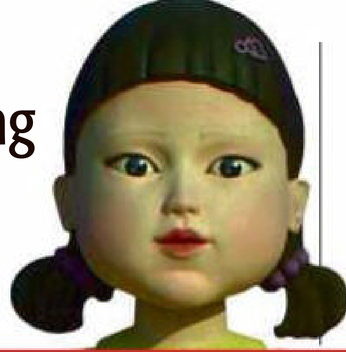
SHARES *P6*
What the tipsters are picking for 2022

ANALYSIS *P28*
How streaming changed the face of TV



PLUS
Pharma stocks to cash in on vaccines
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MONEYWEEK

MAKE IT, KEEP IT, SPEND IT

7 JANUARY 2022 | ISSUE 1085 | £4.50

Hold on tight

Four risky stocks that can soar in the new year

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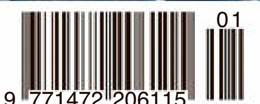

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MoneyWeek

7 January 2022 | Issue 1085

Britain's best-selling financial magazine

From the editor-in-chief...

January is a time for resolutions – and most of us can think of very necessary financial resolutions aplenty. But rather than focus on any one quick fix, this might be the year to remember the actual point of saving and investing. It is not the accumulation for the sake of accumulation. It is to buy choice: choice over when and how you work, choice over how you live, and choice over when you retire – to buy you flexibility and freedom. You build wealth now so you can use it later. That's all.

This means that your core financial priority should usually be protecting the "real" value of the assets (and hence the financial freedom) you already have. I mention it this year in particular, because this is not going to be straightforward in 2022. We are in a transition phase in almost every way. We are shifting from endless pandemic panic and knee-jerk "something must be done" policy-making to a new era of risk acceptance, from an era of cheap energy to the opposite, from one of very low interest rates to one of rising rates and – possibly – from one where capital holds all the cards to one where a fast-rising dependency ratio means labour holds at least some of them.

There's also a growing sense that the most recent wave of technological disruption might have stalled. The likes of Apple, Google and Amazon were once huge disrupters and drivers of disinflation. Now they are monopolies or duopolies that it's tough for anyone else to disrupt.

Your electricity meter might spring a nasty surprise

©Alamy

"Your core financial priority should be to protect the value of assets you already have"

How to invest during the transition

Some of these things are good in all sorts of ways (we are very pro rising real wages for example). But the inflationary pressures they produce are also going to hit your purchasing power hard. One hint as to how? If you are on a fixed-rate energy deal at the moment, check to see what the same deal would cost today. You will be shocked.

Persistent inflation also suggests tighter monetary policy. 2021 was the year in which central banks believed inflation was transient; 2022 may well be the one in which they realise they were very wrong and actually did something about it. Expect higher interest rates. That in turn is going to affect stockmarkets – all those high-growth stocks worth infinity because they were valued against interest rates close to zero may suddenly be worth rather less (see page 17). Pay some of the highest valuations in history and you should not be surprised if you get some of the lowest returns.

With all this happening how can you preserve capital? There are specific trusts devoted to this (look at Personal Assets, Capital Gearing and Ruffer). In the search for value you might also turn to page 20 where Max looks at one of our old favourites, the Miton Global Opportunities Trust (MIGO). It is effectively a trust of trusts – the managers find and buy undervalued trusts with a view to holding them until that changes. Right now, notes Max, the average discount to net asset value of the top 12 holdings is in the region of 18%. A consistent long-term performer, MIGO returned around 25% last year, and nearly 80% over the last five. On the same page we look at Cathie Woods' Disruptive Innovation ETF – which holds the Zooms of the world. It rose 150% in 2020 (it holds the kind of stocks that love lockdowns and low interest rates) but fell 21% last year. I know which I would rather hold going into our new year of transition. Happy New Year.

Merryn Somerset Webb
editor@moneyweek.com

Nail biter of the week

US space agency NASA launched its new James Webb Space Telescope last week, but the project's exorbitant costs have scientists fretting over the mission's success, says Bloomberg. The state-of-the-art orbiting telescope is the most sensitive such device ever constructed, and promises astronomers the ability to view the most distant objects in the universe, giving a deeper insight into the formation of the first stars, for example.

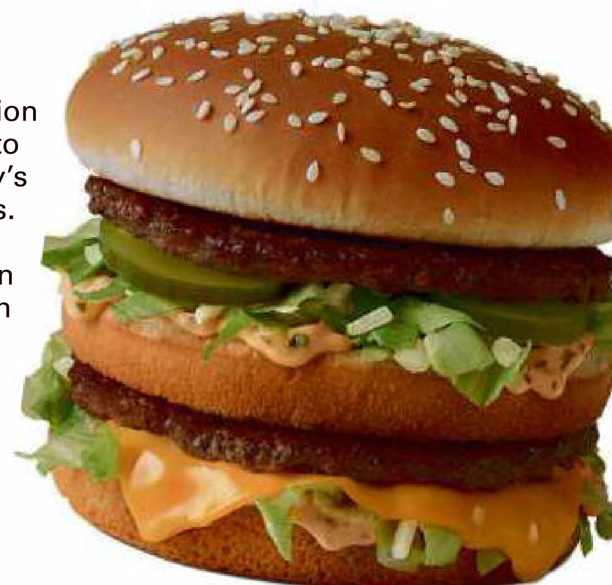
©Getty Images

However, the budget has ballooned by more than 1,000% since the 1990s and the new technology has come at a cost of $11bn, so the stakes are high. The telescope is made up of hundreds of delicate parts that must all work perfectly together, which means that if everything doesn't go to plan, it could become NASA's priciest failure in years. The agency has no back-up plan, and will be holding its breath as the mission progresses over the coming weeks.

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

Good week for:

Italian conservationists cheered a ruling by an Italian court, backing Rome City Council's decision to deny fast food giant McDonald's permission to build a €1.3m drive-through branch near the city's historic Caracalla baths, says The Sunday Times.



©McDonalds

More than **2,000 female employees** of Californian videogame producer Riot Games will share in an $80m payout from the company, following a protracted gender discrimination lawsuit, says The New York Times. Female staff first took the company to court in 2018, complaining of pay inequality and a sexist work environment. Riot will also pay $20m in legal fees and expenses.

Bad week for:

Indian perfume tycoon **Piyush Jain** was arrested on charges of tax evasion by police in Kanpur, Uttar Pradesh, after a stash of $24m in cash and 23kg of gold were found on his premises, says India Today. Jain's fortune is the largest ever seized by an Indian enforcement agency. Despite his wealth, Jain avoided "swanky cars and used to drive in old vehicles to evade attention", according to India Today.

High street bank **Santander** is desperately trying to recall £130m of accidental payments made to customers this Christmas following a "technical error", says Fortune. On Christmas Day, over 75,000 clients of Santander and many other banks received the unexpected payments, with the company having to reach out to rivals in an attempt to recoup the money.

Crunch time for markets as rates rise

Alex Rankine
Markets editor

Last year was 12 months of "insurrection, infections and inflation", says Randall Forsyth in Barron's. But you wouldn't think it from looking at the markets. America's S&P 500 index finished the year up nearly 27%. The rally has been a testament to the "power of money, conjured and created by central banks". That money has funded government borrowing "on a scale never experienced in peacetime" and sent assets to record highs.

Time and again, investors "brushed off" news that would have "derailed" previous bull markets, say Anna-Louise Jackson and John Schmidt on Forbes. A contested US election, historically high inflation, broken supply chains and a "still-raging" pandemic all failed to upend stocks. The S&P 500 recorded "70 all-time highs in 2021", the highest number since 1995. The frenzy spilled beyond Wall Street: the total market capitalisation of cryptocurrencies tripled last year. Bitcoin ended the year up 60%.

Last year began with an insurrection in the US, but markets shrugged it off

©Getty Images

Volatility ahead

Global financial markets are entering "a new phase" in 2022, says Katie Martin in the Financial Times. The start of the pandemic in 2020 brought crisis and a short but brutal bear market. Then central banks "flooded the system with stimulus", which has driven a 20-month period of "runaway returns". Now we have "crunch time". The Bank of England has already hiked interest rates, with others likely to follow. If 2021 was an unusually calm year in markets, we should expect that the next 12 months will bring much nervier trading.

Central banks hope to spend 2022 slowly weaning investors off easy money, avoiding big financial upsets along the way. That may not be easy. "The nightmare scenario is: the Fed tightens and it doesn't help," says Aaron Brown, a former trader and risk manager who now teaches at the Courant Institute of Mathematical Sciences, in The New York Times. If policymakers can't bring about a soft landing for the economy and inflation continues to rip, the Fed might be forced into "very aggressive action like a rate hike to 15 percent, or wage and price controls, like we tried in the 1970s".

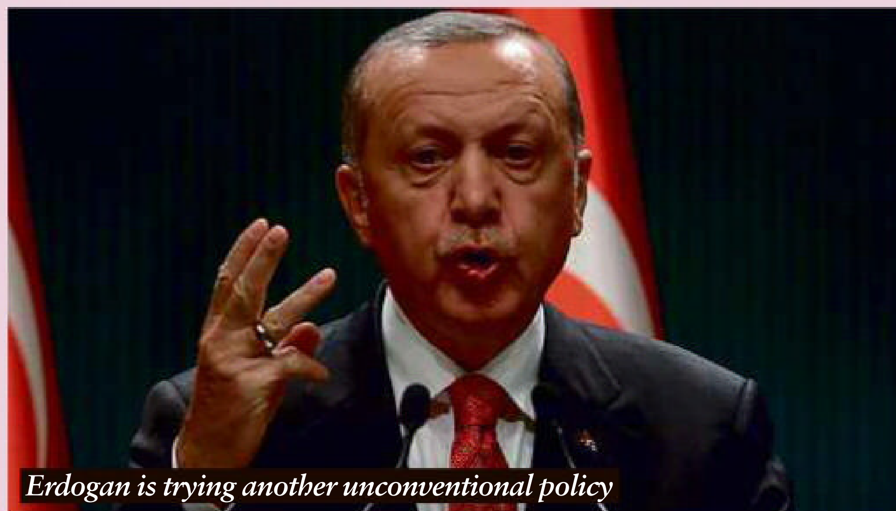
A long way down

Last year's returns were powered by a strong earnings rebound, says Sam Goldfarb in The Wall Street Journal. US corporate earnings rose about 45.1% year-on-year in 2021. Growth is forecast to fall to 9.2% this year, according to data from FactSet. That would still be as good as 2017 (when the S&P 500 gained 19%), but highly valued US markets may now be more vulnerable to higher interest rates. "By some measures, stocks now trade at their highest prices relative to companies' earnings since the late 1990s' dotcom bubble."

It doesn't take "an investment genius" to see that stocks, "all puffed up by ultra-low interest rates", are in for a rough ride as central banks normalise rates, says Jeremy Warner in The Daily Telegraph. Policymakers have been caught napping by inflation, which is running at 5.1% in the UK and 6.8% in America. It's likely that they will "have to act much more robustly to tame the inflationary tiger". That "would spell big trouble for stock prices".

Turkey's risky bluff to save the lira

Turkey has found a "sticking plaster" for its currency woes, says Lex in the Financial Times. The country is facing a mounting currency crisis and locals have responded by shifting their savings into other currencies and gold (nearly two-thirds of Turkish bank deposits are held in foreign currencies). So Recep Tayyip Erdogan, the country's autocratic president, last month announced the government will guarantee lira deposits against further deterioration in the exchange rate. The scheme, designed to encourage Turks to keep their savings in lira, seems to have worked so far – the currency has since rallied 26%. Yet few international investors are convinced by the idea.



Erdogan is trying another unconventional policy

©Getty Images

The guarantee means that if the lira lost 30% against the dollar in a year, then a saver with an account paying the 14% base rate would be topped up with the 16% difference by the Turkish state, says The Economist. The move may have prevented a bank run, but in the long-term it only worsens the economic danger. If the lira falls again then the deposit scheme would leave the Turkish treasury "on the hook for hundreds of billions of lira". A currency crisis could quickly turn into a fiscal headache.

Turkey's last lira crisis in 2018 was driven by foreign investors fleeing the country. This time, the problem has been domestic capital flight, says Jon Sindreu in The Wall Street Journal. Inflation is soaring and interest rates should rise, yet Erdogan has forced the central bank to cut four times instead. The deposit insurance scheme amounts to a "backdoor" hike, but instead of raising costs on borrowers it is Turkey's taxpayers who are now "footing the bill". If the fiscal costs prove unbearable then the banking system, which holds "about a third of the government's debt", could be in trouble. "Turkey's plan to save the lira is a risky bluff".

FTSE still lags after strong year

The FTSE 100 has had its best year since 2016, but it continues to underperform globally. The British blue-chip index finished 2021 up 14.3%, the second weakest showing of any major European market (only Spain did worse). Global markets gained an average of 17% last year, as measured by the MSCI ACWI index.

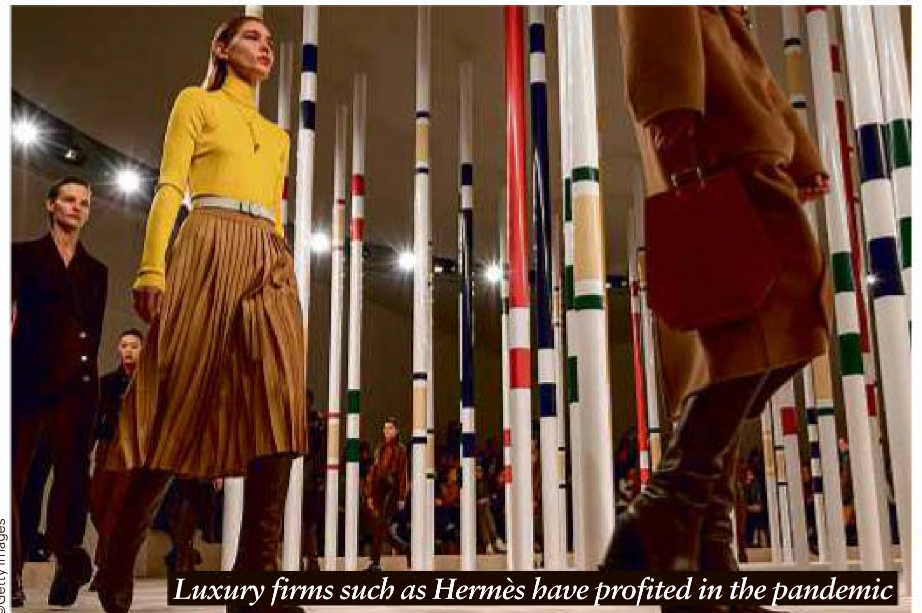
Still, the outlook for 2022 is more positive, says Jim Armitage in The Sunday Times. The FTSE started 2022 at 7,385 points, "a whisker below" its pre-pandemic level, yet many think it remains cheap. London has "the highest dividend yields in the developed world", say analysts at JPMorgan, while those at Morgan Stanley argue that British shares trade on a huge 30% discount to those on the continent. Stronger commodity prices could be a catalyst for the FTSE to do better, reckons Russ Mould of AJ Bell, while Susannah Streeter of Hargreaves Lansdown argues that London's lack of tech stocks could be a strength if the richly priced sector struggles this year.

