be in big demand".

Cloud computing is already benefitting from an increase in demand, says Howlett. Most fintechs don't want to deal directly with the capital and storage costs of buying physical hardware, so they will continue to lease these resources. Amazon, Microsoft and Google's cloud infrastructure will all be used by fintechs, he says, which means that they will benefit hugely from the boom in financial technology. Of the trio, Amazon's products are "considered to be the most skewed to start-up customers".

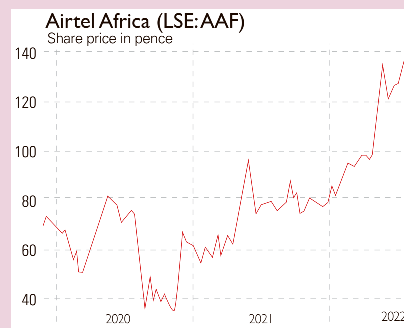
> *"Cloud computing is already benefitting from an increase in demand"*

Investing in the future of fintech

Investing in fintechs can be difficult because most of them are still private companies. One solution is to buy an investment trust that specialises in such companies. William Howlett of Quilter Cheviot suggests looking at **Chrysalis Investments (LSE: CHRY),** which "aims to harness the long-term growth potential of fast-developing companies at an advanced stage of private ownership and considering a stockmarket flotation". Chrysalis' portfolio holds several fintech companies, including Klarna and Starling Bank, as well as **Wise (LSE: WISE)**, which went public in July.

European bank **Ing (Amsterdam: INGA)**. may be worth considering: it is one of the few mainstream institutions that "has had success with digital transformation", reckons Howlett. He particularly likes the fact that it has "delivered essentially branchless banking at scale in markets such as Germany and Spain". ING's Australian subsidiary has even developed software that links people's savings to their Twitter, Fitbit and Alexa accounts, allowing them to save as they "run, walk,or tweet". It is also relatively cheaply valued, trading at only 10.6 times forecast 2022 earnings, an 8% discount to its net assets, and at a yield of 5.3%. Howlett also thinks **JP Morgan (NYSE: JPM)** takes digital banking extremely seriously, as shown by its "vast IT budget". It spends $12bn a year on 50,000 staff who focus on developing new IT applications, including a project that aims to find uses for blockchain beyond digital currencies. As well as spending large sums on in-house technology, it has also made several acquisitions, including buying UK robo-adviser Nutmeg for a reported £700m last year. It trades on 13.9 times forecast 2022 earnings, despite enjoying solid revenue growth of around 5% a year over the past five years.

Michael Kent of Azimo is very positive about firms that process payments, especially **Visa (NYSE: V)**, which is in a good position to benefit from economies of scale. It is "definitely not complacent" about the long-term threat posed by emerging technology, he says: the firm is building up its data capabilities and even investing in several fintech start-ups. The shares trade at 25.8 times forecast 2023 earnings, but sales are growing by around 10% a year. **PayPal Holdings (Nasdaq: PYPL)** is the leader in online payments. While it trades at 35 times forecast 2022



earnings, revenue is growing by around 20% a year, and it more than tripled earnings between 2015 and 2020.

Latin America is at the vanguard of the emerging-market fintech revolution, Africa isn't far behind, thanks to the lack of traditional banking and the rapid adoption of smartphones. The main business of **Airtel Africa (LSE: AAF)** is providing mobile services to around 118 million customers in 14 countries, mainly in east, central and west Africa, but it offers saving accounts, and even some loans, through a majority stake in Airtel Money (in which Visa's main peer **Mastercard (NYSE: MA)** has invested). The shares have gone up since I tipped them last year, but still trade at only 13.6 times forecast 2023 earnings.

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Seize these IT bargains in 2022

Attractive investment trusts are trading at a discount. Those waiting for the perfect time to buy will miss out, says Max King

Markets ended 2021 on a firm note, despite concerns about the economic impact of the Omicron variant, the belated decision of the Bank of England to raise interest rates and of the Federal Reserve to scale back quantitative easing. That share prices reacted positively to these decisions is a sure sign that investors see tighter monetary policy as necessary.

The biggest puzzle of 2021 was why bond yields remained so low in the face of soaring inflation, which was steadily proving to be less "transitory" than first billed, as economist Anatole Kaletsky of investment-research firm Gavekal has pointed out. "The refusal of bond investors to push yields much higher seemed to defy all rational explanation," wrote Kaletsky. "Many analysts have responded by dismissing bond investors as irrational or by denouncing governments and central banks for 'manipulating' markets."

However, "bond yields tell us almost nothing about the long-term prospects for growth or inflation", he continued. Most bond investors are not concerned about negative real yields, or even with earning more than a very short-term return. "So long as ten-year US Treasury yields rise only steadily higher, reaching 2.2%-2.5% in 2023, the outlook for equity prices and global economic growth for the next few years will remain very favourable."

Kaletsky was right in 2021 and the sceptics were wrong. Loose fiscal and monetary policy is being scaled back and there is no sign of a panic in the US bond market. With common sense returning to the Federal Reserve and to legislators in Washington, the chances of such a panic are dwindling. Investors who are holding back from the stockmarket risk missing out. There is an abundance of value around, not so much in "cheap" shares, but in recovery, reasonably priced growth and neglected corners of the market.

In addition, some investment trusts trade on a much wider discount to net asset value (NAV) than the average of 1.5%. In some sectors the NAV is based on historic asset value and conservatively estimated so the true discount is wider. Buying on a discount will increase your returns if the discount narrows, but it should not be the main reason for investment. The opportunities for bargain hunting in the specialist trusts are not limited to those on wide discounts.

The UK is attractive as growth returns

After years of underperformance, the shares of UK-listed companies trade at significant discounts to those in other markets, hence the flurry of takeovers from overseas. UK domestic earners have been the weakest – flat over five years, according to Laura Foll of Janus Henderson Investors, while international earners have returned 40%. Yet valuations are attractive, earnings estimates are very conservative and growth is returning to companies that have been struggling for years.

This provides an attractive environment for value investor **Temple Bar (LSE: TMPL)** on an 8% discount and for growth-at-a-reasonable price investor **Finsbury Growth & Income (LSE: FGT)** on a 5% discount. **Lowland Investment Company (LSE: LWI)** on an 8% discount and **Henderson Opportunities Trust (LSE: HOT)** on a 13% discount have the draw of not being tied to one style, but being able to switch focus between growth and value, large and small cap, recovery and steady earners, depending on what looks best.

"Buying on a discount will increase returns, but should not be the main reason for investment"

The outlook for Brazil is better than investors think

Smaller companies should beat large

The long-term trend of small caps' out-performance looks sure to continue, yet is not reflected in either their valuation (lower than for large caps) or the rating of the small-cap specialist trusts (often on significant discounts). They are attractive everywhere, but especially in the US where they trade on an average price-earnings multiple below 16. This is in line with the 20-year average, yet US smaller companies have all the advantages, such as the scale of domestic opportunity, benign political, economic and regulatory outlook and entrepreneurial culture of larger ones on much higher valuations. **JP Morgan US Smaller Companies (LSE: JUSC)** and **Brown Advisory US Smaller Companies (LSE: BASC)** are still attractive.

Private equity

It's been an excellent year for listed private equity with strong progress in the underlying firms, great prices achieved on disposals and some surprisingly engaging new investments. Fears that too much money waiting to be invested will push up prices and lower returns continue to look premature and portfolios continue to be cautiously valued.

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Yet share prices of many private-equity trusts still trade on significant discounts. Private wealth managers shun the sector because of its costs, regardless of the high returns achieved, yet private equity should account for at least 10% of any equities portfolio.

Even on a small premium, **HgCapital Trust** (**LSE: HGT**) is appealing, given strong underlying growth and modest valuation in its portfolio. Direct investors **Apax Global Alpha** (**LSE: APAX**) and **Oakley Capital Investments** (**LSE: OCI**) on discounts of 12% and 6% respectively, funds-of-funds **Pantheon International** (**LSE: PIN**), **Harbourvest Global Private Equity** (**LSE: HVPE**) and **ICG Enterprise Trust** (**LSE: ICGT**) on discounts above 15% and sector giant **3i** (**LSE: III**) on an apparent premium of 36% (but in reality much less) all look attractive.

Momentum is building in Japan

Japan bulls can sound like gramophone records with the needle stuck. But Japan does offer great valuations, earnings growth, a growing focus on rewarding shareholders and improving corporate governance.

JP Morgan, Baille Gifford and Fidelity manage growth-orientated trusts with great records, but the smaller **AVI Japan Opportunity Trust** (**LSE: AJOT**) has a solid record of investing in under-managed, overcapitalised firms with the potential to streamline performance for the benefit of shareholders and then persuading them to change. Momentum is picking up, the approach is paying off and the potential is large.

"The abundance of attractive opportunities is a bullish sign"

Back healthcare in a post-pandemic world

The poor performance of biotechnology held back most of the trusts in 2021, although not **Polar Capital Global Healthcare** (**LSE: PCGH**). However, that hardly explains the US healthcare sector's underperformance in 2021 or its 20% valuation discount (17 times 2022 earnings versus 21 for the wider market) in a world in which the focus on healthcare has been increased by the pandemic. (US firms dominate the global sector.)

Polar Capital Global Healthcare, **BB Healthcare Trust** (**LSE: BBH**) and **Worldwide Healthcare Trust** (**LSE: WWH**) all look worth backing, as do the biotech trusts **Biotech Growth Trust** (**LSE: BIOG**) and **IBT Biotechnology Trust** (**LSE: IBT**), although these are higher risk and higher reward. After a difficult year, private equity start-up specialist **Syncona** (**LSE: SYNC**) received a boost from the sale of gene-therapy firm Gyroscope to Novartis at a premium price in December. The fund now trades on a reasonable premium to NAV, while its strategy is being vindicated.