Longer term, the shortage of tech listings increasingly sees London derided as a "global backwater", says Graeme Wearden in The Guardian. Technology only makes up about 2% of the London market. However, this is slowly changing: London was Europe's top initial public offering venue in 2021. In time, new listings such as Oxford Nanopore and Trustpilot will gradually change the character of the market.

French stocks back in fashion

It has been "a crazy year for the Bourse de Paris", says Quentin Soubranne on BFM Bourse. France's CAC 40 gained 29% in 2021, making it the world's best performing major stockmarket. The gain is the index's best annual performance since 1999, as a strong economic rebound and easy money from the European Central Bank (ECB) pushed it to record highs.

The pandemic has changed the composition of CAC 40, says Bastien Bouchaud in Les Echos. Once the preserve of banks and oil companies, today the index is increasingly dominated by luxury and industrial firms. Between them the four big French fashion groups (LVMH, Hermès, L'Oréal and Kering) have generated "more than half of the index's gains over the past two years". Unable to travel, the world's wealthy have been splurging on luxury goods instead. Green energy industrial firms and France's handful of tech companies are also growing fast.



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Luxury firms such as Hermès have profited in the pandemic

Mixed fortunes

Elsewhere in Europe, it was a good year for Amsterdam's AEX (up 27.5%) and Italy's FTSE MIB (up 23%), says Danilo Masoni on Reuters. Germany's Dax (up 15.6%) was less impressive, while Spain's Ibex lagged behind, managing to climb just 7.4%. The pan-European Stoxx 600 index finished up by more than 22%, its second-best showing since 2009 – although this still lagged the near-27% gain of America's S&P 500 index.

Poised to outperform

The big question for 2022 is whether European stocks can finally beat the S&P 500, which has delivered superior returns for most of the past decade, says Nikos Chrysoloras on Bloomberg. Strategists at Deutsche Bank and Jefferies think they might. While the US Federal Reserve is poised to start hiking interest rates soon, the ECB has indicated that it is in no hurry to do likewise. That should provide more of a cushion for European stocks, as easy money usually finds its way into markets. Valuations in Europe are also less stretched than in America. US price-to-earnings multiples are now 10% above pre-pandemic levels, but those in Europe remain 20% lower.

Inflation risks

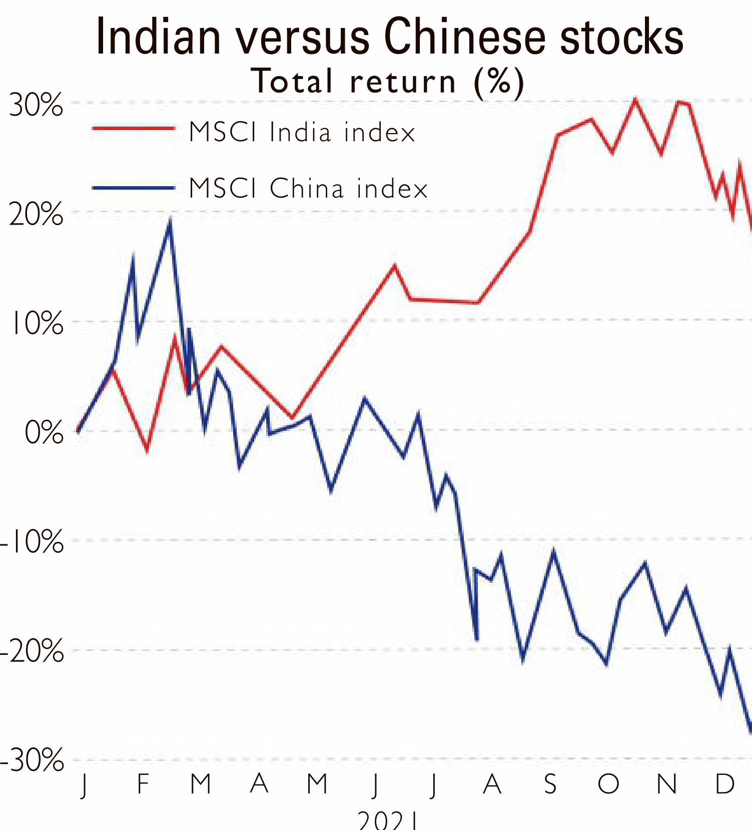
The outlook for the first part of the year is encouraging, says Martin Skanberg of Schroders. Eurozone corporate profits rose roughly 50% year-on-year in 2021, with companies able to protect margins by passing price rises onto consumers. The continent boasts plenty of "market leaders" in the popular green themes of "renewable fuels, electric cars or metals recycling". The big risk is that with inflation running at 4.9% in November, the ECB may yet be forced to tighten monetary policy more quickly than expected. As elsewhere, that could spell the end of the stockmarket party.

Viewpoint

"Today capital is abundant. A middle-aged global workforce has lots of savings to put to work. Low long-term interest rates... point to a scarcity of worthwhile ways to deploy those savings... It can be hard to imagine this state of affairs ending. But over time capital is bound to become less abundant... Fiscal stimulus is back in favour... over time deficit-financed spending will start to absorb excess savings... [Another] reason to expect capital scarcity is climate change. The transition to greener energy... requires junking the assets underpinning the carbon economy – oil rigs, coal-fired power stations, petrol forecourts – and building a new infrastructure based on electric vehicles, wind and solar power and battery storage. A lot of capital has to be deployed to create these assets... today's capital abundance cannot last for ever."

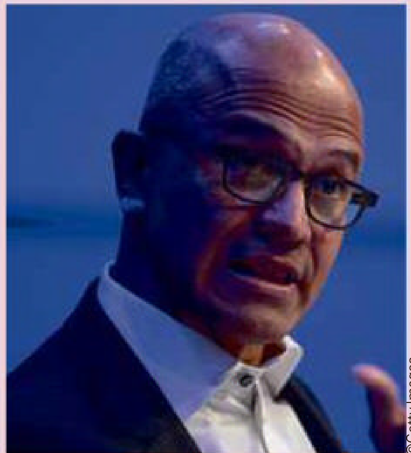
Buttonwood, The Economist

Diverging markets



Last year was one to forget for Chinese stocks, says The Times. A crackdown on technology firms and turmoil in the property market sent the MSCI China index down more than 20%. Hong Kong's Hang Seng index finished the year down 14%, its worst performance in a decade. Emerging-market investors have instead turned to India, where a young population and growing middle class make for an auspicious outlook. The MSCI India index returned 23%, making it the year's best-performing emerging market, amid a boom in initial public offerings. New listings raised Rs1.2trn (£12bn) last year, 70% more than the previous record set in 2017, says Mint, as investors piled into stocks such as Paytm (online payments) and Zomato (food delivery).

City talk



● Microsoft's Satya Nadella (pictured) is "poised to deliver again", says Richard Beales on Breakingviews. The software giant is a "Big Tech standout": its market value has grown by $2.2trn since Nadella took over the top job in 2014. Back then, the firm was worth $300bn. True, Apple's Tim Cook has presided over a slightly larger increase in value since taking over from Steve Jobs in 2011. "But Nadella, who started from a smaller base and has had less time, is breathing down Cook's neck", and Microsoft's strength in "powerful, global digital trends" such as cloud computing could see him take top spot this year.

● Apple has now become the first company to reach a market value of $3trn, says Dan Gallagher in The Wall Street Journal. The tech behemoth is worth $1trn more than it was nine months ago. The sharp rise can't entirely be put down to market froth, but investors' faith in augmented reality glasses and an electric car look overdone. Even Apple's new Mac computers, powered by its own chips, won't radically alter the company's fortunes. "Unfortunately, $3trn just doesn't buy what it used to."

● Credit Suisse wanted a safe pair of hands after an espionage scandal, its part in the Greensill "meltdown" and a £3.5bn hit from the collapse of hedge-fund Archegos, says Alex Brummer in the Daily Mail. It settled on Antonio Horta-Osorio, a "terrific" banking executive in a crisis at Lloyds, when chairman. Now a probe has found that Horta-Osorio breached Covid-19 laws by attending Wimbledon last year when he should have been in quarantine. That shows "a contempt for the rules affecting ordinary citizens". The board "needs to be tough" on him.

How the tipsters fared in 2021...

Global stockmarkets roared in 2021, but most of the share tipsters were left behind. Only three managed to beat their relevant market benchmark, with many annual portfolios badly off the pace.

US publication Barron's tops the table this year. Its ten tips for 2021 returned an average of 26.9%. That looks impressive, but it is exactly the same as the return on the S&P 500, the US stock benchmark. Investors would have done just as well putting their money into a US market tracker than going to the trouble of buying individual stocks. Barron's best tip was Google-owner Alphabet, up 67.4%. The worst – and its only tip to lose money – was concert venue business Madison Square Garden Entertainment, which fell 22.2% as the hoped-for pandemic recovery failed to materialise.

The most impressive performance arguably belongs to second-placed Interactive Investor's Aim portfolio. Last year's table-topper delivered again with a 25.8% gain, comfortably beating the benchmark Aim All-Share's 5% gain for the year. The performance is a reminder that small-caps can offer rich pickings for those prepared to do their research and take some risk. The best tip was lettings and sales estate agent Belvoir Group, which gained 58.9%. The worst was health-diagnostics business SourceBio International, which ended the year down 6.3% despite strong demand for its Covid-19 testing services.

The bronze goes to The Daily Telegraph, which returned 16%, beating the FTSE 100's 14.3% return. Bakery chain Greggs, up 93.6%, was its best idea. Software group Sage, up 45.3%, was another excellent pick. Less happily, a bet on a recovery at airline easyJet (down 13.7%) proved premature.

The Investors' Chronicle is the only other portfolio to have beaten the FTSE in 2021. Its selection of 50 tips returned an average of 15.3%. Its best idea was chip specialist Nvidia, which saw its shares surge 124.3% as the world scrambled for semiconductors. The worst was respiratory protection specialist Avon Rubber, which finished the year down 64.6%. The magazine has yet to publish its tips for 2022.

Tipsters' performance in the last five years

	2017	2018	2019	2020	2021
Barron's	26.2%	-2.2%	24.6%	9.9%	26.9%
Interactive Investor	n/a	n/a	n/a	70.1%	25.8%
The Daily Telegraph	21.5%	-13.4%	9.6%	-1.3%	16%
Investors' Chronicle	-3.2%	-10.2%	37%	-5.1%	15.3%
Shares	12.4%	-6.4%	23%	4.8%	8.6%
The Times	n/a	n/a	n/a	-10.1%	6.4%
Daily Mail	20.3%	-18.3%	17%	20.9%	5.8%
The Sunday Times	12.2%	-20.1%	30.8%	7%	2.3%
Evening Standard	45.5%	0.9%	15%	-19.8%	-2%
FTSE 100	7.1%	-12.5%	12%	-14.3%	14.3%
FTSE 250	14%	-16%	25%	-6.4%	14.6%

The rest underperform

Shares' portfolio disappointed, delivering an 8.6% average return. The magazine points out that its annual portfolio has still beaten the FTSE in seven of the last ten years. Its best tip was transport-analytics firm Tracsis (up 57.8%), but those gains were wiped out by bets on two 2020 pandemic winners that ran into headwinds in 2021. Chinese e-commerce giant Alibaba fell 52.2% amid a regulatory clampdown, while online supermarket Ocado tumbled 25.9% as a lack of news about new clients for its tech platform saw some investors lose interest.

"Barron's' 26.9% return was exactly the same as the S&P 500"

The Times' best tip was banking group HSBC, which rose 18% as the pandemic saw fewer loans go sour than feared. Only wargames retailer Games Workshop (down 12%) lost money, but unimpressive returns on the rest of the portfolio left the portfolio in mid-table mediocrity this year.

It was nearly a disastrous year for the Daily Mail, with all but one of its tips losing money. Irish biotech Amryt Pharma did worst, losing 19%, while a commodity bet on miner Rio Tinto also came unstuck, finishing the year down 11%. Asset manager Liontrust single-handedly rescued the portfolio from humiliation by delivering a superb 69% return as it taps into the environmental, social and governance (ESG) investment trend.

The Sunday Times' portfolio narrowly avoided a loss. Startup investor Chrysalis Investments gained 29%, but bad bets on easyJet and publisher Pearson dragged down the portfolio. The worst idea was biotherapeutics firm PureTech, which fell 27.1%.

The wooden spoon goes to the Evening Standard for a second year. OneSavings Bank (up 32.7%) proved its best idea, but the rest of the portfolio was dragged down by ill-timed re-opening bets on British Airways owner IAG (down 4.9%), office operator IWG (down 14.3%) and London estate agent Foxtons, which fell 21.6%. The paper has yet to publish any tips for 2022.

Annual share tip portfolios are presented in a spirit of seasonal fun and should not be taken too seriously. The comparison between portfolios is inexact as some publications liquidate their picks in mid-December, while others do so in the new year. One year is too short a time to expect a carefully chosen share to beat the market. Still, annual tips provide a way to think about some of the key economic trends. Last year started with bold bets on the vaccine-enabled reopening of leisure, travel and hospitality, which went south as Covid-19 served up successive new variants. Some tipsters are clearly feeling more optimistic than others about what awaits us during the year ahead.

...and what they are tipping for the year ahead

Barron's

Amazon boasts a 40% share of the American e-commerce sector and accounts for half of the cloud-computing market. On 66 times forecast 2022 earnings the shares aren't cheap, but a huge addressable market gives it some of the most promising growth prospects of any of the big tech giants *($3,377)*. Shares in telecom **AT&T** recently hit a 13-year low on fears about competition from the likes of T-Mobile. The upcoming spinoff of its WarnerMedia division will streamline the company, which is poised to pay one of the highest dividends in the S&P 500 this year *($23.75)*. Shares in Warren Buffett's **Berkshire Hathaway** have climbed 31% over the past year and a robust, diversified portfolio should see it continue to deliver *($300.5)*.

General Motors is trying to muscle its way into the electric vehicle game. Investors are sceptical, but on just eight times projected 2022 earnings the shares are valued at a fraction of Tesla's sky-high valuation *($58.4)*. Car shortages have driven soaring demand for **Hertz's** rental vehicles. Freshly emerged from chapter 11 bankruptcy, the company is ready to take on 2022 with a clean slate *($21)*. After a decade of stagnation, **IBM** has refocused its efforts on artificial intelligence and the cloud. It could be "one of the big turnaround stories of 2022" *($126)*.

Healthcare giant **Johnson & Johnson** is spinning off its consumer arm to focus on its "underappreciated" drug division. The shares trade on a "reasonable" 17 times forecast 2022 earnings *($173)*. A tidier physical footprint, cheap valuation and takeover interest could make this a good year for luxury department store chain **Nordstrom** *($20)*. Energy prices could be heading higher and **Royal Dutch Shell** offers exposure at a cheaper price than US oil majors *(1,621.75p)*. Payments juggernaut **Visa** should benefit as international travel resumes *($214.5)*.