Property still offers value

The lag between stated and current NAV will always make property companies cheaper than they look in a rising market. There is still value in the sector despite strong performance in 2021. **BMO Commercial Property Trust** (**LSE: BCPT**) on a 20% discount, **Regional Reit** (**LSE: RGL**) on a 4% discount and **Ediston Property Investment Company** (**LSE: EPIC**) on a 4% discount stand out. The latter focuses on retail parks, which are flexible, low cost and in demand, rather than shopping centres or the high street. The news from the sector has been better than expected, yet valuations and share prices continue to be weighed down by short-term concerns over the pandemic. **TR Property Investment Trust** (**LSE: TRY**), trading on a negligible discount but yielding nearly 3%, is a good one-stop-shop for the sector in the UK and Europe.

Too much pessimism about Latin America

Emerging markets had a dull year in 2021, but the three-year and five-year record remains good thanks to Asia's strong performance. However, Latin American equities have had negative returns over one, three and five years, as has the main trust in the sector, **BlackRock Latin American Investment Trust** (**LSE: BRLA**).

Yet "Brazil (and the rest of Latin America) is benefiting from its core resource exports enjoying strong demand and high prices", points out Udith Sikand of Gavekal Research. "Finances are on the mend and real interest rates are quite attractive." Latin America is shaking off the pandemic and pessimism about the political outlook looks excessive. BRLA trades on a 5% discount to NAV, yields 6.1% and consequently looks well worth a bet.

Bullish signs for markets

The abundance of attractive opportunities is a bullish sign for markets. When it is hard to find good value, it is usually time to sell and when it is easy, it generally means the market is going up. There is always short-term downside, but those who wait for the perfect buying opportunity are always left on the sidelines. Bull markets climb a wall of worry; when the risks seem to have disappeared, it is time to get very worried indeed.

Rising inflation will diminish real equity returns, but not nearly as much as for cash, bank deposits and bonds. Besides, while inflation is proving to be more than transitory, it is still less than endemic. The era of zero interest rates, money-printing and government extravagance is coming to an end and that bodes well for inflation in the medium term.

It is time for investors to grab the bull by the horns and stop worrying about the short term.

Making divorce a bit less painful

Waiting for the new laws in the next tax year could ensure a difficult process becomes a lot cheaper

Ruth Jackson-Kirby
Money columnist

Last Monday was Divorce Day, so named because it is the most popular day of the year for people to contact solicitors about splitting up. There's nothing like the combination of Christmas stress, January money worries and the thoughts about the future that a new year brings to make people reassess their marriage.

If you are thinking about divorce, you may want to wait for a different new year in order to save yourself thousands of pounds. The new tax year dawns on 6 April and brings with it "the biggest shake-up in divorce laws for 50 years," says Toby Walne in The Mail on Sunday, allowing couples to get divorced without anyone having to take the blame.

The change means there will be no need for legal wrangling over who is going to take responsibility for the failure of the marriage, and no-one will have to admit to adultery or unreasonable behaviour, or wait two years for a marriage or civil partnership to be dissolved. Instead, both parties can make a joint application for an amicable divorce.

"The abandonment of fault-blamed divorce… should negate the need for difficult conversations in often emotional situations," Prabhleen Kundhi, a divorce and finance solicitor for IBB Law tells The Mail on Sunday. "It will remove an often costly part of separation." Legal bills for divorce can be up to £400 an hour, but the change could allow couples to agree on a divorce for as little as £300 and let them focus on issues such as children and the arrangement of their future finances.

How to keep costs down

Holding off until the new tax year can also minimise tax liabilities. Completing the divorce in one year means there is no capital gains tax to pay when you pass investments between you and your ex, says Sarah Coles of Hargreaves Lansdown. If you go into a new tax year, you may be liable.

There are several other things you can do to keep costs down. Many solicitors now use online tools to gather all the information they need about you before your first meeting. This allows you to fill in all your forms in your own time and won't form a part of your first meeting with your solicitor, so you won't be paying for their time while you do administration. Look for a solicitor who is tech-savvy.

Remember that you pay for your solicitor's time whenever you get in touch with them, so instead of sending them lots of emails with small queries, send one longer email with all the questions you want answered in one go, says Gemma Hope, director and solicitor at Family Law Partners. Also consider whether your lawyer is the best point of contact. "For non-legal issues, a counsellor, divorce coach, or financial adviser might be better placed to help."

Don't forget the pensions

As well as keeping your costs to a minimum, make sure you don't lose out financially in the final settlement. Check that all your joint assets are included and don't forget about large amounts. Many couples forget to include pensions when calculating financial settlements, or overlook the long-term impact of losing out on a pension.

There are around 115,000 divorces each year, but 28% of them don't include pensions in the settlement, according to research by Legal & General. "Many people don't know that a pension is considered a joint asset, even if only one spouse has built it up," says Rebecca O'Connor of Interactive Investor, whose recent retirement survey found almost half of couples don't discuss pensions when separating. "Often, women will choose to take the home and will let their ex-husband keep the pension. At the time, this might seem like an advantageous split, but when it comes to retirement income, the partner who took the property rather than the pension has no income to live on."

It's time to part ways – but not until 6 April

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Pocket money... don't count on the state pension

■ The state pension has long been an integral part of most people's expected retirement income, but "even though it has existed for more than a century it could be worth pretending that it may not be there in the future," says David Brenchley in The Sunday Times.

While there is not yet any talk in government of scrapping the state pension, "there are plenty of younger people who are concerned about its future". This is an expensive benefit, costing around £118bn a year, and that figure is expected to rise as the number of claimants increases from 12.4 million in 2017 to 16.9 million in 2042.

Some protections that have been in place are being eroded – the triple lock has become a double lock, at least temporarily – and so "it would be sensible for anyone not close to pension age to plan for retirement without a state pension".

"That sounds dramatic, but you will be quids-in with a strategy that assumes you won't get a state pension, or that what you do get won't be very generous. It means you can regard any state pension as a bonus," Rebecca O'Connor from Interactive Investor tells The Sunday Times.

■ The buy now pay later (BNPL) sector should be regulated in the same way as other forms of consumer credit to protect vulnerable consumers, says Greg Wright in the Yorkshire Post. Debt charity StepChange has found that people with two BNPL loans are twice as likely to report difficulties keeping up with their household bills and credit repayments.

"BNPL is deliberately marketed and presented... as a means of payment rather than as a form of credit, which is what it really is," says Phil Andrew of StepChange. There is very little to stop consumers "from building up significant amounts of cumulative BNPL debt". Swift regulation is needed to bring this "rapidly growing lending market into line to ensure that consumers are better protected from the risk of financial difficulty".

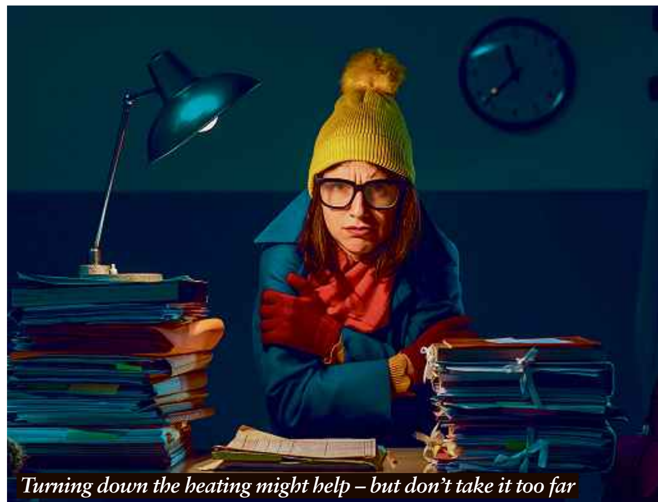
■ American Express and British Airways have launched two new deals "aimed at customers keen to give their Avios points balances a hefty boost", says Jane Denton on This is Money. If you already have a BA Amex card, then you can receive up to 12,000 Avios points by inviting a friend to sign up for a new card – twice the standard reward.

New card holders who take out a British Airways American Express Credit Card will receive a bonus 10,000 Avios points, which is also double the usual reward. "This is enough for a one-way flight to Cairo, or a European return trip to cities including Paris," says George Nixon in The Sunday Times. Both deals end on 28 February.

Coping with rising costs

The best way to keep the lights on is to make sure you're turning them off

David Prosser
Business columnist



Turning down the heating might help – but don't take it too far

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Small businesses see rising energy costs as the biggest problem they face over the year to come, ahead of Brexit red tape, supply-chain disruption and even the ongoing impact of the Covid-19 pandemic. More than half of them now regard soaring gas and electricity bills as their most pressing challenge, according to the Federation of Small Businesses (FSB), which is warning that this could pose an existential threat to many firms.

The issue for small businesses is the same one that families face across the UK. With wholesale energy costs spiking sharply, suppliers are expected to increase their charges by 50% or more during 2022. The problem for business customers, however, is that none of the protections available to households, including the energy price cap, apply to them. And while larger businesses can use their purchasing power to negotiate good deals, smaller firms have no such leverage.

It is not all bad news. Most businesses are tied into fixed-price contracts with their energy companies, typically for one, two or three years. Price rises will typically only come into effect when such contracts come to an end and the firm has to negotiate a new deal. The most fortunate small businesses may be protected from higher bills for some time to come.

Effective tips to lower costs

However, once firms need to arrange a new contract, escaping higher tariffs will be difficult. It still makes sense to shop around for the best deal, rather than automatically renewing with your existing supplier – and a specialist broker may be able to help – but prices are increasing across the whole market.

In which case, how can small businesses mitigate the damage? In the absence of additional government support – which groups such as the FSB are now pushing for – the biggest opportunity to save money lies in reducing energy consumption. Experts argue many businesses could make significantly more efficient use of their energy.

It may be possible to waste less energy with some simple steps, from not leaving office equipment on standby to turning off lights out of hours. Groups such as the Energy Saving Trust provide advice and tips.