Interactive Investor

Marketing consultancy **Ebiquity** helps top advertisers decide how to spend their budgets across 75 markets globally. The group may attract a takeover bid from a bigger media and marketing firm *(52.5p)*. **eEnergy Group** helps industrial and educational institutions reduce their energy consumption via LED light installation and smart meters. On 13 times prospective 2021-2022 earnings, the shares are cheap given solid cash generation and strong growth prospects *(13p)*. Rising costs have eaten into profits at gift wrap producer **IG Design Group**. Markets can be unforgiving after profit warnings, but diversification into craft supplies should reduce the group's dependence on Christmas sales, so "buy for recovery" *(270.5p)*.

Shield Therapeutics' Accrufer iron-deficiency treatment is being rolled out in the US. Management hopes that the oral treatment will prove more popular than existing injectable and salt-based remedies. If the drug proves a hit then the cash will come rolling in *(32.5p)*. Energy-services group **Sureserve** helps local authorities comply with gas, fire, electrical and water regulations; a second division offers efficiency products such as insulation. Compliance is a steady business that provides reliable earnings, while the efficiency side has promising growth potential *(93.5p)*.

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The Daily Telegraph

Shares in discount retailer **B&M European Value Retail** have soared 21% over the past year to near an all-time high. However, soaring inflation is likely to push even more shoppers through its doors during the year ahead *(634p)*.

IT kit supplier **Computacenter** once had a reputation as a "slow and steady" business, but lockdowns and working from home have given the shares some pizzazz. The company has reported six increases in its profit guidance over the last two years and, in November, it won a contract to provide half a million laptops to schools. The shares look like they should be a safe haven in case of more lockdowns *(2,910p)*. Covid-19 pessimists should also take a look at **Games Workshop**, the firm behind the *Warhammer* franchise. More lockdowns would be "sure to boost sales again" and overseas expansion provides another avenue for growth *(9,970p)*.

Oxford Nanopore's products have been used in "a fifth of all Covid-19 sequencing globally" since the pandemic began. This is another firm that will benefit if more nightmare variants emerge *(699.5p)*.

Not all hedge funds have lost out from the "meme stock" frenzy. **Man Group**, Britain's biggest listed hedge fund, has been using machine learning to track popular posts on internet forum Reddit, opting to join the retail investors rather than trying to beat them. Hedge funds profit from market volatility, and there could be plenty of that ahead *(227.5p)*.

Profit upgrades suggest things are finally looking up at **Marks & Spencer**. Revamped stores and a promising partnership with Ocado powered a 75% rally in the stock last year. There should be more gains to come provided the turnaround plan continues to deliver *(231.5p)*. Energy giant **SSE** has a strong position in the renewables sector and is attracting interest from activist investors and hedge funds *(1,649p)*. Assuming the pandemic subsides, this year should finally bring a sustained recovery in leisure: footfall in central London had returned to pre-pandemic levels before Omicron. Shares in London West End landlord **Shaftesbury** are still a third off pre-Covid-19 levels, so there is "plenty of upside" in prospect *(615p)*.

Motley Fool

More than 88% of US businesses suffered a data breach in 2020, so there is a huge market for cybersecurity firm **Darktrace's** security subscription model *(424.75p)*. Smirnoff and Guinness owner **Diageo** is the sort of "strong, stable" and "defensive" business a portfolio needs in uncertain times *(4,032p)*. Coach operator **National Express Group** is enjoying a rebound in demand, with its Spanish and North American arms returning to profitability. The shares are still 45% below pre-pandemic levels, so there should be significant upside when the recovery arrives *(257.25p)*.

The woes of the airline industry have weighed on engine maker **Rolls-Royce**, but lower costs and a price-to-earnings (p/e) ratio of less than four suggest there could be hidden value in this "bastion of British industry" *(122.75p)*. The pandemic has knocked competitors out of the market, leaving Premier Inn owner **Whitbread** well-placed to profit from the recovery in the UK and by expanding in Germany *(2,994p)*.

Shares in self-storage operator **Safestore** recently hit an all-time high, but on a p/e ratio of about 12 there should be more to come given the auspicious growth outlook *(1,412p)*.

The shift to renewables is a big opportunity for power-transformer specialist **XP Power**: solar and wind produce DC power that needs to be transformed into AC power before it can be used in homes *(5,100p)*. Power cords and cables manufacturer **Volex** is seeing booming demand from the rollout of electric vehicle charging stations *(344.5p)*.

The Times

"It's not just Primark's clothing" that is cheap. Shares in parent **Associated British Foods** are still trading near their pandemic nadir of 14 times forecast 2022 earnings. A forthcoming special dividend and expansion overseas could soon see the share re-rate *(1,997.5p)*. Fears that the housing market will cool are overdone, so buy **Barratt Developments.** The firm enjoys better margins and returns on equity than most in the sector and surplus cash is likely to turn into extra dividends *(748p)*.

Rising interest rates should bring bigger margins for banks such as **Lloyds.** The bank's capital levels are stronger than forecast, which could help fund "acquisition activity" or "special dividends" during the year ahead *(47.75p)*. Investors have yet to forgive support-services group **Serco** for mistakes that forced it into an emergency rights issue in 2014. Yet it is a much leaner operator today and on just 11 times forward earnings the shares are cheap *(134.5p)*. Shares in **Tesco** trade on a discount to their five-year average, which could attract takeover interest in the wake of last year's private equity takeover of supermarket peer Morrison's *(290p)*.

The Sunday Times

BT shares have gone nowhere over the past two decades, but the company is at the forefront of the ultra-fast broadband rollout through its Openreach division. Lockdowns have underlined broadband's central role in the modern economy *(169.5p)*. Shares in commodity trader and miner **Glencore** soared 53% last year, but there should be more to come. The firm's cobalt, zinc and copper will be in strong demand as we decarbonise the economy, while generous dividends don't hurt either *(376p)*. The coming year should be another strong one for private equity: **HarbourVest Global Private Equity** is one way to gain exposure *(2,870p)*.

FTSE 250 firm **Oxford Biomedica** is "a world leader in cell and gene therapy" and also helps make the AstraZeneca Covid-19 jab. The shares are down 22% since early November, so now is a good time to buy *(1,230p)*. Engineer **Renishaw** makes everything from "precision tools to 3D printers" and optical encoders, with the latter in particular demand from the semiconductor industry. That should help drive "robust sales growth" during the year ahead *(4,780p)*. Video-game developer **Roblox** has had a good pandemic. As a platform that hosts games made by users and developers, it does not depend on a single hit. A recent share price pullback makes this a good time to buy in and bet on the rise of the metaverse *($103)*.

Translation services business **RWS Holdings** is "quids-in" following a strong year of trading *(650p)*. E-commerce specialist **THG's** shares have plummeted 71% since listing a year ago amid concerns about its corporate governance. But the business stands to gain from soaring interest in "fitness, health and beauty" products, while founder Matt Moulding has "bowed to City pressure and begun searching for a chairman" *(229.25p)*.

Daily Mail

Shares in British Gas-owner **Centrica** are down 69% over the past five years, but investments in cleaner energy and better customer service have prompted bets on a turnaround. The shares started rallying in the summer and that should continue into 2022 *(72p)*. **IAG**, which owns British Airways, has seen its shares plunge by two-thirds over the last two years. Management warns that air traffic demand will not return to pre-pandemic levels until next year, but if pent-up holiday demand drives a recovery from this spring then "surely the only way is up" *(142p)*.

Car dealership chain **Inchcape** is in "top gear" as shortages drive up the price of used cars. The group operates more than 100 UK dealerships and is present in 32 countries. Continued supply-chain chaos should see demand stay strong, while analysts report the firm has £1.25bn to spend on acquisitions *(910p)*.

Asset manager **Liontrust** had a roaring 2021 and is "well-placed to pounce" on smaller prey as the industry consolidates *(2,200p)*. Many of Britain's online "pureplay" retailers are "down on their luck", as regulatory and supply chain challenges bite. **Revolution Beauty,** a beauty brand, might avoid some of these issues because it sells in stores as well as online. Beauty products should also benefit from an ebbing pandemic *(123p)*.

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Shares

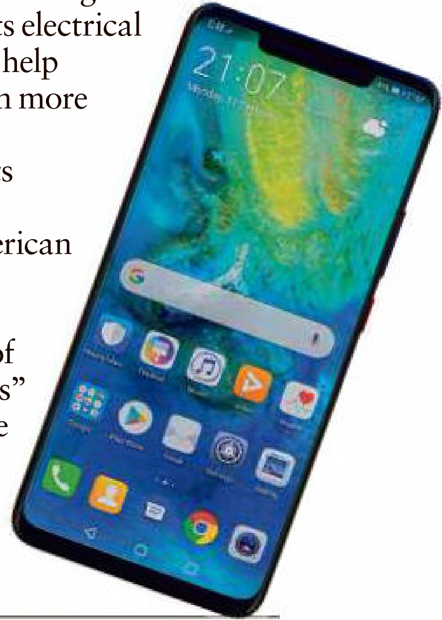
Aim-listed sustainable wood specialist **Accsys Technologies** makes products that replace aluminium and plastic in the construction industry. Demand is soaring thanks to growing regulation, with the firm planning to ramp up production fivefold over the next five years *(171.75p)*.

More than 60% of global advertising spending in 2022 will be digital and Google-owner **Alphabet** is ideally placed to benefit. It has significant competitive advantages thanks to its ownership of Android, the world's leading smartphone operating system. On 25.4 times forecast 2022 earnings the shares are not unduly expensive for a tech giant *($2,848)*.

This could be "a breakthrough year" for gas producer **IOG**. It will start pumping hydrocarbons from its North Sea Saturn Banks project just in time to benefit from high natural gas prices *(30.75p)*.

Airline **Jet2** will ride out the Omicron turmoil thanks to its robust balance sheet, positioning it to fly into 2022 as a top recovery play *(972p)*. Investors are not enthusiastic about **London Stock Exchange Group's** $27bn takeover of financial-data provider Refinitiv, but contrarians can see that the move opens the way to better margins and ultimately a higher rating for the shares *(6,852p)*. The recovery of hospitality will give a boost to **Loungers**, which operates locations that double as cafés in the day and restaurants and bars at night. The format makes maximum use of a site and could also get a boost from the rise of more flexible work patterns *(278.5p)*. The surge in pet-buying is more than a lockdown fad, so **Pets at Home** looks well placed to have another strong year *(467.6p)*.

Swiss drug giant **Roche** is "a class act", with encouraging data on new drugs to treat lymphoma, Alzheimer's and eye disease, and solid revenue from Covid-19 testing in the meantime *(CHF 401.8)*. Paris-listed **Schneider Electric** is at the forefront of the push to digitalise and "green" the economy through its electrical control systems, which help homes and factories run more intelligently *(€164.66)*.



Speciality ingredients provider **Tate & Lyle** is planning to sell its American primary products arm and re-invent itself as a high-margin provider of "sweeteners, texturisers" and "stabilisers" for the global food industry. The shares trade on a near 50% discount to similar firms *(650.5p)*.

A German view

Siemens, the multinational technology conglomerate with divisions focused on industry, transport and healthcare, is one of the best bets in the German blue-chip DAX index, says WirtschaftsWoche. It has a presence in several major growth markets. Around 40 cities worldwide already use its TrainGuard MT digital train-control product, which has just been chosen to operate Frankfurt's tram and metro network. Siemens is also helping companies digitalise and automate their operations, including opportunities in the internet of things (IoT). In the year to the end of September, Siemens earned €6.7bn; this year the bottom line should rise to around €7bn. Orders are eclipsing sales by 15%, while margins in automation can exceed 20%. Siemens spun off its medical-technology business, Siemens Healthineers, in 2018, but still owns the majority of the shares, so it is also profiting from the boom in diagnostics and healthcare IT.

IPO watch

As the initial pandemic panic wound down, 2021 became a record-shattering year for US initial public offerings (IPOs), says The Wall Street Journal. Over 400 IPOs debuted in the US equity market last year, raising a total of $133bn, according to data from accountants EY. Technology and healthcare led the way, with Amazon-backed electric-vehicle company Rivian raising $12bn in capital and briefly being valued at over $100bn. There are doubts that the excitement around many of these firms will last – the average 2022 IPO now trades 9% below its starting price – yet this hasn't dampened optimism for 2022, with plenty of firms set to list this year. Automobile technology may continue to lead the way, with Vietnamese electric-car firm VinFast potentially valued at $60bn and self-driving systems company Mobileye at $50bn, says Yahoo Finance. Message-board site Reddit is also expected to go public and could be valued at around $15bn.

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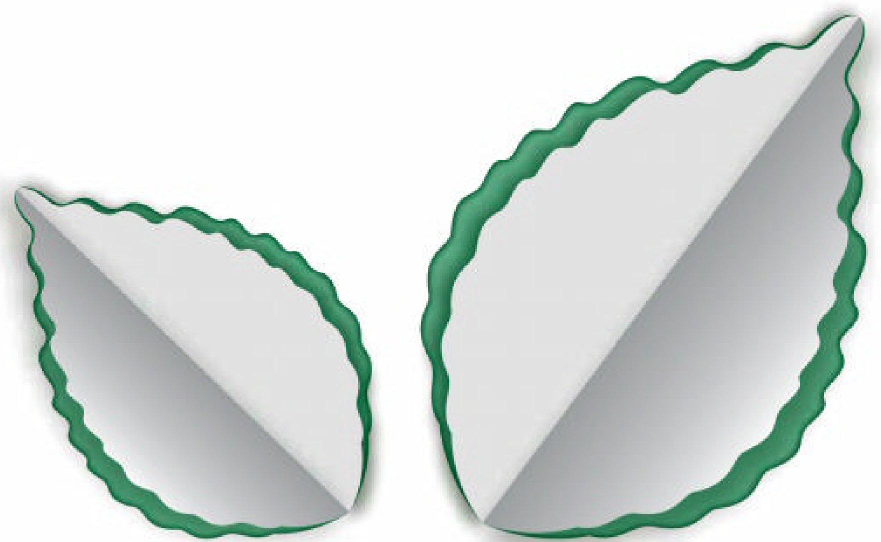

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At last, Johnson holds his nerve

We may be seeing the beginning of the end of panicked Covid-19 restrictions. Emily Hohler reports

The PM has "gone Swedish"

©Getty Images

With more than 1.2 million people self-isolating in Britain last week, fears are growing that "staff absences have become as big a problem as Covid-19 itself" as trains are cancelled, bin collections delayed and hospitals report staff shortages of up to 15%, says Laura Donnelly in The Daily Telegraph. As a result, plans are being drawn up to relax the rules. Millions testing positive on lateral-flow devices will be told they don't need to take follow-up PCR tests which delay the official start of isolation, and PCR tests will be limited to those with symptoms (currently around 40% of cases are asymptomatic). MPs have called for the isolation period to be cut to five days and there have also been calls to relax the testing rules for international travel.

Let's get back to normal

It is yet to be seen whether Johnson will be forced to execute another "screeching U-turn" if recent "revelries" cause a surge in hospitalisations, but so far the news is "encouraging", says Larry Elliott in The Guardian. Vaccines appear to be providing protection – 34 million boosters have been administered, including to more than 90% of over-70s – and the spread of the Omicron variant has led to fewer hospitalisations and deaths. The prime minister's "weakened political position" is another reason the "government has gone Swedish" and so far refused to impose more restrictions. Britons face a tough year. "Inflation is rising, interest rates are going up, and energy bills are expected to rocket in the spring just as Rishi Sunak's increase in national insurance contributions comes into force. The cumulative effect is a whopping cut to living standards" (see also page 30).