"It's possible to waste less energy with some simple steps"

More fundamentally, now may be a good time to rethink how your business operates. For example, is there scope for more people to work from home, reducing the need for large and expensive business premises? Another possibility is to install more energy-efficiency equipment. A number of energy companies now offer grants to help businesses reduce the cost of such investments.

Make sure you're only paying for the energy your business is actually using. As bills rise, it becomes even more important to check meter readings regularly and to ensure they tally with what the provider is proposing to charge.

For businesses that find themselves struggling, taking early action is imperative. Speak to your provider about the difficulties you face as soon as possible – it may be prepared to offer you a more manageable payment plan, particularly as the sector comes under pressure from regulators to behave sensitively. In some cases, business hardship funds may even be available.

The danger of sticking your head in the sand is that you risk making the problem even worse. Late payments might incur penalty charges or added interest. If your supply is disconnected, you will usually have to pay additional fees to switch it back on.

The fight against late payments

Almost one in three small businesses have seen the late payment of their invoices increase over the past three months, research from the Federation of Small Businesses (FSB) shows. Almost one in ten are worried the issue now threatens the viability of their business.

The FSB believes small businesses are seen as an easy target by larger organisations struggling with their own cash-flow problems in the face of difficulties. And while successive governments have promised to offer smaller businesses more protection from late payments, initiatives such as the Prompt Payment Code, a voluntary scheme, appear to have had limited success.

That leaves firms struggling with late-paying customers by themselves – and it is increasingly clear that businesses must be prepared to take a tough line. That includes doing due diligence work, such as running credit checks on customers before allowing them to build up large balances, and being clear from the outset about your payment terms. Make sure these are included on every invoice you send.

It is also vital that your finance department acts decisively. Issue invoices as soon as work is completed and be prepared to chase a late payment from the day after it was due. Remember that you have a statutory right to claim interest on late payments, as well as compensation for debt recovery costs. Make it clear to customers you will claim this cash – and stop supplying them until they have paid outstanding bills.

Get ready for higher NI bills

- Small businesses face a £5.7bn bill from April when employers' national insurance contributions are due to go up. Business advisers are urging employers to plan ahead for the higher costs: contributions are due to rise by 1.25% to 15.05% on 6 April. The increase means that a small business with five employees each earning £30,000 a year will pay an annual national insurance bill of around £16,500.

- April's national insurance contribution increase could be particularly challenging for businesses that employ significant numbers of staff who earn the national living wage, which is also due to increase in three months' time. From 1 April, the headline rate of the minimum wage will rise 6.6% to £9.50. This is the rate employers must pay to staff aged 23 and over. The minimum wage is also increasing for younger staff and for apprentices.

- The Federation of Small Businesses says three-quarters of small businesses were not prepared for a raft of new rules on importing goods from the European Union that came into effect on 1 January following a post-Brexit standstill agreement. The changes, which affect customs declarations, rules of origin, and pre-notification of imports, could see many small businesses abandon trade with the EU rather than deal with the administrative burden of the new system, business groups warn.

A tech stock set to tumble

This year is unlikely to be so bullish for high-fliers that can't turn big profits

Matthew Partridge
Shares editor

The past two years has been great for American technology stocks. They have benefitted from a huge amount of investor optimism as the Covid-19 pandemic pushes a lot of activity online. Money printing by the US Federal Reserve has kept interest rates at near-zero levels, allowing them to raise plenty of capital on the basis of future profitability, even if they are currently losing large sums of money. However, with the pandemic starting to wane, and the Fed preparing to tighten policy, this party seems to be coming to an end. Some of the more bubbly stocks are starting to experience large falls, including **HubSpot** (NYSE: HUBS).

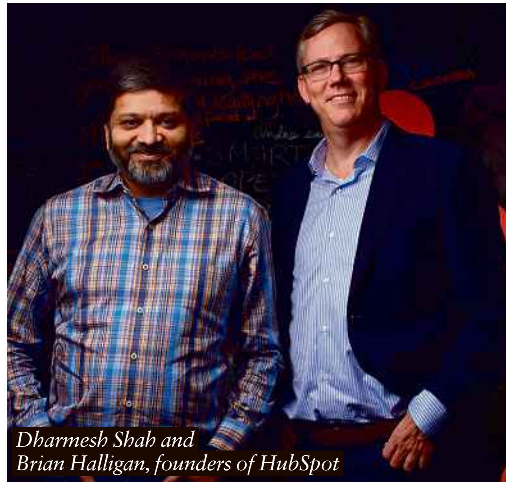
This firm sells a range of online-marketing and customer-management services over the internet. Its share price soared more than fivefold from $162 at the start of 2020 to a peak of $840 at the end of last November, as a large number of small businesses were forced to expand their online operations as a result of the pandemic. However, HubSpot's price has been in freefall over the last six weeks, declining by around 40% to $509 – levels not seen since last May.

"The shares trade on 20 times sales and 213 times forecast earnings"

Competition is growing

While this has been bad enough for its shareholders, if you look closely at its business, worse may be yet to come. It's true that HubSpot's services generally have a good reputation, enabling it to charge premium prices, but it is now facing ferocious competition from a wide range of new entrants into the market, such as Pipedrive, ActiveCampaign and Klaviyo, many of whom are now offering packages that are much cheaper. This is likely to reduce growth, which is already expected to slow in any case as more normal life resumes, but also to hit margins.

Indeed, despite its rapid growth, HubSpot has struggled to make large sums of money. Some



Dharmesh Shah and Brian Halligan, founders of HubSpot

©Getty Images

analysts, such as the short-seller Sahm Adrangi, have even argued that when you take into account the share options that it is issuing to executives, it is actually losing money. Another worrying sign is that several key executives, including the chief executive officer and chief strategy officer, have stepped down from their roles in the past two years and several insiders – including the two co-founders – have been selling shares.

Hard to justify

Even if growth continues at a strong rate, HubSpot will still struggle to justify its huge valuation. The recent decline still leaves it on 20 times current sales and a whopping 213 times estimated 2022 earnings. As a point of comparison, rival firm Salesforce, which offers several similar services and is only growing a bit more slowly, trades at nine times current sales and 49 times 2022 earnings. With the share price showing signs of collapse, I'd suggest shorting it at the current price of $530 at £4 per £1. Because tech shares can be extremely volatile, I'd suggest having a wide stop-loss, so I'd cover your position if it hits $771. This gives you a total downside of $964.

Trading techniques ... new year resolutions

In 2021, I followed the lessons from the previous 12 months, analysed in our Christmas issue, with some resolutions for the new year. This year, I'm going to do the same thing again, with three principles that I'm going to follow in 2022.

1. Avoid revisiting past tips
In the past I've revisited both successful and unsuccessful share tips. However, while this can sometimes work, provided the justification and conditions are good, it's always good from a psychological perspective to take a break. While I've made it a rule to wait at least six months before tipping a share again, I'm going to extend this rule to one year from the time the trade was closed, no matter how good I think the investment case is.

2. Find more short ideas
Despite the pandemic, the stock market in the US continues to boom and the S&P 500 is now over a third higher than it was in February 2020. However, the fact that interest rates are rising is going to make it a more challenging year, especially for sectors, such as technology. Many high-flying stocks will find it much harder to get away with running up endless losses. It therefore makes sense to rebalance the portfolio by coming up with a greater number of short-selling ideas.

3. Lock in profits systematically
At the moment, I recommend stop-losses for each tip in order to limit the downside risk. I also usually suggest closing any position that isn't making money after six months. However, my policy on what to do beyond that is a little less systematic. I'm therefore going to be more aggressive about regularly raising stop losses on positions that have been running for more than six months, both to lock in profits and to ensure that they don't lose their momentum.

How my tips have fared

My long tips have put in a mixed performance over the last few weeks, with four out of the six increasing in price. Supermarket chain J Sainsbury rose from 276p to 279p, wealth manager Rathbone Group advanced from 1,892p to 2,060p and mobile phone company Airtel Africa rose from 126p to 135p. Bus company National Express also went up from 247p to 255p. However, homebuilder DR Horton fell from $105 to $96 and construction firm Morgan Sindall fell from 2,425p to 2,362p. Overall, the falls in the latter two shares cancel out the gains in the other four, with the result that my long tips are making a profit of £3,823, exactly the same as during my previous update in our Christmas issue.

The good news is that both my short tips moved in my favour. US cinema chain AMC fell from $24.45 to $22.78. At the same time, remote medicine company Teladoc went down from $88 to $79.80, probably because it remains unprofitable and rising interest rates are likely to increase the cost of debt. Overall, my short tips are making £1,909, up from £1,714 two issues ago.

Going forward, I have six long tips still running (J Sainsbury, Rathbone Group, Airtel Africa, National Express, DR Horton and Morgan Sindall) and three shorts (AMC and Teladoc, plus HubSpot added in this week's issue). As noted in my resolutions, I'll be looking to add more short tips in the future. While I'm not going to close any of my long positions, I suggest that you raise the stop losses on them. So I'd increase DR Horton to $88 (from $85), Morgan Sindall to 1,850p (from 1,800p), Rathbone Group to 150p (from 1,467p), J Sainsbury to 150p (from 144p), Airtel Africa to 95p (from 85p) and National Express to 125p (from 123p). I'd also cut the price at which you cover the AMC short position from $65 to $45.

CHARLES STANLEY
Wealth Managers

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Solid assets for a low interest-rate world

A professional investor tells us where he'd put his money. This week: Luke Hyde-Smith, Waverton Real Assets Fund, highlights three alternative investments

The 60/40 portfolio, where 60% of an investor's money goes into riskier assets such as shares and the other 40% into less risky assets, such as government bonds, is a traditional way to balance your investments. We believe alternative investments, such as tangible assets, are a good way to diversify the 40% while meeting the challenge of the low interest-rate environment. Here we highlight three separate investment opportunities held within the Waverton Real Assets Fund.