Small wonder Johnson is facing pressure from his backbenchers to scrap the green taxes that make up 25% of electricity bills and honour a Brexit campaign pledge to scrap VAT on fuel, says Martin Beckford in the Daily Mail. Tougher Covid-19 rules would mean slower growth, a hit to the public finances and test the resilience of the labour market.

We need to "get back to normal as quickly as possible", says Allison Pearson in The Daily Telegraph. On 17 December, epidemiologist Neil Ferguson was warning of a minimum 3,000 deaths a day in January if no restrictions were imposed. Johnson (or backbenchers and the cabinet) "held his nerve", and on Monday the total number of Covid-19 deaths was 42; the seven-day average 127. Hospitalisations are rising, but there has been no rise in patients needing high-dependency care and, adds the Daily Mail, around a third of current "Covid-19 hospitalisations" are patients admitted for other illnesses who then test positive.

"It's time Boris took on the madder excesses of the radical left"

Loony left is holding us back

Johnson has to "get Britain going again", agrees Douglas Murray in the same paper. One of the main obstacles is the public sector. For many civil servants, their post-Covid-19 working life is "more pleasant" and the pandemic provides "one grand reason to be even more inadequate at their roles than they were beforehand". Meanwhile, "every industry outside the behemoth of government" is being hammered. It's time that Johnson sorted out the "operation in No. 10" and stood up to the "madder excesses of the radical left in education and the civil service".

Another priority should be to address the fact that Covid-19 is "here to stay" and put in place systems to optimise the policy response, says Martin Sandbu in the Financial Times. After two years, the uncertainty and chaos over testing is inexcusable. Mutations, possibly more lethal ones, will arise. To minimise economic damage and public confusion, we need a "system of emergency responses entrenched in law and practice" that can be triggered at short notice. It would help businesses to plan, facilitate government decision-making and limit the damage caused by procrastination.

Beijing's policy has been draconian but effective

©Getty Images

China will stick with Zero-Covid policy

The city of Yuzhou (population 1.2 million) joined Xi'an (13 million) in lockdown this week after the discovery of three asymptomatic Covid-19 cases, says Emma Graham-Harrison in The Guardian. Though draconian, Beijing's Covid-19 policy has been "astonishingly effective". Total cases in China stand at around 100,000. Over the past month, there have been 3,400 cases and no deaths. In the same period in the US, there have been 5.6 million cases and 36,000 deaths.

Beijing is unlikely to want to change course soon. China hosts the winter Olympics in March; in the autumn, the Communist leadership holds its 20th party congress, which is expected to secure a precedent-breaking third term for president Xi Jinping. A surge of infections could trigger a crisis that would open the government to criticism and could undermine the regime. China is home to 1.4 billion, population density is high and herd immunity low due to limited virus exposure and less-effective vaccines. Doctors have little experience of treating Covid-19.

Strict lockdowns are, however, taking their toll, with residents complaining of food shortages and delays in accessing medical care, says Helen Davidson in The Guardian. There are major economic implications too, says Mansoor Mohi-uddin in the Financial Times. Last year China experienced a "V-shaped rebound" with GDP expanding by an estimated 8%, but since the summer "growth has slowed sharply" as domestic consumption has been hit by the tougher restrictions. However, trade surpluses (exports have been driven by strong demand abroad) mean that the renminbi has remained stable against the dollar. By "constraining imports and keeping traded surpluses elevated", China's "containment stance" means financial institutions can continue to buy US Treasuries, "pushing down government bond yields abroad". Even if some investors are hoping for a change of policy, "global markets may surprisingly perform better if officials make no changes until the end of the year".

Civil society snuffed out in Hong Kong

China is continuing with its demolition job in the former British territory. Stuart Watkins reports

Hong Kong's free press is "on the brink of extinction" following the closure of the two largest remaining independent news outlets in the Chinese territory, say Chan Ho-him and Primrose Riordan in the Financial Times. Last week Citizen News, an online news site founded in 2017, announced it would close, citing concerns over safety for its reporters following a police raid on Stand News, a pro-democracy publication, which has also ceased operations. Apple Daily, the city's biggest pro-democracy paper, shut down in June last year – its assets were frozen by authorities and senior management arrested. The closures are part of a wider crackdown on civil society following the introduction of a national security law in 2020 – more than 50 groups have closed down and opposition figures been arrested. Many are being replaced by bodies with strong government ties, says the FT, while those left behind are gradually silenced, threatening the traditions of free speech and rule of law that have long underpinned Hong Kong's role as an international business hub.

No one is safe

China's "shredding of Hong Kong's autonomy is reaching new levels of nastiness", says The Wall Street Journal. The recent raids on the press are less about punishing any particular crime than about "crushing all dissent". The Communist Party simply cannot "tolerate a free press covering its demolition of Hong Kong's freedom", so it is "slandering the city's journalists as criminals and traitors". Last month's elections to the Legislative Council were rigged to deliver outcomes acceptable to Beijing and a statue commemorating the 1989 Tiananmen Square massacre was torn down. Nearly all of Hong Kong's opposition leaders have been jailed or driven into exile. And given that the Party views "all economic activity as fundamentally political", the raids show that now "no one is safe doing business in Hong Kong".

Carrie Lam's reach extends into London

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Indeed, even supporters of Hong Kong's pro-democracy movement who live in London don't feel safe, says Yupina Ng in the New Statesman: an anonymous bounty of £10,000 was offered recently on a WeChat group for the work or home address of activists living here, and there has been violence at rallies in the British capital. Indeed, the Hong Kong administration led by Carrie Lam has said that the national security law applies overseas as well.

The conversion of Hong Kong into an ordinary Chinese city, subject to the same rules as those on the mainland, is now in its "mopping up" phase, says Richard Spencer in The Times. China's banning of opposition may be a betrayal of the "one country, two systems" agreement under which Britain handed over Hong Kong in 1997, but it only confirms what critics feared at the time – that "should China choose to backtrack there would be little Britain could do about it". One ray of hope is that Hong Kong remains inside the UN's International Covenant on Civil and Political Rights, and the UN's human rights office has drawn attention to the fact that China is bound by it. Beijing does not like that, but it will find that "there is little it can do to stop what it prefers to see as a local problem becoming an international issue".

Self-isolating from democracy

Meanwhile, Hong Kong is seizing the opportunity presented by Covid-19 to help it "self-isolate from democracy", says Stephen Vines, also in The Times. The stringent rules, imported from China (see bottom left), have consistently been used as a pretext for stifling dissent. Covid-19 was the justification for postponing elections, buying the government time to exclude pro-democracy candidates. It has been the pretext for preventing public assemblies and cracking down on the few remaining businesses that have dared to support the protest movement. And as Nikkei Asia reports, the bits of the security law that were dropped in the face of huge public protests will make a comeback this year now that the environment for introducing it is more "positive". The old Hong Kong, as The Economist puts it, is now gone. And there seems little Western governments can do to "deter the demolition".

Kazakhstan's lesson for the West

Petrol price rises poured fuel on the fire

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Kazakhstan declared a state of emergency in its capital, main city and provinces this week when demonstrators stormed and torched public buildings in protests over rising fuel prices, says Olzhas Auyezov for Reuters. The Cabinet resigned in response, but that "failed to quell the anger of the demonstrators". Videos posted online showed fires blazing in the offices of officials of the main city, Almaty, with apparent gunshots audible nearby.

Kazakhstan, like Russia and other countries in the region, has been "struggling with rising prices for basic commodities amid the economic strain of the pandemic", say Nastassia Astrasheuskaya and Polina Ivanova in the Financial Times. But although the first protests were by people unhappy with a doubling of the price of liquefied petroleum gas, widely used as cheap fuel in cars, an agreement to cut the price led merely to an escalation in the demands, including for improvements to the quality of life, the prorogation of Parliament and the resignation of Nursultan Nazarbayev, who has ruled the country for three decades, from his current position as "Leader of the Nation". Some critics in Russia see in the events a deliberate attempt to foment a "colour revolution" to destabilise Russia's eastern flank ahead of diplomatic negotiations over its military build up on Ukraine's borders and its stranglehold on gas supplies, which some blame for soaring prices.

The turmoil "serves up a timely warning" to European leaders, says Dasha Afanasieva on Breakingviews. The fuel-price hike, designed to curb exports and spur supply at home, left some Kazakhs facing energy costs that are double what they were. That then became a "fuel for wider grievances". European governments, meanwhile, are debating what to do about energy costs, which have soared to record highs amid tight supplies. In Britain, Rishi Sunak has warned that there is a limit to how much help people can expect from the government, even as UK bill payers see hikes of more than 50%. "The real headache is whether and how governments step in to shoulder some of the pain. Almaty provides a live example of what happens if they don't."

San Jose

Theranos founder convicted: Elizabeth Holmes (pictured), the founder of Theranos, the bogus biotech start-up she created in 2003 aged 19, has been convicted of four counts of fraudulently deceiving investors. A date for sentencing has yet to be set, but each charge carries a prison term of up to 20 years. Holmes was acquitted on four charges of deceiving patients and doctors. Theranos was based around a "radical advance in blood-testing technology" that Holmes hoped would allow hundreds of tests to be performed using a tiny drop of blood rather than a vial, says The Economist. Otherwise, the company differed little from many start-ups. It raised $1bn, and was at one point valued at $9bn, before it disintegrated "into a vast graveyard of unfeasible ideas". The prosecution argued Holmes had exaggerated potential sales to investors and trumpeted endorsements from the armed forces and big pharma that did not exist. Holmes claimed she had been sexually and emotionally abused by Ramesh "Sunny" Balwani, her partner and Theranos's former chief operating officer. He has strongly denied the allegations and his trial on similar fraud charges has been set for next month.

New York

New bosses at Bridgewater: Bridgewater Associates, the world's largest hedge fund at $150bn, founded by legendary investor Ray Dalio in 1975, has named Nir Bar Dea and Mark Bertolini as co-chief executives, says The Wall Street Journal. Current boss David McCormick announced his resignation last month after a decade in the role – a post he had shared with Eileen Murray until 2017, when the latter left following an acrimonious pay dispute. McCormick's resignation "formalises a transition many were expecting given [his] political ambition". In December, he released an advertisement "touting his military record and family Christmas-tree farm that all but declared his candidacy in the Republican primary". Bridgewater has languished in recent years. Its flagship Pure Alpha macro fund posted its worst monthly loss in the fund's history in March 2020 and ended the year down 7.6%, meaning that it was unable to earn performance fees from clients who were invested at the start of the year. However, it fared better in the year to the end of 2021, gaining 8.1%.

Khartoum

Sudan in turmoil: Abdalla Hamdok has resigned as Sudan's prime minister amid mass protests and barely six weeks after he was reinstalled in the post, says BBC News. Following the toppling of dictator Omar al-Bashir in 2019, a transitional government headed by Hamdok was installed, only for Hamdok to be ousted last October after a military coup. He was reinstated the following month, but uncertainty remained over how much power the new civilian government would have and whether Hamdok was "helping to legitimise the military takeover". His resignation leaves the army firmly in power. Although general Abdel Fattah al-Burhan insists the October coup prevented a civil war and that Sudan is still committed to democratic elections planned for July 2023, this "looks as unlikely as ever", says The Times. The generals are now facing the people without a veneer of civilian respectability, Amjed Farid, a former assistant chief of staff to Hamdok, tells the FT.

Brasília

Brazil attracts investors: Brazil's successful sale of deep-water oil prospects in December was more than a sign of oil majors' "appetite for crude", says Bryan Harris in the Financial Times. It was "a watershed moment" for the government's programme to attract private companies to invest in and operate major infrastructure projects. The programme has boomed since Jair Bolsonaro (pictured) became president in 2019. Over $145bn in investments has been generated from 131 concessions, compared with $44bn and $8bn in the two and a half years since the programme began in 2016. Officials expect the auction of over 150 concessions to generate $70bn in investments this year. It is a "rare bright spot" in Bolsonaro's economic agenda, aiding the nation's "creaking road, rail, logistics and sanitation systems". Latin America's largest economy rebounded strongly from the pandemic, but analysts are expecting a contraction this year due to rising inflation and weak consumer sentiment.

The way we live now: there's something fishy about these oysters

Christophe Guinot: a clever wheeze to trap oyster thieves

Oyster farmers on France's Mediterranean coast have been plagued by thieves who poach their produce, says The Times. The oysters have long been prized due to the controlled environment they are grown in and around 90,000 tonnes are sold every year, worth €400m. But that has also inspired criminal gangs to pilfer the oysters and capitalise on the demand. Roughly 200 tonnes are stolen annually. So Christophe Guinot, a farmer from near Perpignan, came up with a novel solution. He would scoop out an oyster shell and place inside a card with a message stating that the opener had won their weight in oysters. Guinot would then glue the shell shut and hide the "phantom oyster" among live ones in his underwater breeding baskets. Whenever a "prize-winner" called the phone number on the card, the police were alerted. The "phantom oysters" have since evolved to include GPS trackers so that the police are alerted automatically when the shells are opened. Guinot believes the scheme has drastically reduced thefts in his area, which suffered 19 such raids in 2017.

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Brussels

Greenwashing row: Robert Habeck, economy and climate action minister in Germany's fragile coalition, accused the European Commission of trying to sneak past energy proposals that amount to "greenwashing" (creating a veneer of being environmentally friendly). The EU's executive branch released long-delayed proposals on New Year's Eve that would classify nuclear and gas as "green" energy sources, potentially directing billions of euros intended for clean-energy projects towards their development. The EU is aiming for net zero emissions by 2050. While Austria threatened to sue the commission, opponents are unlikely to secure the supermajority needed to block the plans, says Jennifer Rankin in The Guardian. Governments in central, southern and eastern Europe even lobbied for the inclusion of gas as a "bridge" towards cleaner fuels, while France is a proponent of nuclear power. Germany, which has pledged to phase out nuclear power by the end of 2022, shut down three of its six nuclear reactors last week. Meanwhile, the energy crisis continues. Wholesale gas prices, as measured by the benchmark Dutch front-month gas contract, rose by 32% on Tuesday due to Russia's limiting of supplies and expectations of colder weather. The price of gas has quintupled since last January, endangering the recovery.

Germany's Habeck suspects greenwashing

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Shenzhen

Evergrande's slow drama continues: Debt-ridden Chinese property giant Evergrande's shares were suspended from trading on Monday, without explanation. Evergrande has over ¥1.9trn (£222bn) of debt, which it is attempting to pay back by selling assets and shares. Last week it retracted plans to repay investors in its wealth management products ¥8,000 (£928) each for three months, "a move that highlights the deepening liquidity squeeze at the property developer", says Yu Xie on Reuters. The company was also ordered by authorities to demolish 39 residential blocks. No reason was disclosed, but local media suggested the buildings had been built illegally. Despite its latest issues shares in the company bounced 1.3% on Tuesday after they resumed trading, says Nikkei Asia. Some experts believe the lack of explanation is on purpose, says Mariko Oi on the BBC. The Chinese Communist Party changed its rules to limit the amount property developers could borrow knowing it would affect indebted real-estate firms as part of president Xi Jinping's "common prosperity" policies. However, Beijing is keen not to let the company's troubles "become China's Lehman moment… so the slow restructuring of Evergrande continues quietly behind closed doors".