Optimising energy provision

SDCL Energy Efficiency Income Trust (LSE: SEIT) listed in December 2018 with £100m, but its market capitalisation has now grown to £1bn. It seeks to offer a greener and cheaper solution to energy provision and helps provide the infrastructure required for smaller-scale (and thus more energy-efficient) power production. It also aims to reduce the need for subsidies, providing useful diversification from core infrastructure names and renewables.

The trust is aiming to deliver an annual return of 7%-8%, with an initial yield of 5% growing to 5.5% once fully invested from year two onwards. The contracts on the underlying investments offer steady cash-flow streams, often supported by regulated or contractual revenues and attractive operating margins, with potential for capital appreciation and inflation protection.

Laying the groundwork

Supermarket Income Reit (LSE: SUPR) listed in 2017 with a strategy of acquiring large supermarkets let to several big UK grocery chains (Tesco, Asda, Sainsbury's, and Waitrose). These assets are on long leases, with built-in income escalators linked to the retail price index (RPI). The management targets properties in areas with growing demographics, while selecting properties that also fulfil online orders.

The attractiveness of the sector becomes clearer when we change the investment lens from "supermarket retail" to "grocery logistics". The efficient in-store fulfilment model (or ship-from-store) is the one enabling the shift to online grocery shopping. This involves supermarkets (and other online retailers) leasing stores in key "last-mile" sites on the outskirts of large towns that operate as normal stores, but also as logistics hubs fulfilling online orders and as centres for click-and-collect orders.

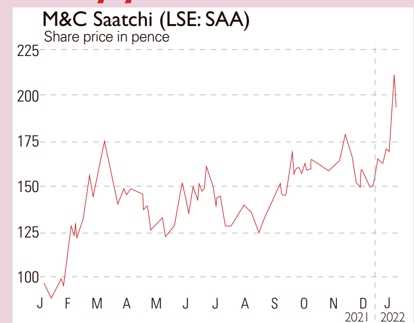
Mining for copper

After the commodity sector recovered from its March 2020 lows, it underwent a period of consolidation in the second half of 2021. This provides an attractive entry point for certain commodities, such as copper.

There are several growth sectors for copper consumption, but the most promising by far is transportation. Electric vehicles (EVs) use up to seven times more copper per car. A wholesale switch from internal combustion engines to EVs would require the copper supply nearly to double, which would underpin the long-term demand for copper. **First Quantum Minerals (TSX: FM)** is a high-quality copper miner making progress towards its debt-reduction goals. It has also outlined how it will increase dividends next year while still allowing for growth opportunities. The company's near-term copper production growth outlook remains positive, deleveraging remains on track, and it has a very attractive free cash flow-to-enterprise value of 17%.

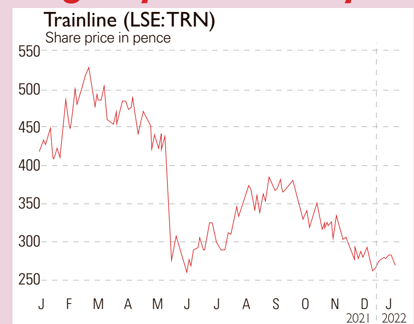
> *"First Quantum Minerals' copper production growth outlook remains positive"*

If only you'd invested in…



Shares in international advertising firm **M&C Saatchi (LSE: SAA)** jumped after it revealed it had received a preliminary takeover approach from AdvancedAdvT, which has bought a 9.8% stake in the company. AdvancedAdvT was founded by Vin Murria, deputy chair at Saatchi, who already holds a 12.5% stake in the firm. Saatchi's share price hit an all-time high in March 2019, but plummeted later that year due to a costly accounting scandal. The firm struggled through the pandemic, but has since stabilised and won contracts from the likes of Apple and Reckitt, says Sky News. Its shares are up 118% over the last 12 months.

Be glad you didn't buy…



Trainline (LSE: TRN) is a UK-based digital rail and coach ticket-booking service. Its shares slumped after the government unveiled plans for a state-run ticketing app, threatening its dominance of the sector. The company had been struggling throughout the pandemic after ticket sales plummeted, on top of an underwhelming initial public offering (IPO) in 2019. Trainline is also burdened by £169m in net debt and despite some recovery in recent months, it made a £9m operating loss in the six months to August 2021. The shares have declined steadily since September and have fallen by 48.8% in the last 12 months.

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The man who filled Steve Jobs' shoes

No one expected much from Tim Cook when he took over the top job on the Apple founder's death. But he has quietly led the firm to extraordinary new heights. Jane Lewis reports

Tim Cook marked the new year on his Twitter feed with tributes to the inspiring leadership examples set by the late Desmond Tutu and Sidney Poitier. He didn't mention his own big news – that, under his watch, Apple had scored the remarkable achievement of becoming the world's first $3trn company, having tripled in value in just three years. The iPhone-maker's annual revenues now exceed the GDP of most countries. Perhaps it was politic to avoid highlighting this though – thanks to stock awards, his own pay shot up by a whopping 569% to $98.7m last year. As Statista notes, the self-effacing Apple boss now outearns the company's "regular workers" (whose median compensation was $68,254 in 2021) by a "staggering" ratio of 1,447 to 1.

©Getty Images

"Cook now outearns the company's regular workers by a ratio of 1,447 to 1"

How the new boss transformed Apple

The figures are all the more remarkable given the "pervasive" scepticism surrounding Cook's elevation to the top job a decade ago, following the illness and death of Apple's visionary founder, Steve Jobs, says the Financial Times. Back then, rivals such as Oracle's pugnacious boss, Larry Ellison, claimed it was "inevitable that the company would struggle" under Cook, who was dismissed as an effective, but uninspiring chief operating officer lacking the genius of his predecessor. "Few predictions have ever been so wrong."

Critics argue that the enigmatic Cook has merely built on Jobs' legacy, aided by a "decade of easy-money policies, big shifts into mobile and the emergence of cloud computing". But that overlooks the qualities he has brought – "from supply-chain expertise" to his "savvy" navigation of trading currents. Tech news site The Information recently suggested that Apple is so reliant on its boss's diplomatic skills in international negotiations (particularly with tricky customers such as China) that it could face difficulties when he stands down.

Cook has taken plenty of flak for failing to produce a "magic" product moment, yet his two major innovations, AirPods and the Apple Watch, have actually proved big successes, says the FT. That may be beside the point. Supporters claim his most important contribution has been the transformation of an inherently "volatile" product-based company into a services juggernaut, eking out every penny from "the Apple ecosystem". Above all, he has brought "consistency".

Born in 1960, and raised in Robertsdale, Alabama, Cook always stood out as a likeable, "reliable kid", says the local news site AL.com. "He was just the kind of person you liked to be around," observed his maths teacher. Cook went on to study industrial engineering at Auburn University, later taking an MBA at Duke. After working at IBM, Intelligent Electronics and Compaq, he moved to Apple in 1998. His first meeting with staff on arrival set the tone, says The Wall Street Journal – it "lasted 11 hours". Team members still call Fridays "date night with Tim", because meetings tend to stretch hours into the evening.

A humble workaholic

With his "homely drawl" and "approachable demeanour", the Apple boss appears "affable", says The Times. Yet he can sometimes be just as fearsome as Jobs. He habitually rises at 4am and is all over the detail of Apple's operations – woe betide anyone who arrives in a meeting unprepared. "Devotion to privacy" has always been a big theme for Cook, both professionally (he enjoys "tweaking Mark Zuckerberg's tail" about Facebook's harvesting of personal data) and in private life, says The Sunday Times. Colleagues and acquaintances describe him as "a humble workaholic with a singular commitment to Apple", says The Wall Street Journal. It has certainly proved a fruitful marriage.

Great frauds in history... *a near-fatal run-in with the Krays*

©Shutterstock

Leslie Payne was born in Paddington, London, in 1924. He served in the army in World War II, seeing action in Italy, and rising to the rank of sergeant (he would later falsely claim to have been a major). Upon discharge in 1947 he became a vacuum cleaner and radio salesman before running a car dealership in Stratford. In 1959 a dispute over a hire-purchase agreement brought him into contact with the notorious gangsters Ronnie and Reggie Kray, who were impressed by his business acumen and appointed him their business manager.

What was the scam?

Payne helped the Krays branch out from protection rackets, low-level thuggery and taking a cut of the earnings of other crooks, into "long firm" frauds. These involve using a respectable front man and false references to set up a business selling goods, which would be bought from the manufacturer or wholesaler on credit. Having established a reputation for paying its bills on time, the company would then buy as many goods as possible, then sell them at a discount for cash, before disappearing, leaving behind unpaid bills.

What happened next?

The slow pace of fraud investigation meant that by the time the police started to get involved the trail had gone cold, and the Krays' reputation meant that those involved in fronting the long firms stayed quiet. However, the Krays' taste for violence and celebrity, as well as Payne's reluctance to get directly involved in smuggling stolen bonds for the American mafia, led Payne to drift away. After the Krays attempted to get a gang member to kill him, Payne co-operated with the police and testified at the Krays' 1969 trial. Payne was himself later jailed after he published a book boasting about his frauds.

Lessons for investors

The "long firm" frauds were lucrative: Charlie Kray estimated that a typical fraud would make £20,000 (£436,000 in today's money), for a total of £100,000 (£2.1m) of profit in 1962 alone. Detailed credit checks and fraud investigations have made "long firms" much less of a threat than they used to be, but it remains a good idea for a firm to do proper due diligence before allowing a customer to buy goods on credit.

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Six Tremendous New Year Wines

I am delighted that the keen palates at Haynes Hanson & Clark are here to rescue us from our January blues. Not only have I found six cracking little beauties for you to enjoy, but I have also made sure that these wines will not trouble your credit card statement at all, given their diminutive prices. It is wines like these that show that the very best indie wine merchants can compete head to head with the supermarkets when it comes to well-selected, inexpensive wines. So, ease yourself into 2022 as you mean to go on with these six evocative, impeccable and irresistible wines.

Matthew Jukes

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Prices shown below are per case of 12 bottles. Wines are also available in a 12 bottle mixed case (2 of each of the wines) **excellently-priced at £114.56 (saving £18.14 per case).** It's a chance for you to try them all, and it is the most popular choice with readers of *MoneyWeek*.

~~£8.35~~ **£7.14**

2020 Paparuda, Estate Selection Pinot Grigio, Cramele Recas, Romania

Pinot Grigio used to be thought of as exclusively Italian, but this perky style of white now performs extremely well in faraway climes such as New Zealand and even England. But if you are after rock-bottom-priced, stunningly balanced, silky-smooth PG with clean, bright, fresh and also spicy notes, Romania is the go-to destination, and Cramele Recas is the number one winery. Indecently inexpensive, this is a wicked everyday white glugger.

CASE PRICE: £85.68

~~£11.50~~ **£9.78**

2020 Touraine Sauvignon, Domaine de la Bergerie, Loire, France

With a little more rigour and definition than the happy-go-lucky Paparuda, Bergerie's Sauvignon has occupied a permanent spot in the Jukes fridge for the last few months. This is because this racy number summons up all of the vivacity and energy that we adore in this grape while leaving tropical and green pepper notes at the door. The 2020 vintage is a bright, pale lemon green, highly accurate and wonderfully refreshing, this is your benchmark Sauvignon for Wet January.

CASE PRICE: £117.36

~~£10.70~~ **£9.18**

2020 Viognier, Domaine Gayda, Pays d'Oc, France

Regular readers know I am very suspicious of the sneaky Viognier grape, which always promises to deliver perfumed elegance and grace but so often lapses into pantomime tropical notes coupled with soapiness. Gayda is a precision-cut Viognier with a thrillingly demure peachy nose and a lithe, willowy frame. More supermodel than cartoon character, this is a delicious, layered white with true elegance and ambition and I would usher it into the space normally reserved for Chardonnay this month.

CASE PRICE: £110.16

~~£9.75~~ **£8.40**

2020 Domaine de Gournier Rouge, Cévennes, France

This unexpected gem of a red is made from a curious blend which fuses together Bordeaux flavours with those of the Northern Rhône. Merlot, Cabernet Sauvignon and Cabernet Franc snuggle up close to Syrah and this makes for a juicy black-fruited number with a touch of knavery on the finish. The Cévennes, a mountainous region on the eastern edge of the Massif Central, is sunny, but also cool at night and this, in turn, blesses Gournier with superb freshness which counters the mid-palate grunt!

CASE PRICE: £100.80

~~£13.85~~ **£12.48**

2020 Le Mas, Domaine Clavel, Languedoc, France

While you might expect this wine to be dark and spicy, given its origins, it is honed and polished, and the fruit lingers on the border between red and black, making it a perfect staging post between Gournier and Verquière. Organically grown, the earthiness here acts as seasoning to lift the perfume and spike the palate of this heart-warming red without any coarseness or tannin. Le Mas is sensitive winemaking at its most tender and considered, and so you can crack on with this wine today.

CASE PRICE: £149.76

~~£12.20~~ **£10.30**

2020 Côtes du Rhône, Domaine de Verquière, France

I am not finishing this sextet with a blockbuster because we do not need a heavyweight red for January. Instead, I have found you a deliciously intense wine with a medium-sized frame. This wine is liquid velvet with an ace of spades hue, which certainly warns the drinker that a storm of flavour is approaching. However, on the palate, it is enthrallingly juicy, parading unnerving civility everywhere you look. You will simply not believe the class on display here.

CASE PRICE: £123.60

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Holiday hotspots for 2022

From a camp for big-game spotting in Africa to a fashionable new opening in Capri. Jasper Spires reports

Connect with nature in the Maldives

"Of all the places I am dreaming of returning to in 2022, this is top of the list," says Divia Thani in Condé Nast Traveller: Soneva Fushi, in the Maldives, draws its guests back time after time owing to a combination of the tropical greenery that is seemingly as never-ending as the expanse of blue sky and sea, and the little discoveries you make as you cycle to breakfast, such as the rabbits that sit in the sand at your feet. Most unforgettable of all is Soneva's commitment to sustainability, which started long before it became a buzzword. Other delights include the vegetarian restaurant, rooted in its organic garden, that leaves you with a better understanding of the natural world. All in all, Soneva "feels like a place to see the bigger picture; the wind, waves and clouds a reminder of how we are all connected to the earth". *Villas from around £1,510, soneva.com*

A wildlife adventure in Kenya

Abercrombie & Kent, founded in Kenya in 1962, is one of Britain's best-loved tour operators, says The Times. In celebration of its 60th birthday, the travel company is opening Sanctuary Tambarare, in Kenya, in June – a tented camp intended to evoke the "*Out of Africa* dream that originally brought us under the country's spell". Its ten rooms look out over the 90,000 acres of unspoilt grassy plateau that make up the Ol Pejeta Conservancy. Big-game spotting is the main activity, but it doesn't stop at the big five. The last two northern white rhinos in the world can also be seen. The tents are "a fusion of golden-age detailing, such as teak floors and billowing muslin, and 21st-century furniture and modern Masai art". Mount Kenya can even be spied from their decks, nestled among the fever trees. A stay here delivers the perfect balance of adventure and serenity. *Full-board doubles from £600, sanctuaryretreats.com*

A luxurious spa in Windsor

Fairmont Windsor Park got the year off to a luxurious start when it opened on 1 January, says Sarah Turner in The Mail on Sunday. And like its sister hotel, the Savoy in London, it knows how to make a good first impression. Guests approach the Fairmont Windsor Park through a tree-lined driveway in a "magnificent location" on the edge of the royal estate. Its 200 rooms and "huge" suites overlook 40 acres of grounds and it has the facilities to match. The spa and wellness facilities are spread over 2,500 square metres and offer many high-tech treatments, as well as indoor and outdoor pools and gyms, plus a hammam and Japanese-style foot spa. *Doubles from £420, fairmont-windsorpark.com*

©Fairmont Windsor Park; Hotel La Palma; Santuary Tabarare; Soneva; W Hotels

The land of sweet idleness

Roman emperors Augustus and Tiberius built their villas on Capri, but it wasn't until 1822 that the island, known as the "land of sweet idleness", on the south side of the Gulf of Naples, saw its first *locanda*, says Claire Wrathall in the Financial Times. Named Hotel La Palma in its latest incarnation, it is set to transform the Piazzetta neighbourhood when it opens in the centre of Capri's main town in June. Fashionable London-based designer Francis Sultana has supplied the "uncharacteristically understated interiors", while its pool deck, rooftop bar and restaurant – overseen by two-Michelin-star chef Gennaro Esposito – have more than a little in common with its Riviera stablemate, Eden-Roc. *Double rooms from €550, oetkercollection.com*

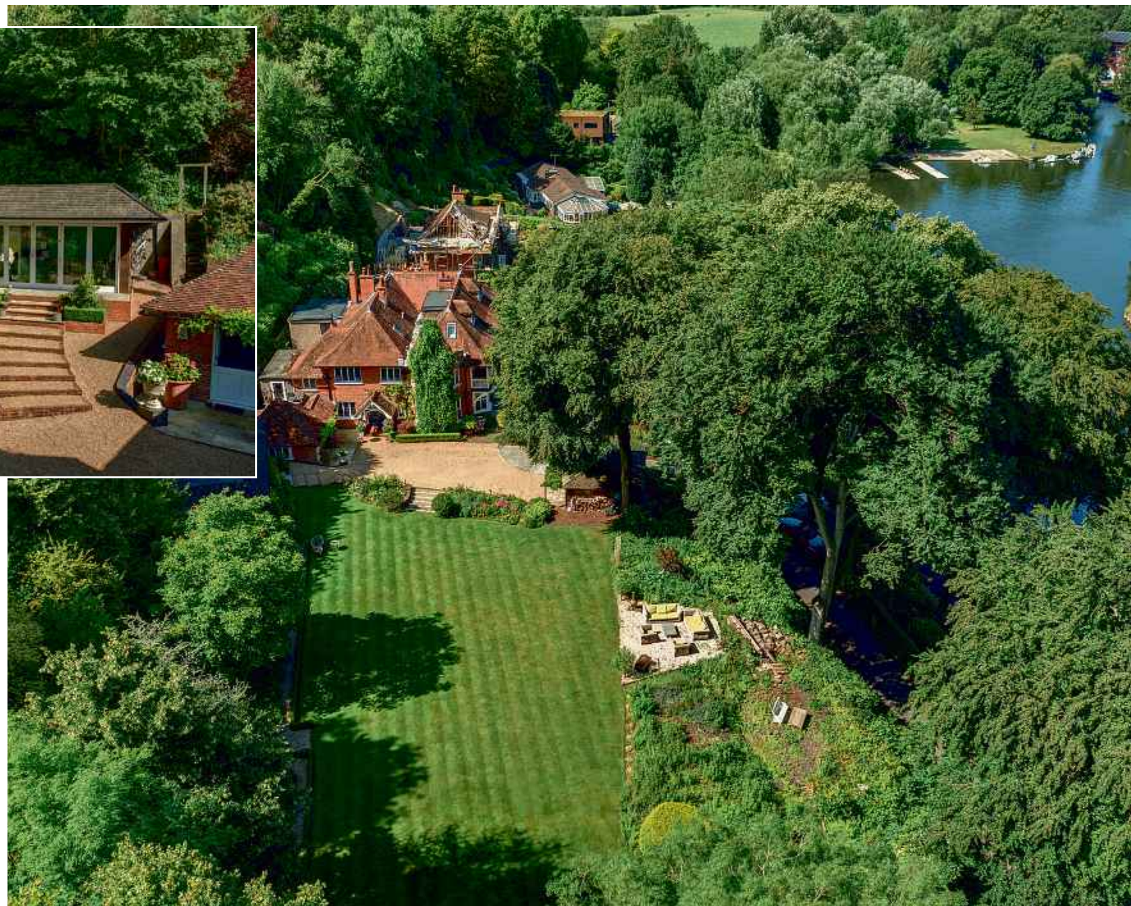
New attractions in Melbourne

Melbourne, Australia's cultural capital, is gearing up to show off its vast array of architectural and culinary tricks, says Bloomberg Pursuits. New developments, which include hotels from luxury chains Ritz-Carlton and Shangri-La, can be admired from the rooftop at Fable Melbourne, one of the city's best new bars, offering Greek-inspired mezze and mythical cocktails. Local chef Scott Pickett is also playing with food. His Higher Order restaurant guides diners through a series of theatrically staged rooms, where food is complemented by immersive performance and light installations. Meanwhile, the W Melbourne hotel will have a "spectacular pool soaring over the city" this year. But its biggest thrill is Curious, a subterranean bar whose mirrored panels and geometric installations make a visit like walking into a kaleidoscope. *From around £200, marriott.co.uk*