Pretoria

Rot exposed: Former South African president Jacob Zuma (pictured) oversaw rampant corruption during his rule, an inquiry has found. The inquiry, reporting for the first time since it was set up four years ago, also called for the prosecution of former senior officials and detailed the "looting of the national airline" and "undermining of the revenue service" among other examples of corruption, says Joseph Cotterill in the Financial Times. Zuma was jailed last year after he defied an inquiry summons, which led to the country's worst post-apartheid violence. President Cyril Ramaphosa called the report a "defining moment" for the country's battle against corruption, "but its contents will be highly embarrassing" for the ruling African National Congress (ANC). Confidence in Ramaphosa's ability to "turn around impunity and rot in the state" has also begun to fall. Archbishop Desmond Tutu, who died last month aged 90, had been "sharply critical" of Thabo Mbeki (Nelson Mandela's successor as president), Zuma, and the "growing corruption of the ANC". "What is black empowerment," he once asked, "when it seems to benefit not the vast majority but an elite that tends to be recycled?"

Singapore

Sea hit by a wave of selling: Shares in Singapore's Sea, a New York-listed $120bn gaming and e-commerce company active in Southeast Asia, fell 11% on Tuesday after Chinese tech giant Tencent sold $3bn of its stock. Shenzhen-based Tencent, China's most valuable publicly traded company, worth $554bn, cut its stake in Sea from 21.3% to 18.7%. The sale will "inflame speculation Tencent is planning to pare its holdings in some of China's biggest tech names, from Meituan to Kuaishou Technology", says Julia Fioretti on Bloomberg. Tencent's huge portfolio of investments was worth ¥1.2trn (£140bn) at the end of September, at a time when the Chinese government has been cracking down on what it sees as anti-competitive behaviour. That crackdown could be behind Tencent's surprise announcement last month to hand its investors stock in China's second-biggest online retailer, JD.com, worth $16bn, drawing down its stake in JD.com from 17% to just 2.3%. But with Sea, it's different, says Una Galani on Breakingviews. Tencent is "partly cashing in on its stunning" investment in its smaller Singaporean peer, made in 2010, which has delivered a total return of around 1,200%, roughly triple what the S&P 500, the US benchmark index, has managed in that time. And unlike with JD.com, Tencent is retaining a sizeable chunk of Sea.

China's battery power-grab

The West is sleepwalking into a situation where it has traded its old reliance on Middle East oil for dependence on key metals controlled by China. That's a bad trade, says Simon Wilson

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It's all about the cobalt: China's president Xi Jinping with the Republic of Congo's president Denis Sassou Nguesso

What's happening?

As the transition to electric vehicles (EVs) begins in earnest, a battery "arms race" is underway, and China is in pole position. A range of factors – including tightening emissions rules, earlier bans on internal-combustion models, and consumer incentives – are driving EV sales faster than expected, especially in China and Europe. Morgan Stanley's auto team now projects 40% of new car sales globally will be EVs by 2030 – meaning annual production of 36 million electric cars within eight years, up from around four million in 2021. China is already easily the world's biggest market for EVs with total sales of 1.3 million vehicles in 2020, more than 40% of global sales that year. But it is also becoming the dominant player in battery production. And the EV market's rapid expansion is increasingly focusing attention on the raw materials – lithium, nickel and cobalt, as well as rare earth metals – needed to make EV batteries.

What's the issue?

In the words of the International Energy Agency, there is a "looming mismatch between the world's strengthened climate ambitions and the availability of critical minerals that are essential to realising those ambitions". Compared with current engines, the sheer amount of expensive metal that needs to be mined for EV batteries is astonishing, says Davide Castelvecchi in Nature. These amounts vary greatly depending on the battery type and vehicle – and advances in battery manufacturing and recycling technology could change the picture – but currently a single car lithium-ion battery pack (of a type known as NMC532) typically contains around 8kg of lithium, 35kg of nickel, 20kg of manganese and 14kg of cobalt. That's according to figures from Argonne National Laboratory, part of the US Department of Energy. So as EV production ramps up, so will competition for resources and control of supply chains. The current acquisition of UK-listed Bacanora Lithium (focused on Mexican mining concessions) by China's Ganfeng Lithium is a tiny part of that bigger picture.

How much metal will be needed?

Meeting the EV targets set in the recent Glasgow Food and Climate Declaration by 2040 will require over seven million tonnes of lithium annually, according to research from Benchmark Mineral Intelligence, the sector's leading analysis firm. That's 17 times more than was produced in 2021. Similarly, the IEA estimates that the growth in EVs could see lithium demand increase by over 40 times by 2030. The cost of lithium-ion batteries has plummeted by 97% since they first entered the market as small, portable batteries in the early 1990s, and they are likely to remain the dominant technology for the foreseeable future, even as scientists develop ways of eliminating cobalt and nickel from the mix. It is hoped that further reductions in price (of a projected 20%) mean that electric cars should reach price-parity with combustion-engine models by the mid-2020s. But there are also signs that prices (of lithium, for example) are already rising in anticipation of a supply crunch. And there are growing worries that China's dominance in batteries and metals has left the West vulnerable and playing catch-up.

What is China doing?

China's strategy is to establish dominance by controlling the global supply chain "from the metals in the ground to the batteries themselves, no matter where the vehicles are made", says The New York Times. Chinese battery giants led by CATL (which alone has 30% of the global EV market) and BYD have established such dominance that China now accounts for 85% of the global market in anodes, cathodes, separators and electrolytes, reckons UBS. Those four components account for around 60% of a battery cell's cost. "That grip on the global battery supply chain – so early in the game – has set China apart and will also allow manufacturers operating there to bring down their costs," says Anjani Trivedi on Bloomberg. At the same time, China has worked to establish dominance over critical raw materials.

"Meeting climate goals will require 17 times more lithium than is currently mined"

Such as?

Take cobalt, the most expensive material in EV batteries. At the luxury end of the EV market, for example, a longer-range Tesla needs almost 5kg of cobalt, more than 400 times the amount in a typical smartphone. Chinese processing plants supply 85% of the world's battery-ready cobalt, according to Darton Commodities, a specialist supplier of cobalt, and US carmakers including Tesla, Ford and General Motors buy their battery components from suppliers that depend on Chinese-owned cobalt mines in Congo. An investigation by Mike Forsythe in The New York Times found that Chinese firms now own or finance 15 of the 19 cobalt-producing mines in DRC – the result of years of state-backed investment. The five biggest Chinese mining firms operating in DRC have been given lines of credit from state-backed Chinese banks totalling at least $124bn, says Forsythe, while the US (under both Obama and Trump) turned away from Congo and US miners sold assets to Chinese rivals.

What about nickel?

To circumvent the legal and reputational risks associated with cobalt from the Congo, some car and battery makers want to cut cobalt levels in their batteries. Nickel-rich batteries are one option, says Pete Pattisson in The Guardian – but "the same Chinese companies that dominate cobalt mining in DRC (Huayou Cobalt and CMOC) are also increasing investment in nickel extraction and processing in Indonesia", home to the world's largest nickel reserves. This means that China is now the largest global market producer of nickel. It is also by far the dominant producer and refiner of rare-earth elements like neodymium and dysprosium, which are components in most electric vehicles. Unless the West wakes up, it will soon replace its old dependence on Middle Eastern oil with a new dependence on China for its clean energy transition, says Robert Bryce in The Wall Street Journal. "What a lousy trade."

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A tempting morsel for British banks

The Irish government is selling off its stakes in rescued banks. That's an opportunity for the brave

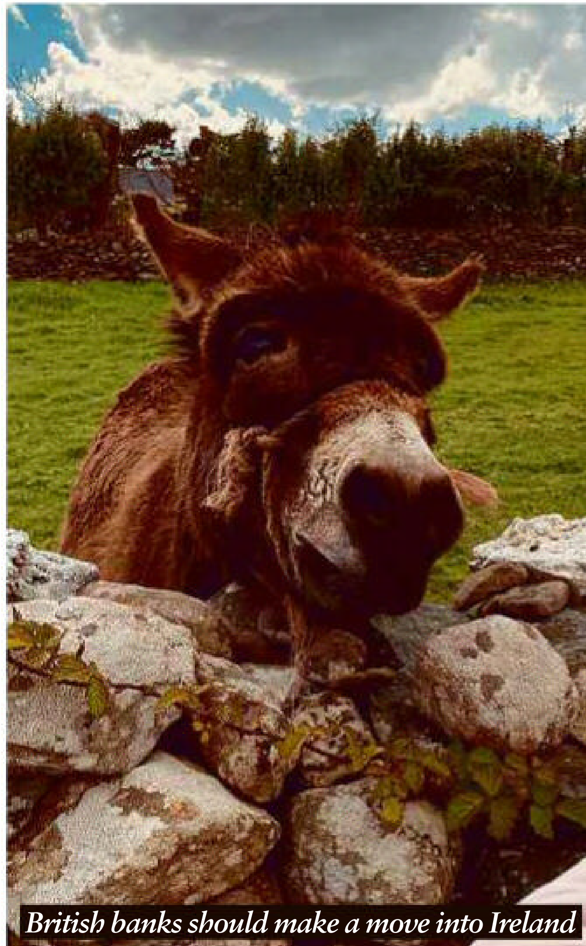
Matthew Lynn
City columnist

In the quiet week leading up to Christmas, the Irish government said it plans to start selling off part of its 71% share of Allied Irish Banks (AIB). Over the course of the next month, slightly over 3% of the equity will be placed on the market, and, if it goes well, we can expect to see the rest of the shares steadily sold off over the next few years. This raises a question: why don't the British banks make a move and buy it up?

The go-go years

AIB has had a mixed history, to put it politely. In the wake of the 2008 crash, and the eurozone crisis that followed it, and with fresh capital impossible to raise, the bank was bailed out by the government for an eye-watering €21bn. Leading up to that, like many of the Irish banks in the go-go years after the country joined the single currency, AIB had expanded and lent wildly. Even a decade later, there is probably not much hope of ever getting the money the state invested back. The share price would have to more than triple for the Irish taxpayer to make a return on the rescue. Still, all that is history. It still looks like a tempting buy for British banks.

Sure, it is easy to make the case for caution. Irish banking, even more than most comparable markets, has a history of wild boom and bust cycles. No one wants to buy in just before the next crash. The British retail banks have struggled to expand in other countries, often spending a fortune, and then being forced to retreat. And the finance industry has plenty of challenges to deal with, from responding to the rise of app-based competitors to coping with rising interest rates to closing down obsolete branch networks, without distracting themselves with foreign acquisitions. On top of all that, the issues over Northern Ireland mean relations between the governments in London and Dublin are very strained right now. Irish ministers would probably not be very pleased by a British takeover of one of the country's largest financial institutions.



British banks should make a move into Ireland

©iStockphotos

Still, there is a strong case in favour as well. Ireland is still a very attractive banking market. It has long since recovered from the financial crash and remains one of the fastest-growing of the developed economies. Indeed, it was the fastest growing economy in the EU last year, and its overall output is now significantly above the pre-pandemic level. Its low corporate tax rate still makes it a key hub for global multinationals (it may have to raise that under plans to create a global minimum corporate tax rate, but the country still has plenty of momentum to carry it forward). Its GDP per capita is one of the highest in the world and wages are high. With an average age of 38, the population is relatively young (it is above 40 in the UK). Its housing market has bounced back from the crash, and is robust and stable. And, of course, it is inside the European Union's single market, making it a natural base for providing financial services right across the continent.

Seize the day

It is hard to see why none of the British banks would be tempted by that. It's not as if they don't need fresh sources of growth. Lloyds is expanding into the housing market, which hardly seems a safer bet. HSBC and Barclays are building up their capital markets units. NatWest already owns Ulster Bank, and although it said it was withdrawing from the market south of the border last year, and still has to complete its own privatisation, it has plenty of experience of the market.

AIB, or Bank of Ireland, would make a perfect acquisition for one of the UK's big four retail banks. With market values of around £5bn, they are not hugely expensive, and are hardly going to be a strain on anyone's balance sheet. If they don't want to expand into the Irish market, then it is hard to see what country they would be willing to take on. A cash offer would save the Irish government a lot of trouble, and at a 20% to 30% premium would make it more money than selling off the shares in dribs and drabs. The only real question is whether one of the British banks will be brave enough to seize an opportunity that might not come again.

Who's getting what

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● Fashion designer **Stella McCartney** (pictured) took nearly £2.7m in salary from her eponymous company in the year to the end of 2020, a rise of £220,000 on the previous year, despite the business taking almost £850,000 in furlough money, says The Guardian. Sales at Stella McCartney Ltd fell 26% to £28.4m during those 12 months, with the company recording a pre-tax loss of £31.4m. French luxury-goods conglomerate LVMH, which bought a minority stake in 2019, also provided McCartney's label with loans worth £26.3m in 2020, taking its total lent to the business to around £66m.

● Former England footballer **David Beckham** could receive around £200m from the sale of a 55% stake in his management business, DB Ventures, to Authentic Brands Group, which owns clothing brands Reebok and Juicy Couture, says The Mail on Sunday. Since 2013, when his football career ended, Beckham has built up a portfolio of commercial interests, including deals with Adidas, life insurer AIA and watch brand Tudor. The company paid out £14.5m in dividends in 2019, up from £11.1m a year earlier.

● **Alan Sugar**, host of the BBC's *The Apprentice*, paid himself a £390m dividend last year through his holding company, Amshold – "one of the biggest pay cheques ever handed to a British boss", says the Daily Mail. A salary of £502,000 was also paid to the highest-paid director (likely to be Sugar). Amshold recorded a £47m pre-tax profit last year, on turnover of £79m.

Nice work if you can get it

The number of executives in Britain's National Health Service (NHS) earning at least £250,000 has risen by a little more than half in the past year to 36, from 23 in 2020, says The Sunday Telegraph. A further 114 executives earn between £200,000 and £249,999, and 1,071 between £130,000 and £199,999. The ranks of the highest paid are set to swell further once the health service has recruited 42 chief executives for new integrated care boards in England, on an average salary of £223,000. Meanwhile, the number of "very senior managers" (VSMs), defined as executives sitting on trust boards or who report to CEOs, rose from 944 in September 2009 to 2,788 in 2020, according to the most recent figures. They could be in for a pay rise this year after Sajid Javid, the health secretary, asked the Senior Salaries Review Body for "a pay recommendation".

Be sceptical of the IPO boom

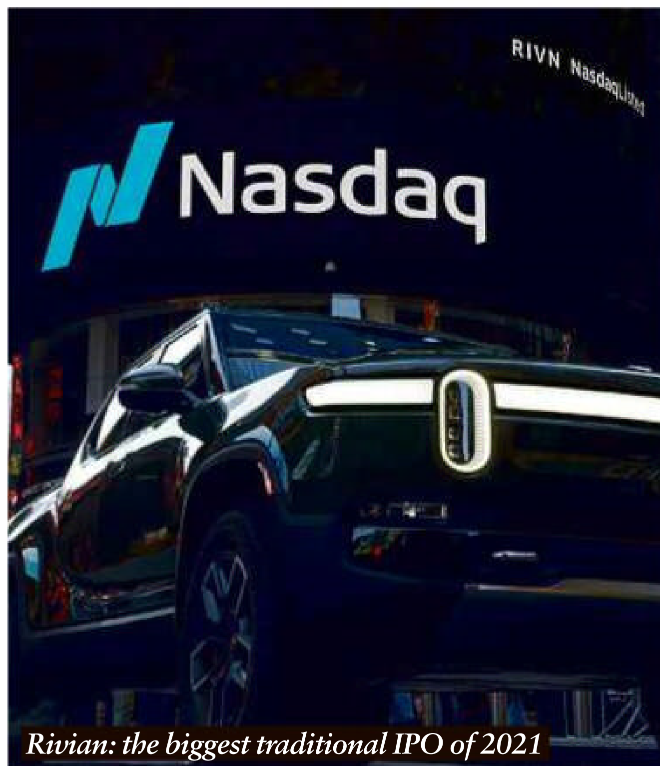
Last year, listings of new companies broke records set in the dotcom era. That's not a good omen

John Stepek
Executive editor

Last year was a record-breaking one for initial public offerings (IPOs, when a company sells its shares on the stock market for the first time), with activity particularly vigorous in the US (see page 9). As Luisa Beltran notes in US financial newspaper Barron's, 2021's "new issues market will go down in the record books as the busiest ever, outpacing even the go-go days of the 1990s dotcom boom". More than 1,000 companies listed, raising $315.6bn, the most on record, according to data provider Dealogic. Even if you ignore the vast number of Spacs – special purpose acquisition companies, or cash shells – in that number, "traditional" IPOs still hit record levels, with nearly 400 companies raising over $150bn in total, beating the record of $108bn set in 1999.

This excitement over new listings is not limited to the US. It's a global phenomenon, with total equity issuance up 24% on last year, at more than $1.4trn, reports the Financial Times. In other words, it's boom time – or at least, it is in terms of the number of deals done. But if you look at performance, we're a long way from the heady days of the dotcom bubble. Two-thirds of companies that went public in 2021 in the US are now trading below their listing value, notes a recent article in The Wall Street Journal. Even the biggest traditional listing of last year, that of electric-car maker Rivian, is now flat on its November opening price, despite surging in the immediate aftermath of the IPO. Why?

One problem is that investors are starting to fear tighter monetary policy. Many IPOs are of fast-growing companies whose value is based on hopes for future profits rather than current profits. As interest rates rise, the present value of future profits falls, which in turn leaves investors less willing to pay a high premium for such stocks.



Rivian: the biggest traditional IPO of 2021

The other factor is supply and demand. Until recently, many firms have been able to remain in private hands while continuing to command ever-higher valuations from new investors. But now even the biggest private buyers are starting to balk at these prices. With equity investors still willing to pay record valuations (particularly in the US), where better for private owners to offload their shares? As Eddie Molloy of Morgan Stanley tells The Wall Street Journal's Corrie Driebush: "For a period of time, private equity and venture capital cannibalised the IPO market. But now it's driving the IPO market".

> *"Record IPOs suggest a market nearer a top than a bottom"*

Here at MoneyWeek, we're always a bit sceptical about IPOs. You have to ask: "Why is the owner selling now?" At times like these – with investors eager for hot new firms and owners just as eager to lock in huge gains – it pays to be doubly sceptical. Finally, as a broader concern for investors, record levels of IPOs usually indicate a market closer to a top than a bottom. Be wary.

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

A put option gives the holder the right (but not the obligation) to sell an asset, such as a share, for an agreed price, on or before a certain date. When you buy a put option, you pay a fee (known as a premium) to the seller of the option (also known as the writer of the option). If you exercise the option, the seller must buy the underlying asset from you at the agreed price. Otherwise the option expires worthless and the seller has no further liabilities.

Let's assume that Acme Widgets is trading at 100p per share and a put option to sell at 90p costs 5p. You buy a block of 1,000 options at a cost of £50 (5p × 1,000). If the shares fall to 70p, you would make a profit of £150 ((90p – 70p – 5p) × 1,000). However, if the shares go up – to 120p, say – you let the option expire. In that case, you lose your premium of £50 but nothing more.

You can use put options to bet on the price of a share or other asset falling, or to protect against the risk of that. You might buy a put option on the FTSE 100 because you think the market could crash. If shares then fall sharply, your put options should make a profit, helping to offset the fall in the value of your investments.

The price of an option is determined by a number of factors, including the volatility of the price of the underlying asset (options on more volatile assets will be more expensive). So option prices tend to rise during market turmoil. The length of time that an option still has to run before it expires is also important, with options that expire further into the future being more expensive.

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

Guru watch

Felix Zulauf, founder, Zulauf Consulting

Expect a roller-coaster ride in 2022, says retired hedge-fund manager Felix Zulauf. The S&P 500 will soar to 6,000, he tells Barron's, but only after first crashing to 3,000. "It will be exciting for traders, but bad for the passive buy-and-hold investor" if the latter doesn't have the stomach to sit tight.

Markets will be upended by the partial reversal of the extraordinary fiscal and monetary stimulus applied to fight the pandemic, reckons Zulauf. Yes, policies remain loose at present, but they will shift from "extreme ease to merely easy" and that will be enough to spark a correction at a time when investors are heavily positioned in volatile risk assets and not prepared to deal with liquidity becoming tighter. Holdings of stocks by US households are at record highs and institutions are maintaining their largest long equity positions since 2000, he says. "The dimension of these positions" is "tremendous".

Oil may hit $200 by 2024

Investors should expect a fall of 30% in the US market, and perhaps 25% in Europe. "After that decline, it will shake authorities. Instead of a taper and rate hikes, they will move back to stimulate to stop the selling panic." The return to looser policies will trigger a renewed bull market in stocks, and the S&P 500 will double from its lows. A weaker dollar will help spark a new boom in commodities and crude oil – which might fall as low as $50 per barrel in a crash – could reach as high as $200 by 2024. To make it through the turbulence, Zulauf suggests buying put options on the S&P 500, or holding long-term treasury bonds, which should rally strongly.

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It's time to bring back price controls

Isabella Weber
The Guardian

Inflation is nearing a 40-year high and central banks are promising to intervene, says Isabella Weber. "However, a critical factor that is driving up prices remains largely overlooked: an explosion in profits." In 2021, as during the World War II, big corporations "have used supply problems as an opportunity to increase prices and scoop windfall profits". Now, as then, we need to consider "strategic price controls". Doing nothing, or applying fiscal restraint and higher interest rates, risks recession. If your house is on fire, you extinguish the fire at source rather than allow it to destroy or flood the entire house. The arguments deployed in the 1940s are relevant today: that as long as bottlenecks make it impossible for supply to keep up with demand, price controls for key goods should be maintained to stop prices from shooting up. If introduced now, they would "buy time to deal with bottlenecks that will continue as long as the pandemic prevails". They could also contribute to the "monetary stability needed to mobilise public investments towards economic resilience, climate-change mitigation and carbon neutrality". The cost of waiting for inflation to go away is high. Austerity, which "risks manufacturing stagflation", would be even worse.

A thirsty China could get nasty

Hal Brands
Bloomberg

Natural resources have "always been critical to economic and global power" and China is now running out of water "in ways that are likely to stoke conflict at home and abroad", says Hal Brands. China's aggressive exploitation of land, water, abundant raw materials and cheap labour has driven decades of "world-beating economic growth". Yet Beijing has "blown through" many of its resources. Agricultural degradation has led China to become the biggest importer of agricultural goods. It is also the world's largest energy importer. The water situation is "particularly grim" since China has 20% of the world's population but just 7% of its fresh water. Much of the water that hasn't been used has been spoiled and an estimated 80%-90% of its groundwater is now "too dirty to drink". In 2005, then-premier Wen Jiabao said water scarcity threatened the "very survival of the Chinese nation". As China tries to solve its resource challenges, foreign tensions may follow. A series of giant dams on the Mekong River have triggered droughts and floods in Southeast Asian countries that depend on it. China is now planning on damming key water sources before they reach India. The thirstier China is, the nastier nasty things could get.

King Coal has life in him yet

Editorial
The Economist

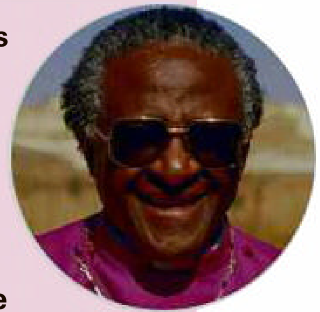
For all the fine words about consigning coal power to history at COP26, it is estimated that the world consumed a record amount of coal-fired electricity in 2021, says The Economist. Coal prices hit an all-time high in October and surging gas prices are likely to keep them high. Fat returns have also revealed the "fickle" nature of investors, now backtracking on their insistence that big miners withdraw from coal. This change in investor attitudes has "come from the top", with the likes of Larry Fink, BlackRock's CEO, opining that fossil-fuel assets are likely to be "less responsibly managed and more opaque" in private hands. Glencore, which has been snapping up coal assets from 2018 and plans to "cling on" to some coal assets until 2050 (its overall output will rise from 104 million tonnes in 2021 to 122 million within two years), has lined its shareholders' pockets more generously than any other big Western mining company in the last year. Although it says it would "spin out coal if shareholders demanded it", it "clearly prefers not to", knowing that many developing countries will choose cheap energy over clean, if forced to choose. All of which goes to show that "only concerted government action" will kill off King Coal.

The rise of the pared-back hotel

Raini Hamdi
Nikkei Asia

As borders reopen, and with the prospect of travel quarantines eventually ending, travellers are discovering that some pandemic practices may be here to stay, says Raini Hamdi. Having let go of thousands of workers, many hotel chains are now facing acute staff shortages, presenting a "once-in-a-generation chance" to pare down services without having to worry too much about a backlash from guests, who may well prefer a more hygienic "contactless experience". The trend is gathering pace across the US, Europe and now Asia. Services such as daily housekeeping are being axed, with linen, toiletries and cleaning products instead being provided on request. Restaurants and room service are being replaced by digitised food ordering and takeaway boxes at the door. Hotel chains are also asking guests to check themselves in and out, with some allowing guests to go straight to their rooms using their mobile phones as the room key. If some guests prefer this cheaper, more self-sufficient approach, those who like being pampered will still need to be catered for. With recent surveys revealing a big appetite for more sustainable travel, hotels will also need to consider how to reduce their dramatically increased provision of single-use plastic.

Money talks



"All my experiences with capitalism, I'm afraid, have indicated that it encourages some of the worst features in people. Eat or be eaten. It is underlined by the survival of the fittest. I can't buy that. I mean, maybe it's the awful face of capitalism, but I haven't seen the other face."
Human-rights activist and priest Desmond Tutu (pictured), who died last month, speaking in a 1986 interview in The Washington Post, quoted on Twitter

"I think money is important to a certain point. We all need money to buy food and to pay our bills. But I don't let it get to my head where it takes me over. Forty years ago I drove an Aston Martin and I thought I was a playboy. I think as you get older you realise what's important in life."
Serial entrepreneur and *Dragon's Den* star Touker Suleyman, quoted in The Sunday Telegraph

"If it [hadn't worked] out, I would have needed to go back to selling cattle with my dad – so I gave it my all! I don't recommend it, but at the time it was like 0% APR and so we maxed out credit cards [to get it off the ground]. Luckily, the business went from zero to a million dollars in no time so we were able to pay it off."
Fashion designer Gabriela Hearst on starting womenswear brand Candela with two partners and $750 each, quoted in The Observer

"I think my best decision with money was letting somebody else handle it. And I've been lucky like that. My husband is a very astute businessman. He invested a lot in land and... he owns his own businesses as well. I can't think of any glaring mistakes that we made."
Singer Brenda Lee, whose hits include *Rockin' Around the Christmas Tree*, quoted in The Daily Telegraph. She gets royalties from songs spanning more than 60 years

©Getty Images

Why liberalism is in retreat

lawliberty.org

The belief in classical liberalism – the free market under the rule of law – is in recession, says John McGinnis. Free nations are "becoming less free" and "unfree nations are becoming more unfree"; the left is moving further in that direction, while the right is becoming more illiberal. Start with America: the Biden administration is attempting a huge expansion of the welfare state as the Democrats adopt European-style social democracy.

Chile has elected its most left-wing leader since the Marxist Salvador Allende in 1970. Gabriel Boric has heralded a "graveyard of neoliberalism". Germany's new coalition leans left. No big country on the continent is currently led by a right-of-centre party. China, meanwhile, is "bringing the market sector to heel" and clamping down on Hong Kong, a "bastion of classical liberalism". The creed is dwindling on the right too – witness the Republicans' drift away from free trade under Donald Trump, while Britain's Conservatives have "jettisoned Thatcherism", raising taxes and promising higher spending to level up the country.

In Japan, the ruling Liberal Democrats embraced some liberalisation under Shinzo Abe, but are now "returning to their corporatist baseline." Liberalism is receding "across policy spaces too". World trade talks have stalled. US regulators have become more statist, eroding "decades of consensus that regulation should be limited to market failures".

The malaise is due partly to the "continuing hangover" from the global financial crisis of 2008. There is a pervasive sense that the collapse reflects a failure of capitalism, despite the compelling argument that the crisis was due largely to the Federal Reserve's easy money. Bailing out banks with public money damaged liberalism's reputation too.

©Getty Images

Chile's new president, Gabriel Boric, has declared war on "neoliberalism"

No individuals, just groups

Another problem is the ascendancy of identity politics, which subordinates the individual to the group, so personal liberty is overshadowed. It also seems "there may be diminishing returns on the economic growth that classical liberalism has promoted".

"Relative comfort" allows people to prioritise "collective projects or [wallow] in their identity even if these tendencies become antithetical to economic growth". No wonder many are now insisting that liberalism has failed, a view that may gain currency as the memory of the "miserable pre-liberal world" fades. This year "friends of liberty must… develop some new strategies for its revival. The old ones are not working".

Go to school in the metaverse

commentcentral.co.uk

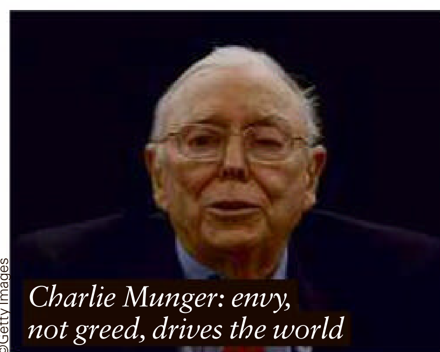
Talk of the metaverse, a network of 3D virtual worlds "that can be accessed through virtual and augmented reality" has been met with derision in some quarters, says Leon Hardy. Some think Facebook is simply trumpeting "the next chapter of the internet" to deflect attention from its lousy reputation. But the metaverse could be "revolutionary for education systems, and students" as it "will allow anything to become a learning opportunity", effectively creating a global "digital university".