This week: properties with home offices – from an Arts and Crafts house in Marlow, Buckinghamshire, with riversi

The Old Parsonage, Colwinston, Vale of Glamorgan, Wales. A Grade II-listed, 16th-century cottage on the edge of a village with gardens that include a stone cottage used as a home office. It has beamed ceilings, inglenook fireplaces and a country kitchen with an Aga. 5 beds, 2 baths, 3 receps, study, 0.75 acres. £1.395m Watts & Morgan 01446-773500

Plymtree Manor, Cullompton, Devon. A Grade II-listed William and Mary house with a two-storey wing and a separate entrance, arranged as three offices with a one-bedroom flat above. The house has period fireplaces and a country kitchen with an Aga. 6 beds, 3 baths, 3 receps, coach house, stables, 8.6 acres. £2.5m+ Strutt & Parker 01392-229405.



Quarry Bank, Quarry Wood, Marlow, Buckinghamshire. An 1890s Arts and Crafts house with gardens beside the River Thames that include a 100ft private mooring, a contemporary office block and a studio. The house has sash windows, open fireplaces, half-panelled walls and a covered balcony that overlooks the gardens. 6 beds, 4 baths, 2 receps, 1.6 acres. £3.85m Hamptons 01628-485234.

de gardens that include a contemporary office, to a Georgian townhouse in Chelsea, London

Miramar, Torquay, Devon. A contemporary, south-facing property built in 2017 in the former kitchen gardens of Chelston Manor. It is situated in an elevated position overlooking Cockington valley and the sea beyond, and has an open-plan layout that takes advantage of the views over the terraced gardens, which include a fully networked office with 200MB broadband and separate phone lines. 5 beds, 3 baths, cinema, lower ground-floor atrium, inner courtyard. £1.65m Knight Frank 01392-423111.

The Manor House, Bulphan, Upminster, Essex. An extended property set in landscaped gardens with paddocks and outbuildings that include two garages with large offices above. 7 beds, 3 baths, 3 receps, library, aviary, greenhouse, 3-bed house, annexe, partially completed leisure complex 15 acres. £4m Fine & Country 01277-714044.

Pinewood Manor, Masham, Ripon, North Yorkshire. An Edwardian country house on the edge of the Yorkshire Dales with a detached office and a two-bedroom cottage in the gardens. The house has period fireplaces and an indoor swimming-pool with changing facilities and large windows overlooking the surrounding countryside. 6 beds, 3 baths, kitchen, 2 receps, study, stables, paddock, 2 acres. £1.5m Jackson-Stops 01904-625033.

Old Church Street, Chelsea, London SW3. A refurbished Georgian townhouse with a separate studio accessed via a paved, courtyard garden. The studio has double bifold doors and an original sash window, and would be ideal as a home office. The house has ornate cast-iron fireplaces with marble surrounds, a bespoke kitchen and an entertaining space arranged over the ground and lower-ground floors. 4 beds, 3 baths, 3 receps, study. £6.59m Savills 020-7578 9000.

The Orangery, Compton Verney, Warwickshire. A converted orangery in the Capability Brown landscaped grounds of Compton Verney House. There is a a separate garage with a self-contained apartment above it, which has a shower room and an open-plan living area that would be ideal as a home office. The apartment leads onto a private patio area. 4 beds, 4 baths, recep, kitchen/family room, orangery, atrium, terrace, gardens, 1.2 acres. £3.25m Knight Frank 01789-297735.

Tesla has nailed it once again

The electric carmaker's new SUV crossover sets the benchmark in the sector. Jasper Spires reports

You could be forgiven for thinking the new electric Tesla Model Y is just a Tesla Model 3, the best-selling car in Britain, "that's been pumped full of growth hormone", says What Car magazine. It has a higher driving position and more room inside than its hatchback predecessor. And like the Model 3, there is a Long Range version and a Performance model. The Model Y is not quite as rapid as the Model 3 due to the extra weight it carries, but the Performance version can still hit 60mph from a standing start in 3.5 seconds. As for going the distance, the Long Range can officially clock up 315 miles on a single charge. Sure, you won't get that in the real world, but 250 miles should be possible if you take it easy.

Even so, in Performance guise, the Model Y is fully "capable of embarrassing much more expensive machinery off the line", says Auto Express. "Not bad for a family-friendly SUV." The dual-motor/all-wheel-drive set-up helps put the power down, while providing added reassurance when the roads are slippery. But it's inside where Tesla has really outdone itself, says Will Dron for The Sunday Times. The Model Y has kept the Model 3's minimalist design, with clean lines, lots of space and an "airy feel in the cabin". The dashboard is dominated by the huge touchscreen, from which most of the car's functions are controlled. You can check the speed limits of the roads you are driving on, as well as battery range and level. There is also a large satnav that is "nicely integrated with the car", and an infotainment system for web browsing, music streaming and even playing video games. Tesla has "nailed it" when it comes to keeping customers entertained while waiting for their electric cars to charge. "It's very, very smart stuff." Not that you will have much time. Tesla claims the Model Y can "swallow 150 miles of charge in 15 minutes on the punchiest superchargers", of which Tesla has around 800 in the UK, says Car magazine's Phil McNamara.

The first Long Range Model Ys, priced at £54,990, are expected to arrive in Britain in the next few weeks, with the £64,990 Performance arriving in the summer. The price is high for a hatchback/SUV crossover. But if you're not fazed, you might want to consider getting one. The Performance is "dynamic to drive and addictively fast… [although] the Long Range is plenty quick enough to be honest, and enjoyable to drive". The Model Y has set the new crossover benchmark.

"The smart infotainment system will keep you entertained while the car charges"

Wine of the week: a sophisticated trio of scintillating whites

2020 Silver Lining, Sauvignon Blanc, Adelaide Hills, South Australia

£19.95, reduced to £17.95 by the case, greatwine.co.uk

Matthew Jukes
Wine columnist

Marty Edwards started his working life as an elite Navy clearance diver. He then moved from special ops to working at his family vineyard, The Lane in the Adelaide Hills, where his wines won countless awards and legions of fans. With 20 years of experience as a specialist viticulturalist, last year Marty struck out on his own, releasing a trio of scintillating wines under his new Silver Lining label. Marty uses specific parcels of vines in the Hills and overlays them with the elegance and control found in the finest of European wine styles.

My featured 2020 sauvignon blanc is as sophisticated and refreshing as any Loire superstar's creation and, in addition, there is a 2020 chardonnay and 2020 shiraz available, too.

The sauvignon has the flavour silhouette of a Pouilly-Fumé, and the chardonnay is reminiscent of an infinitely detailed Premier Cru Chablis. His shiraz could not be further from the traditional Australian model, given it treads the boards between a crisp, nervy Crozes and a mineral-soaked Morgon. I have been given a sneak preview of the 2021 whites, too, and it is clear that this is a label to follow.

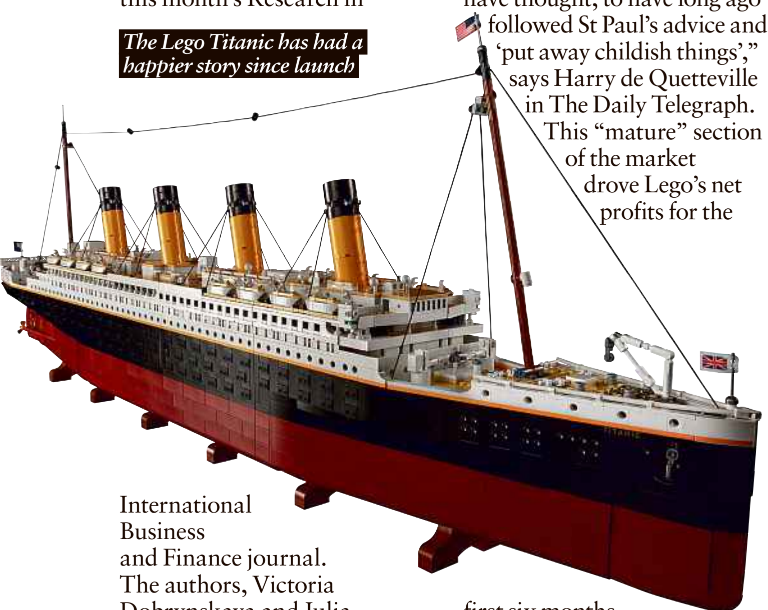
Marty was diagnosed with Parkinson's Disease in 2012, and in 2018 he embarked on cutting-edge treatment, undergoing a complex deep-brain stimulation operation. Sales of these terrific wines support Parkinson's research and this vinous trio is a testament to his considerable talent.