Imagine showing students a racing car and then displaying how it was constructed and the speed and temperature the tires can withstand. Ask students to examine the night sky and then conjure up US astrophysicist Neil deGrasse Tyson explaining the structure of the galaxy. Similarly, instead of a written exam, apprentices or students could acquire real experience wiring a virtual plug, clearing a blocked drain or performing an operation; "learning by doing trumps learning by memorisation, every time". Students are ready for this shift to immersive and holistic learning that cuts across traditional subjects on school curricula. Games such as *Minecraft* are early forms of the metaverse. If we can "gamify" learning, we can take a huge pedagogical leap forward.

A booster for the poor

awealthofcommonsense.com

The latest central-bank data shows that the top 1% of Americans have seen their net worth surge by 29.8% in the pandemic, says Ben Carlson. But the holdings of the bottom 50% have soared by 74%. No wonder the rich got richer; they hold most financial assets, and markets have soared. As for the bottom 50%, "it turns out giving people money and paying them more is good for their wealth". Meanwhile, the share of wealth accounted for by the middle class (the 50%-99% segment) has dwindled from around 35% in 1990 to below 29%, while the top 1%'s piece of the pie has risen from 25% in 2003 to 32.1%. Both groups' wealth has risen in absolute terms but that of the top 1% has quadrupled, while the wealth of the middle class has only climbed from $16trn to $38trn.



©Getty Images

Charlie Munger: envy, not greed, drives the world

This perhaps accounts for much of the decline in consumer sentiment in recent months. "Seeing other people get richer at a faster pace than you can mess with your brain." As Warren Buffett's business partner Charlie Munger once noted, envy, not greed, "drives the world". Most of us "see the world through the lens of relative, not absolute, gains".

Almost no room for manoeuvre

blogs.imf.org

The pandemic triggered the biggest annual surge in global debt since 1945, says the International Monetary Fund. The world's (public, household and non-financial corporate) debt-to-GDP ratio surged from 227% in 2019 to 256% in 2020, the equivalent of $226trn. The global surge has been especially big in developed countries – emerging markets often struggle to borrow affordably – where, following the financial crisis and the virus, government debt almost doubled, from 70% of GDP to 124%, between 2007 and 2020.

Private debt in advanced economies rose by 14% in the pandemic, almost twice as much as in the financial crisis, when the aim was "to contain the damage from [an] excessively leveraged private sector". With debt so high, there is scant scope for states to support the recovery further or for the private sector to invest – and now higher inflation is pushing interest rates up, making the vast debt pile less affordable and fuelling concern over growth prospects. Policy makers will have to strike an extremely delicate balance.

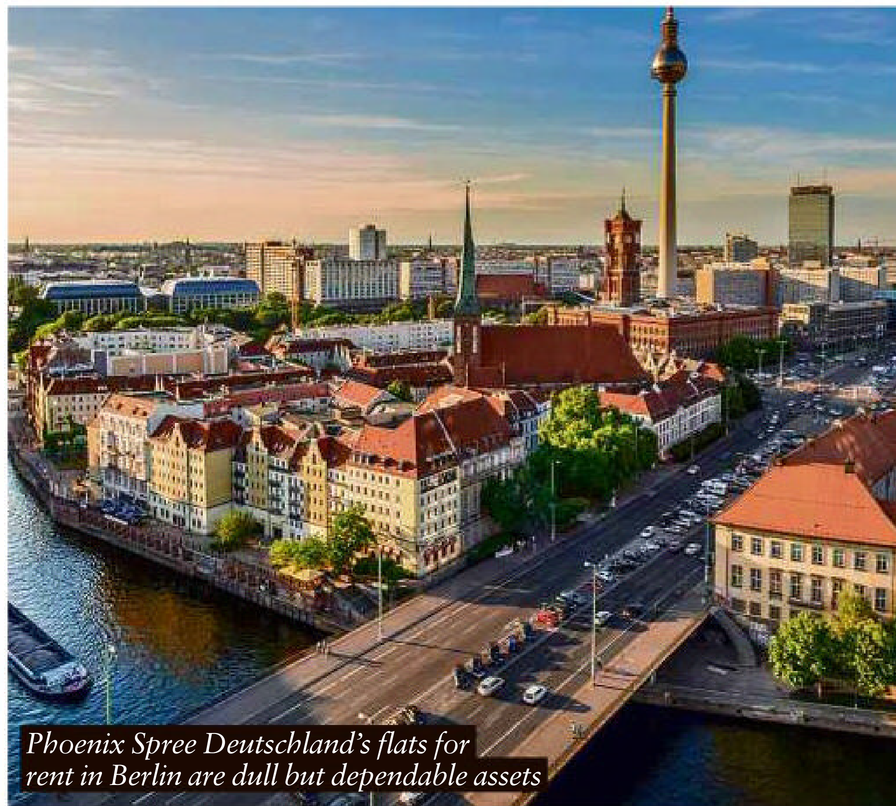
Hunting the globe for bargains

The Miton Global Opportunities Trust seeks out overlooked gems, saving you the work

Max King
Investment columnist

Investment trusts trade on an average discount to net asset value (NAV) of just 1.5%, but there are many trusts on much higher discounts. Most of these are small, specialised funds focusing on niches that were once popular but are now being ignored as a result of disappointing performance, poor management or the sector becoming unfashionable.

Some of these will perform well and return to favour, thereby giving investors the double-whammy of strong investment returns and a rerating of the trust. Others will languish, with investors fruitlessly hoping that something will turn up. How should you distinguish between the winners and the duds?



Phoenix Spree Deutschland's flats for rent in Berlin are dull but dependable assets

©iStockphotos

Ditching the duds

You don't have to. The £100m **Miton Global Opportunities Trust (LSE: MIGO)**, managed by Nick Greenwood and Charlotte Cuthbertson, will do it for you. MIGO invests in a diversified portfolio of unloved and undervalued investment trusts. They are held until the trust is wound up, has received a takeover bid, or has seen its discount disappear thanks to good performance. Given the thorough research and expertise this requires, the annual management cost of 0.65% and total cost of 1.3% is very reasonable. Over five years, the investment return has been an impressive 77%, while the one-year return of 25% and 43% over three makes it consistently one of the best in its sector. This shows how market dislocation in the pandemic created huge opportunities in the investment-trust sector – opportunities that Greenwood thinks "are way higher than in the past. Five years ago, it was just in equities" – now it's also "in property, private equity, shipping, uranium and other alternative assets".

Greenwood and Cuthbertson seek to buy trusts with "esoteric, overlooked" assets at significant discounts to their intrinsic value, but where there is a catalyst for change. Intrinsic value may be significantly higher than NAV if the trust invests in unlisted assets, such as property and private equity, rather than listed equities. Such trusts make up an increasing share of the portfolio.

Dunedin's deep discount

For example, the Dunedin Enterprise Investment Trust was put into wind-up when its investment in a staffing business, Red, went wrong and had to be written off. Red has since bounced back and Dunedin's share price has risen 2.5-fold in four years. But it still trades at a 20% discount to a conservative estimate of NAV. It accounts for 5.2% of the portfolio. Baker Steel Resources Trust (5.4%) "has control of a vast asset base. It acquires the mining rights to deposits, puts together a project, sells to a major mining firm but retains a royalty. Assets include copper in Norway, gold in Zimbabwe, tin in Saxony and tungsten in Devon, which will be the second-biggest such mine in the world. We bought the shares at 15p; they now trade at 80p but the stated asset value is £1."

Phoenix Spree Deutschland (4%) owns rental flats in Berlin and trades "at a true discount to NAV of 20%-25%. It will return 10% per annum indefinitely, but investing in it is like watching paint dry". EPE Special Opportunities (6%), a private-equity investor in distressed assets, trades at a 33% discount to NAV, a figure distorted by the success of its LED lighting business, Luceco. It also owns tea and coffee retailer Whittard.

Georgia Capital (3% of Miton's portfolio) trades at a 52%discount to NAV. Investors have become disenchanted with the eastern European country in spite of its prosperity. About 80% of the portfolio is invested in private equity, much of it in healthcare, and 19% in the listed Bank of Georgia. Despite not paying a dividend, MIGO trades at NAV, but the top 12 (out of 43) holdings, accounting for nearly half the portfolio, are on an average discount of 18.2%. So MIGO is sufficiently highly rated to enable the board to grow the trust by issuing new shares, but still offers investors excellent value.

Activist watch

Billionaire US hedge-fund manager Daniel Loeb and his company Third Point are "prominent and aggressive" activist investors, says The Guardian. But Loeb's own London-listed fund, Third Point Investors (TPI), is now the subject of a campaign by activists including Asset Value Investors (AVI), which holds a 10% stake. AVI claims poor management has left the £680m fund undervalued compared with its holdings. Loeb called the campaign "juvenile" and "underhanded", following the resignation of TPI's chair, Steve Bates, after alleged threats from an unnamed shareholder to "attack him in other business areas". Loeb and TPI, which has been in talks with AVI and other investors, did not identify the shareholder who allegedly made the threat.

Short positions... Cathie Wood's woeful year

■ "Gyrating" investment conditions over the last year have "derailed" even high-flying fund managers, says Jamie Colvin on Citywire. Only 6% of the 212 funds in the UK All Companies sector beat the FTSE All-Share index in each of the last five years. However, 57% of funds have still beaten the market over the five years as a whole. The figures, compiled by wealth manager Quilter Cheviot, show that investors who concentrate on calendar-year returns will miss the bigger picture. Underperformance in 2021 does not mean investors should abandon a fund if they have recognised a fund manager's strong stock-picking skills. The Lindsell Train UK Equity fund, managed by Nick Train, lagged 7.9% behind the FTSE All-Share, but has still delivered annual returns 3.2% greater than the index over the last five years. Focusing on funds with different management styles also remains important, since no style will deliver exceptional performance in all market conditions.

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■ Cathie Wood's Disruptive Innovation ETF fell 21% in 2021, its worst performance since 2014, after delivering "sky-high" returns of 150% in 2020, says Markets Insider. Last year's bumper returns helped Wood's firm ARK Invest amass over $17bn in assets under management in its flagship fund. But it was hit hard by a drop in "work-from-home stocks" such as Zoom Video and Teladoc. Its poor returns were probably "a surprise to Wood", who had predicted a five-year compounded annual growth rate of 20% in December 2020. She has now increased her forecast to 40%.

This is a marketing communication. Please refer to the prospectus and KIID for the Fund before making any final investment decisions.

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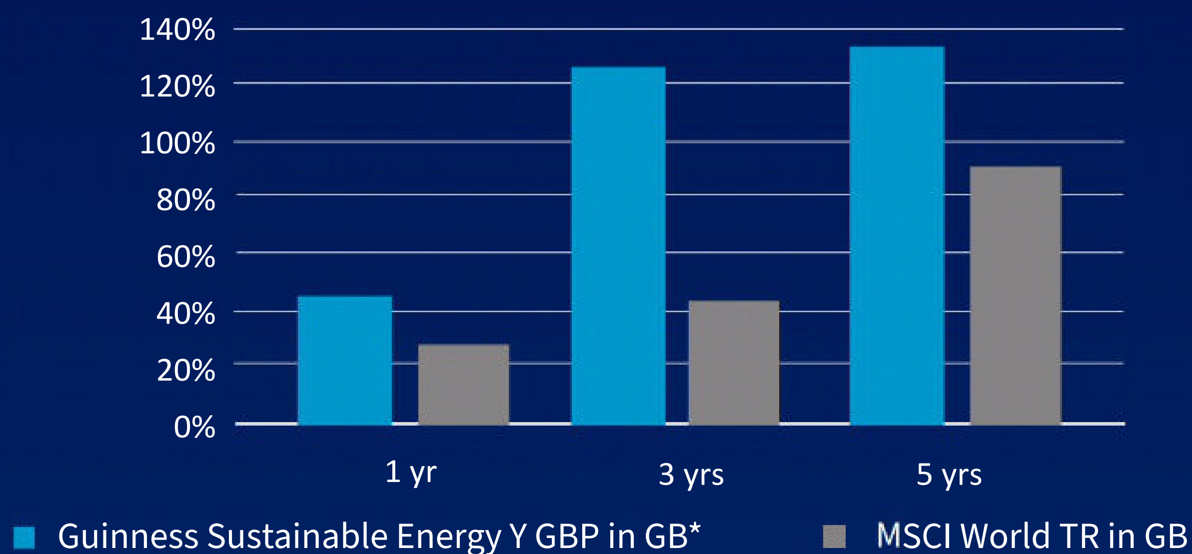
Past performance does not predict future returns. Source: Financial Express



	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%

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*Simulated Past Performance. The Fund's Y class was launched on 16.02.18. Prior to this date the performance shown is a composite simulation for the Fund's Y class being based on the actual performance of the Fund's E class (1.24% OCF) which has existed since the Fund's launch; returns for share classes with a different OCF will vary accordingly. The Fund's E class is denominated in USD but the performance data above is calculated in GBP.

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How vaccines went from dull to world-beating

The rapid development of Covid-19 vaccines has already saved many lives and made huge profits for a few pharma firms. Investors should keep an eye on other products in their pipelines, says Dr Mike Tubbs

Over the past two years, many investors will have learned more about vaccines than they ever expected. Most people rarely encounter or think about them outside of our childhood immunisations and the occasional travel requirement. Yet as the pandemic has reminded us, this is a crucial, life-saving area of research – and suddenly a very profitable one for a select handful of successful vaccine developers.

Vaccines protect us from disease by stimulating the production of antibodies that prime the body's immune system to protect us against specific diseases. They are prepared from the agent responsible for a disease to act as an antigen, but in a way that does not cause the disease. Vaccines can be used against both viral and bacterial diseases. Vaccines cannot guarantee you will never get a disease, but greatly reduce the probability of catching it. If you are infected, they will usually reduce the disease's severity.

The first vaccine was developed in the UK by Edward Jenner in 1796. He realised milkmaids did not get smallpox because they had had cowpox. He inoculated a boy with cowpox virus and demonstrated the boy's immunity to smallpox. A smallpox vaccine was developed in 1798 and mass vaccination throughout the 19th and 20th centuries enabled smallpox to be eliminated from the world by 1979.

The Covid-19 pandemic marks a fresh leap forward. Several highly effective vaccines were developed in just under a year, compared with the ten years or more required previously to discover, develop and approve a new vaccine. An extreme example was the Ervebo vaccine for Ebola, which was discovered in 2001 and yet only approved by the US Food and Drug Administration in 2019. The incredibly rapid development of Covid-19 vaccines provides a blueprint for future vaccine development.

The race for a vaccine begins

The Covid-19 pandemic started in Wuhan, China, in November 2019. Unfortunately, the Chinese authorities said the virus was viral pneumonia, not a Sars-type virus and, in spite of contrary evidence, denied there was human-to-human transmission until 20 January 2020. Some doctors in Wuhan, including Li Wenliang who later died from the virus, tried to warn about the coronavirus in late December, but were punished for "spreading rumours".

In early January, around five million people travelled out of Wuhan, many to other countries and this spread the virus worldwide. At the same time, the virus's genetic sequence was analysed by Chinese researchers, including Zhang Yongzhen, a virologist in Shanghai. On 13 January, he defied instructions and published his data. The Chinese authorities promptly closed his laboratory for "rectification", but the information was out and laboratories in Western countries started to design both diagnostic tests and vaccines.