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

The profits in plastic bricks

Lego can be a good investment – if you buy the right sets. Chris Carter reports

Christmas seems a long time ago already. That Lego *Harry Potter Hogwarts Chamber of Secrets* playset that cost £130 is probably gathering dust by now in the corner of an untidy bedroom. If so, you might in time be wishing that it had remained unspoilt in its packaging as Lego sets can make good investments. That's the conclusion of a paper from Russia's Higher School of Economics, published in this month's Research in International Business and Finance journal. The authors, Victoria Dobrynskaya and Julia Kishilova, compared the prices of 2,322 unopened sets, dating from 1987 to 2015, on the secondary market. They found that the sets yielded an average annual return of 8%, adjusted for inflation – more than from large stocks, bonds and gold.



The Lego Titanic has had a happier story since launch

The authors of the study also found that medium-sized sets tended to appreciate more slowly than small sets, due to the latter's tendency to contain unique parts and figures, and than big sets, which tend to be "produced in small quantities and are more attractive to adults". And what's attractive for adults is attractive for Lego. "There's now a whole range… designed and directed specifically by the Danish icon at those of an age, you might have thought, to have long ago followed St Paul's advice and 'put away childish things'," says Harry de Quetteville in The Daily Telegraph. This "mature" section of the market drove Lego's net profits for the first six months of 2021 to almost $1bn, an increase of 140%. A glance at Lego's online bestseller list reveals 28 of the 33 sets listed carry 18+ age warnings. "Kidults" buying for themselves now account for an estimated 29% of Britain's £3.3bn toy market, according to market researcher NPD Group.

Lego's enduring appeal

Part of that is down to adults rediscovering their childhoods during the pandemic due to nostalgia fuelled by an excess of time and money. "The world has been extremely challenging for everyone and these toys spark joy for a subject people are passionate about," says Melissa Symonds, an analyst at NPD – a passion they are ready to shout to the world, as "a new generation of loud and proud social-media stars [flaunt] their vast collections online", notes Charlie Mitchell in The Times. As one "leading Lego influencer", David Halls, tells the paper, "hype and nostalgia play into how much you can get for reselling old sets". It's about getting their hands on the expensive set "they never got as a kid".

Sets aimed at adults therefore tend to be bigger and pricier. Lego had to start taking orders for its 9,000-piece replica of the Titanic after it sold out in less than a fortnight. At 1.3 metres long, it costs £570. But even that is cheaper than the model of an AT-AT walker from *Star Wars*, released last month with a £750 price tag. The key for collectors is "buying Lego that is based around franchises [such as *Star Wars*]… and… keeping them unopened", says Terry Booth of review platform Brandrated, quoted in The Sun.

Auctions

Going… In the early years of the 20th century, then-US president Theodore Roosevelt decided the designs on his country's coins did not reflect the emerging greatness of his nation. As a young man touring Europe years earlier, he had been impressed with the high-relief designs on the ancient Greek coinage he had seen in museums. So, in 1905, he met with American sculptor Augustus St. Gaudens and together they redesigned every denomination. Two years later, the $10 "rolled-edge" gold coins had been set for release when they were melted down due to design issues – all except for 42 examples. One (pictured right) will be offered by Legend Rare Coin Auctions on 27 January at the Bellagio in Las Vegas. It is expected to sell for at least $500,000.

Gone… In the 1870s, William Wheeler Hubbell was a "smooth-talking patent lawyer, serial inventor, and shameless self-promoter" from Philadelphia, in the US state of Pennsylvania, who planned to create a new metric system of coinage, struck from his own, patented "goloid" alloy of gold, silver and copper, according to Dallas-based Heritage Auctions. As part of this system, he wanted to introduce a $4 coin, known as a "stella". Hubbell held some sway with Congress, which, in 1879, directed the Philadelphia Mint to start making the coins, and an initial 25 were minted that December to a "Flowing Hair" design of Liberty. One 1879 Flowing Hair stella fetched $264,000 with Heritage Auctions last month.

©Legend Rare Coin Auctions; Lego; Royal Mint

A run on the Mint

The Royal Mint launched its collectable 50p coins last week, marking the Queen's Platinum Jubilee on 6 February. The obverse on the coins features a design by artist John Bergdahl of the Queen on horseback, while the reverse, designed by agency Osborne Ross, features a stylised "70" for the number of years of her record-breaking reign. Demand for the new coins, priced at £7 each, plus postage, was so fierce that morning that a queuing system was put in place to allow a controlled number of customers into the Mint's online shop at any one time. Given the hype around special-edition 50ps, that was to be expected. A 50p coin celebrating Kew Gardens' 250th anniversary in 2009 fetched £155.75 on eBay last week – almost 312 times its face value, says The Sun. The Kew Gardens coins top the list of the rarest 50ps, as compiled by numismatic website Change Checker, with one selling for £707 last February, according to the paper. Just 210,000 were minted, compared with a little over 1.1 million 50p coins celebrating Olympic wrestling in 2011, the second-rarest on the list.

Several other Platinum Jubilee coins issued by the Royal Mint sold out quickly, including 5,000 £5 silver coins, costing £92.50 each, and 400 £5 gold coins individually priced at £2,725. But most fitting of all were the 52 £5 platinum coins, each costing £5,495, and weighing twice as much as the gold, at 94.20g – a reflection, perhaps, of the fact that, contrary to historical trends, gold is roughly twice as dear as platinum. But fans of the 50p coins can rest assured. Despite the morning frenzy last week, the Royal Mint states the "maximum coin mintage" as "unlimited" in its release. It seems the Bank of England's monetary tightening plans may have to wait until after the Queen's Jubilee has passed.

The thin line between hype and fraud

Elizabeth Holmes followed Silicon Valley tradition in treading that line – and then leapt right over it

Someone caught in their lies isn't necessarily a fraud, but rather a "real phoney" if they actually believe all the rubbish they believe, as readers of Truman Capote's *Breakfast at Tiffany's* might remember. Jurors in the recent trial of failed entrepreneur Elizabeth Holmes will know what he meant. They voted in the end to convict her on four counts of fraud (she plans to appeal), bringing to an end an "unusually compelling" drama that began when Holmes dropped out of college at the age of 19 to found the tech start up Theranos, says The Economist.

Elizabeth Holmes: Steve Jobs without the luck

©Alamy

> *"The current frothy situation in tech makes Holmes's 'artistry and effort' look almost quaint"*

One small flaw in the plan

Theranos promised a radical advance in blood-testing technology that would make healthcare more effective and efficient by allowing hundreds of medical tests to be performed by putting a single drop of blood into its widget. The subsequent publicity enabled Holmes to assemble a "remarkable collection of acolytes", says The Economist, including several former secretaries of state and defence, and to raise more than $1bn, giving Theranos an "extravagant theoretical valuation" of $9bn. There was only one small problem – the technology did not actually exist. When this became apparent, thanks to the dogged reporting of a journalist from The Wall Street Journal, Theranos crashed "into a vast graveyard of unfeasible ideas", leaving Holmes facing charges that she had "crossed the fine line from promotion to deliberate fraud".

Holmes is hardly the first Silicon Valley entrepreneur to make "wild, unfulfillable promises", says Will Dunn for the New Statesman. Indeed, Holmes idolised Apple co-founder Steve Jobs to the extent that "she impersonated him, wearing the same clothes, decorating her office in the same way, following the same diet". And her idol was not averse to exaggeration. When Jobs announced the iPhone to the world, he "wasn't sure" that the demonstration handsets he held in his hands would actually work.

Investors must be protected

In an age when a "powerful mystique" surrounds tech companies with uncertain prospects, it may seem that Holmes is being punished more for business failure than fraud, says Oliver Kamm in The Times. But that would be wrong: the evidence of her misleading claims to investors is "impossible to gainsay". The fact that tech companies are able to raise so much money based on nothing but uncertain promises of what may materialise in the future makes it all the more important that the "penalties for malpractice are steep". Unless investors are protected, companies' cost of capital will be higher than it should be.

Still, it would be too much to expect this scandal to change people's behaviour, says Ashlee Vance on Bloomberg. Start-ups will "still make wild promises about glorious futures", while "new flavours of finance" – think altcoins, meme stocks, non-fungible tokens – "take the whole situation to the next level". Indeed, the current "frothy" situation in tech makes Holmes's "artistry and effort" look almost quaint. After all, if someone is selling you a pup, the least they should have to do is "don a nice costume, adopt an accent, and vacuum you into their unblinking gaze". Now, a few minutes writing a Reddit post is all that is required.

Quintus Slide

Tabloid money… Boris reneges on Brexit promises

● **"Pass me the onion," says Jan Moir in the Daily Mail. Lottie Moss (pictured), the younger half-sister of model Kate Moss, filmed herself "bawling and crying" over the leak online of some of the "saucy" photographs she sells to her followers on social-media platform OnlyFans. The younger Moss claims to make around £70,000 a month by charging fans a monthly £14 subscription and £1,000 for a nude video. "She's got a Lottie cheek, hasn't she? I suppose feminists like me should regard this lucrative revenue stream as a marvellous symbol of female entrepreneurship, not to mention an artistic display of she-empowerment." But it's hard not to see it as anything other than a "peep show designed to keep the dirty-mac brigade happy". It's hard not to "suspect that Lottie is in tears because men are slobbering over her pictures for free, instead of paying her fee".**

● The gap between the rich and the rest of us has become a chasm, says Brian Reade in the Daily Mirror. Last Friday, the average FTSE 100 CEO had already been paid in 2022 what the average worker can expect for the entire year. But what grates is how the rich are treated differently. There's the Downing Street lockdown knees-ups. Or how "loaded heiress" Ghislaine Maxwell, convicted of participating in the sexual abuse of children, can have her brother appear on the BBC to criticise the jury's verdict. Would he have been given the airtime if he had been on benefits? A petition calls for Tony Blair's knighthood to be cancelled. "But the man who has now made £50m since leaving office will… ignore it because that's what the very rich do."

● "Remainers are cackling with amusement," says Tony Parson in The Sun on Sunday. In 2016, Boris Johnson promised to cut the VAT on fuel bills below 5% if Britain voted to free itself from EU rules that prevented the government from doing so. Five years on, he has "changed his tune". Cutting fuel bills would help people who don't need it, he argues. But when the energy price cap rises in April, amid a hike in national insurance contributions and spiking inflation, every working man and woman will experience "soaring gas and electricity bills as a kick in the teeth". The out-of-touch Tories just don't get it. "Quitting the EU was supposed to help ALL of them, prime minister," not just one section of the population. "And now you are reneging on that promise."

©Getty Images

Bridge by Andrew Robson

Grand conundrum

On our weekly conundrum, see if you can make Seven Hearts on the King of Diamonds lead, East petering with the nine to show a likely doubleton.

Dealer South East-West vulnerable

North
♠ K
♥ Q9852
♦ A5
♣ AJ985

West
♠ J1032
♥ 6
♦ KQ863
♣ 1032

East
♠ Q987
♥ J103
♦ 94
♣ Q764

South
♠ A654
♥ AK74
♦ J1072
♣ K

The bidding

South	West	North	East
1♥	pass	4NT*	pass
5♣**	pass	5NT***	pass
6♣§	pass	7♥§§	pass
pass	pass		

* Roman Key Card Blackwood agreeing Hearts.
** Zero or (clearly, here) three of the "five Aces" (including the King of Hearts).
*** Playing the "Specific Kings Method" (recommended), this asks partner to name his kings, cheapest first.
§ King of Clubs.
§§ Perfect – only the third round of Clubs is a mild concern. North realises his low Diamond will disappear on dummy's Ace of Spades.

Win the Ace of Diamonds and make assumptions about the likely splits: Hearts three-one and Clubs four-three. Play to set up dummy's fifth Club – as follows. Cross to the Ace-King of Hearts observing the three-one split, then, leaving East's Knave of Hearts outstanding, cash the King of Clubs, return to the King of Spades; ruff a low Club, cash the Ace of Spades discarding a Diamond, ruff a Spade, then ruff another low Club with your last Heart.

With both opponents following to three Clubs, you are in great shape. Ruff a Diamond back to dummy, finally cash the Queen of Hearts drawing East's Knave, then follow with the Ace of Clubs (felling East's Queen) and the promoted Knave. Grand slam made. The key was to set up the dummy hand.

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

Sudoku 1086

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

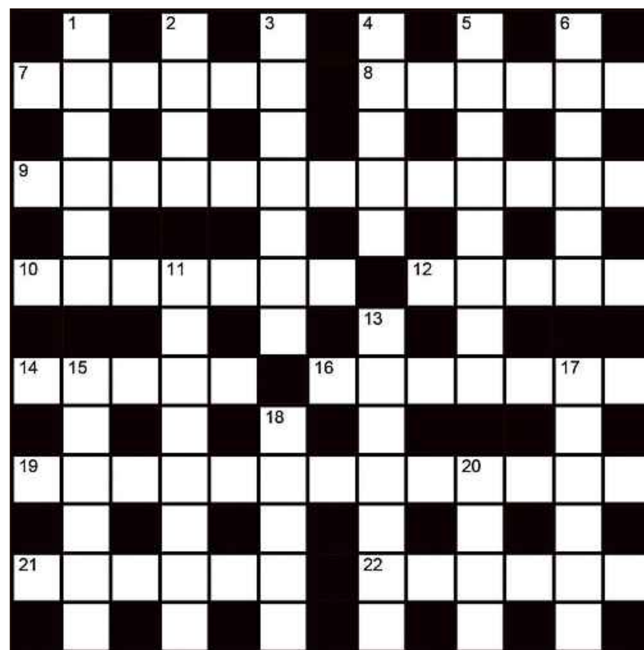
To complete MoneyWeek's Sudoku, fill in the squares in the grid so that every row and column and each of the nine 3x3 squares contain all the digits from one to nine. The answer to last week's puzzle is below.

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

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

Tim Moorey's Quick Crossword No.1086

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 24 January 2022. Answers to MoneyWeek's Quick Crossword No.1086, 121-141 Westbourne Terrace, Paddington, London W2 6JR



Across clues are mildly cryptic while down clues are straight

ACROSS
7 Heard singer's making a little money (6)
8 Tough attorney getting kickback (3, 3)
9 Where you often find shoes hoplessly tight (5, 3, 5)
10 Singular rubbish from worker at last? (7)
12 Underwear that's awful (5)
14 Egg on toast (5)
16 High officer damages Henry (7)
19 Head into hotel to order sausage dish (4-2-3-4)
21 Negligent with reference to young girl (6)
22 Tons of city headgear (6)

DOWN
1 Shed (4-2)
2 A joint (4)
3 Relative (7)
4 Spirited horse (5)
5 At the present time (8)
6 A small community (6)
11 Kitchen container (5, 3)
13 Lethal knife (7)
15 Vacuum (6)
17 At sea (6)
17 Slightly wet (5)
18 Deep anxiety (5)
20 Basil, for example (4)

Name ....

Address ....

....

Solutions to 1083/4
Across **1** Joy To The World **8** Santa **9** Merrily **10** Spreads **13** Mince **14** Coventry Carol **17** Toddy **19** Wise men **22** Angelic **25** Music **27** Away in a Manger.
Down **1** Jesus **2** Yen **3** Omaha **4** Ham **5** War **6** Reign **7** Dry cell **11** Rev **12** Straw **13** Mac **14** Cithara **15** Nay **16** Rum **18** Dogma **20** Samba **21** Nicer **23** Lei **24** Cha **26** Sag.

The winner of MoneyWeek Quick Crossword No.1083/4 is: Mr A. Shillam of London

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

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

The forever war continues

Expect vast amounts of capital and claptrap to be drafted in to fight it

Bill Bonner
Columnist

Mario Draghi: rallying the troops back in 2012

One of the curiosities of life in America in the 21st century is that, no matter how many wars are lost, no matter how much money is wasted on them, or how many lives are ruined by them, people still want more. Or, at least, the deciders do. One "expert" warns that we must defend the Ukraine, or pretty soon the Russians will be marching down the Champs-Élysées. Another tells us our "credibility" will be lost unless we confront China… or Iran. And, of course, we have to fight global warming, racism, Covid-19, poverty, drugs – you name it. "War," as Randolph Bourne said, "is the health of the state."

So far this century, the feds have continued their misbegotten wars against drugs and poverty – losing both, but continuing to spend vast amounts of money. The Bush administration launched three of the dumbest wars in US history – the war in Afghanistan, the war against Iraq and the woebegone "War on Terrorism" – costing trillions. Then came the Fed's Wall Street bailout. Mario Dragi, then head of the European Central Bank, spoke for the whole elite establishment when, facing falling asset prices, he said he would do "whatever it takes" to prevail over honest markets. When the Covid-19 crisis arose, the trumpets of war sounded again – and vast quantities of claptrap and capital were drafted in to fight the bug.

> *"As the state's cheeks got rosier, the people it is meant to serve turned pale"*

But as the state's cheeks got rosier, the people it is meant to serve have turned pale and gray. For they are the ones who must pay. The costs get spread among the whole population – in higher taxes, more debt, and finally, inflated consumer prices.

It is hard to put numbers on the phenomenon. And no one in the elite establishment would want to try, or even admit that it is a phenomenon. But GDP growth, per capita, very roughly and imperfectly measures the rate at which people get what they are after. As the wars increased, GDP growth per capita fell from a historic 2.2% per year, which was little changed from 1870 to 1999, down to 1.1% since then. As investor Van Hoisington has pointed out, if GDP per capita had grown at the pre-2000 pace, it would be nearly 25.6% higher. In the fourth quarter of 2019, the quarter before the pandemic disrupted economic activity, real per capita GDP was about 17% below the trend line of the historic pre-2000 growth rate. The expansion from 2009 until early 2020 was the worst in US economic history. The period of subpar performance is therefore nearly two decades long.

Simplifying, people either get what they want – by exchanging goods and services with each other. Or, they get what somebody else wants – thanks to the wars, regulations, taxes, inflation, debt, etc, that are imposed on them. Our guess, merely extrapolating from the last 20 years, is that we will see even less of the former and a lot more of the latter.

The bottom line

$1trn The rise during 2021 in the collective wealth of the world's richest 500 billionaires to $8.4trn, thanks to soaring stockmarkets, cryptocurrencies and commodity prices, according to Bloomberg. Tesla's CEO Elon Musk was top of the list, adding 75% to his fortune last year.

NZ$1,006,632 The record-high average price (£500,000) of a house in New Zealand, according to analytics company CoreLogic New Zealand. Values surged 24.4% last year due to low interest rates and a dearth of new housing, but the market is expected to cool in 2022.

£1,200 The expected increase in household bills this year as energy prices and taxes continue to rise, says The Times. The Bank of England forecasts inflation to reach 6%, a level not seen since 1992.

£9.7bn How much British consumers spent on home entertainment last year, comprising digital and physical videos, music and gaming, an increase of 4.6% from 2020, according to trade body the Entertainment Retailers Association.

$14bn The value of cryptocurrencies accumulated by criminals from scams, ransomware and thefts last year – a 79% rise in dollar terms from 2020, according to data company Chainalysis. That rise was outstripped by the growth in the cryptocurrency market, which gained 550% last year, rising to $15.8trn. That meant the relative share from illicit activities fell to a record low, says the FT.

£15,000 How much 36-year-old Portugal and Manchester United football legend Cristiano Ronaldo (pictured) has spent on a hyperbaric oxygen therapy (HBOT) device for his home in Alderley Edge, Cheshire, says The Sun. The device allows pure oxygen to be "breathed" directly in to his blood plasma, enabling faster recovery from sporting injuries.

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