"The clear winner from the established vaccine firms was Pfizer"

Before the pandemic, the major vaccine makers were GlaxoSmithKline (revenues of $9.8bn in 2019), Merck USA ($8.4bn), Sanofi ($6.9bn) and Pfizer ($6.5bn). Vaccines accounted for 21% of GlaxoSmithKline's turnover and 13%-18% for the others. Some of these companies have ended up playing a major role in the Covid-19 vaccine programmes. Others have not yet had success, while some lesser-known firms – often using innovative technology – have come to the fore.

The most traditional approach to vaccines for both bacterial and viral diseases are those that contain whole bacterial cells or viruses. These are of two types – those using inactivated bacteria/viruses and those using live but attenuated (weakened) bacteria/viruses. However, three other approaches are also now used to create vaccines for viral diseases. These are subunit (also used for bacterial vaccines), viral vector and nucleic acid. Recombinant subunit vaccines use pieces of the pathogen (often protein fragments, such as the spike protein from a coronavirus) to trigger an immune response. The viral vector vaccines work by giving cells genetic instructions to produce antigens, but deliver these instructions using a harmless virus as a carrier. The nucleic acid vaccines (eg, mRNA) work in a similar way to the viral vector ones, but insert genetic RNA or DNA material from the virus into human cells to give instructions to the cells to make the antigen that triggers an immune response.

Who tried what – and what worked

The clear leader of the established vaccine firms has been Pfizer, which teamed up with Germany's BioNTech to roll out an mRNA vaccine. The UK was the first country to approve this, with vaccinations starting in December 2020, followed by much of the rest of the world. The AstraZeneca and Oxford University vaccine, which uses a viral vector approach, arrived only shortly afterwards. A second mRNA vaccine developed by Moderna has also been widely approved, including by the UK in January 2021. Finally, Johnson & Johnson's Janssen vaccines division launched another viral vector vaccine, which was approved by the UK in May 2021 (and by other countries, including the US, earlier).

In addition to these, Russia produced its Sputnik vaccine using the viral-vector approach. China's Sinovac/CoronaVac and Sinopharm vaccines use the older inactivated virus technique, as does India's Covaxin. These have been used widely in emerging economies, but not in the West.

Novavax, a US biotech, has developed a subunit vaccine that performed well in trials, but has been slow to gain regulatory approval due to manufacturing problems. It gained its first regulatory approval in Indonesia in November 2021, was recommended for authorisation in the EU by the European Medicines Agency (EMA) last month and has applied for approval in the UK. The EMA also began reviewing an inactivated virus vaccine with adjuvant (a substance that enhances the immune response to an antigen) from French biotech Valneva in December 2021.

The rapid arrival of so many successful vaccines may seem remarkable, but is partly explained by how many went into urgent development, some of which have been abandoned. To take just other examples involving major developers, Merck had two

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The Covid-19 pandemic marks a fresh leap forward in vaccine development

programmes, but early results were disappointing and it terminated both in January 2021. It is instead helping to make Johnson & Johnson's vaccine. GlaxoSmithKline and Sanofi had disappointing results from their first vaccine candidate so developed an upgraded version, which began phase-III trials in September 2021. This is a recombinant vaccine with GlaxoSmithKline's adjuvant, as are the firm's collaborations between South Korea's SK Bioscience and Canada's Medicago. Both of these are also in phase-III trials. GlaxoSmithKline is also about to enter trials for an mRNA vaccine developed with CureVac, a German biotech whose first effort at an mRNA was abandoned after weak results. Sanofi has also worked with Translate Bio on an mRNA, but suspended development in September 2021.

Pfizer takes the prize

Thus we see that the smallest of 2019's four major vaccine manufacturers – Pfizer – has done best so far. Merck is out of the race. GSK has four collaborations with three in phase-III clinical trials. Sanofi has its collaboration with GSK. Meanwhile, three companies not in the top four of 2019 – AstraZeneca, Johnson & Johnson and Moderna – have all had Covid-19 vaccines deployed, while Novavax is finally starting to obtain its first approvals.

Pfizer expects to have made three billion vaccine doses in 2021. Its vaccine sales for the first nine months of 2021 were $28.7bn, or half of its total sales. That compares to its vaccine sales of only $4.6bn for nine months in 2020. Its partner BioNTech – which developed the vaccine (Pfizer handles testing and distribution) – reported its own vaccine sales for the first nine months of 2021 as €500m, but profits from its profit-share agreement with Pfizer were €9.8bn. Moderna, which arranged its own contract manufacturing rather than partnering with a pharma major, expects its vaccine sales for full year 2021 to be $15bn-$18bn, or around half of Pfizer's expected sales.

AstraZeneca reported Covid-19 vaccine sales of just $2.2bn for the first nine months of 2021, despite setting up 25 manufacturing plants in 15 countries and supplied two billion vaccine doses to 170+ countries by November 2021. This is much lower than Pfizer, since AstraZeneca had initially priced its vaccine at cost to help poorer countries. It said in November that it may now start to make a modest profit from sales. Johnson & Johnson reported Covid-19 vaccine sales of €500m for Q3 and $770m for the first nine months (its vaccine has been deployed less widely and, like AstraZeneca, the company said that it would initially deliver it at low cost). For comparison, GlaxoSmithKline reported vaccine sales of £5bn ($6.7bn) for the first nine months and this includes just £352m of adjuvant sales for Covid-19 vaccines.

Prospects for Covid-19 and beyond

Future sales of coronavirus vaccines will depend on the number of new variants and how severe symptoms are from those variants. Some viruses become less virulent over time and Covid-19 might

Continued on page 24

"Vaccines were until recently good businesses, but not exciting"

Continued from page 23

follow this path. However, it could be that annual Covid-19 vaccinations become routine for sections of the population, as for influenza. The new vaccine platforms, such as viral vector and mRNA, should enable vaccines to be updated in around 100 days to counter new Covid-19 variants. Thus, if annual vaccinations become necessary for vulnerable groups, vaccines can be modified each year to fight the latest variants. This may drive continued sales even when the current pandemic phase is over.

More broadly, vaccines were until recently thought of as stable, good businesses, but not exciting ones. That changed with the advent of Covid-19. Yet uncertainty about the future course of Covid-19 and other possible pandemics creates the main unknown about investing in companies with substantial proportions of revenue from vaccines.

For example, the Sars-1 coronavirus that emerged in China in 2002, causing pneumonia-like symptoms and leading to 8,098 cases and 774 deaths in total, mainly in China and four other countries, was ultimately controlled. Covid-19, by contrast, has already caused 5.4 million deaths and spread to almost every country. If future pandemics were similar to Sars-1, they would provide only modest returns. However, ongoing serious mutations of Covid-19, or a serious pandemic caused by another coronavirus or other pathogen, would generate an urgent need for new vaccines.

The rapid development of Covid-19 vaccines has both demonstrated that vaccine development can be speeded up and introduced new technologies that can form the basis of vaccines for other diseases. So it's important to look at the full range of potential developments in these companies' pipelines.

Among the big pharma firms, Pfizer has seven potential new vaccines for diseases ranging from clostridoides difficile in phase III, Lyme disease in phase II and influenza in phase I. GlaxoSmithKline has 15 vaccines in clinical trials, including vaccines for respiratory syncytial virus (RSV), rabies, shingles, meningitis and C. difficile. Merck's pipeline has two vaccines in phase II and three vaccines approved within the last two years, but gives no phase-I information. Sanofi has ten vaccines in its pipeline, with three of those in phase III for rabies, RSV and meningitis. Johnson & Johnson has four pipeline vaccines in clinical trials for RSV, HIV, Ebola and ExPEC (systemic bacterial infection). AstraZeneca has only RSV and Covid-19 vaccines under development.

Turning to the smaller firms, BioNTech has an mRNA vaccine for influenza in phase-I clinical trials and plans to start clinical trials of an mRNA malaria vaccine and a tuberculosis vaccine in 2022. Moderna has a well-stocked pipeline of 15 different mRNA vaccines for diseases as diverse as RSV, EBV (Epstein-Barr virus), influenza and HIV, with six of them in clinical trials. Novavax has five vaccines in clinical trials, for RSV, influenza and Ebola. Vaccine specialist Valneva has four in trials and two marketed.

Investment options

There are two main options for investing in companies involved in vaccines. The first is to concentrate on large biopharma companies with substantial vaccine interests. Pfizer demonstrated agility in teaming up with BioNTech. GlaxoSmithKline, originally the world leader in vaccines, has at least set up four collaborative programmes that should bear fruit if Covid-19 continues to be a threat for two or more years. However, in the medium term profits for both companies will depend mainly on products other than vaccines. GlaxoSmithKline, for example, has been

"BioNTech, Moderna and Novavax are all expected to make good profits in 2021-2023"

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Sarah Gilbert, co-developer of the AstraZeneca vaccine

strengthening its pipeline with emphasis on cancer and HIV as well as infectious diseases. It recently announced the start of human clinical trials in 2022 of a cure for HIV. In addition, it is preparing to spin-off its consumer products division from pharmaceuticals and vaccines into a new listed company. This will reduce the dividend and adds uncertainty about how debt will be allocated and whether proceeds will be reinvested in new pharmaceuticals.

The other major company that showed agility over Covid-19 vaccines is AstraZeneca, but its future depends almost entirely on other products. It has revitalised its whole pipeline over the last few years, added treatments for rare diseases with the acquisition of Alexion in July 2021, and has a particularly strong pipeline of cancer drugs.

Pfizer will benefit the most from Covid-19 vaccines. Analysts forecast earnings per share (EPS) to rise from $2.82 in 2020 to $4.19 for 2021 and $6.04 for 2022, but then fall back to $5.17 for 2023 when the pandemic boost may be reducing. It trades on a forecast price/earnings (p/e) ratio for 2022 of 9.9, rising to 11.5 for 2023. GlaxoSmithKline has a 2022 p/e of 14.1 and AstraZeneca a 2022 p/e of 16.7. Of the three larger companies, AstraZeneca probably has more potential in its pipeline, but for cancer treatments and rare diseases rather than vaccines. It should be compared with other major biopharma companies, not just those with vaccines.

The second choice is to focus on smaller, newer companies using mRNA or viral-vector technology for both Covid-19 and other vaccines and drugs. BioNTech, Moderna and Novavax were all making losses in 2020, but are expected to make good profits in 2021-2023. Forecast EPS for BioNTech is $32.2 for 2022, falling steeply to $18.6 for 2023. Moderna is projected to earn $27.1 for 2022, falling to $13.6 for 2023. Novavax is on $25.7 for 2022, falling to $18.7 for 2023. These decreases from 2022 to 2023 are much larger for the smaller companies than Pfizer because they are much more dependent on vaccines.

In terms of valuation, BioNTech is on a 2022 p/e of 8.1, rising to 14 for 2023. Moderna's p/e for 2022 is 7.8, rising to 18.5 for 2023. Novavax comes in at 7.1 for 2022, rising to 9.8 for 2023.

Of the three smaller firms, BioNTech is probably the best investment option. In addition to its mRNA-based infectious diseases vaccine pipeline (seasonal influenza, HIV, Malaria and tuberculosis) it has a strong oncology pipeline based on mRNA, CAR-T cell therapy and antibodies with 12 clinical trials in phase I, four in phase II and five at a pre-clinical stage.

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Aiming for glory: four top tips for 2

Michael Taylor of Shifting Shares picks four risky but potentially lucrative stocks from Aim, the alternative investment market

It has been a little over a year since my article highlighting five speculative Aim shares for 2021. It was a year of two halves, as a football commentator would put it. We saw a stonking rally in smaller companies, or small caps, in the six months after news of the vaccines broke in early November 2020.

But in the summer of 2021 many stocks suffered cash outflows – death by a thousand cuts. Much of the liquidity in small caps is provided by private investors. So when they are spooked and start selling, it can trigger an avalanche of sells as the fear spreads. Timing the swings can be highly profitable, as we can see in the table below.

It shows that only two of the five stocks closed the full year in the black, despite all five producing hefty gains at some point. Picking a portfolio of stocks for a year for newspapers or magazines is difficult: if a profit warning appeared just two months into the year, for instance, I would not be willing to hold onto the stock, yet it remains in the portfolio chosen for the magazine for a year.

I always feel that if a tipster tells you to buy, then they must also tell you when to sell. This is hardly practical, of course, so annual selections such as these should be viewed as starting points for research rather than buy lists.

The value in the British market

Cloudcall was the subject of a takeover bid in early December, which propelled the share price from 47p to its current level around 80p. I think more takeovers will follow as many British stocks offer tremendous value. The problem with buying a stock in the hope of a bidder arriving is that you may be waiting a long time. People have been calling Fever-Tree a takeover target for years now.

This year's selection is based on value and improving fundamentals combined with an uptrending stock price as a catalyst to drive the stock higher. By following established trends, I am placing a bet on the movement enduring rather than waiting for a stock languishing in the doldrums to turn upwards. This year's selection is a mix of profitable small caps and a unique natural-resources company. These are stocks that I feel offer upside based on the stock's valuation and macroeconomic tailwinds.

React Group (Aim: REAT), 1.4p

React Group is a specialist cleaning-services provider. It would be easy to decide that cleaning is low-margin and write this stock off, but React does a lot of the cleaning that nobody else wants to do. This includes prisons, rail fatalities and commercial tenancies.

Clearly, if a train can't travel because of debris on the tracks, then this can cost the train company a hefty packet. React can deploy its emergency-cleaning service across Great Britain within four hours and provides services to several of the big facilities-management companies. One of the company's stated aims is to increase its offering to its existing clients, as well as expand both organically and through acquisitions. React wants to become the "800-pound gorilla" in the sector by taking advantage of a fragmented market.

My stock tips last year	Price	High	Current
Anglo Asian Mining (Aim: AAZ)	127.5p	182.5p	108.5p
Cambridge Cognition (Aim: COG)	56.5p	192.5p	127.5p
Escape Hunt (Aim: ESC)	16.5p	49p	29p
Smartspace Software (Aim: SMRT)	100p	185p	69p
Cloudcall (Aim: CALL)	88p	115p	79.5p

"React Group does the heavy-duty cleaning nobody else wants to do, including prisons"

The EU now classifies atomic energy as "climate-friendly"

So far, the board has done a good job of turning the company around and bringing it to profitability. On projected earnings of £684,000, the stock trades on a price/earnings (p/e) ratio of just over ten. It is expanding and generating cash. The market capitalisation, however, is £7.2m, making it a real minnow.

The stock is illiquid and it's certainly not one for traders. If something goes badly wrong you will find it hard to exit: the stock trades only a handful of times a day. I hold React and believe that if the company can continue to grow its sales and profits, then the share price should follow.

Shoe Zone (Aim: SHOE), 110p

Shoe Zone is a well-known high-street brand that has emerged from the pandemic a far better business than it was pre-Covid-19. The shoe retailer has accelerated its digital offering and revenue has grown to £30.6m in 2021 from £10.6m in 2019. The board is now investing in its digital arm as well as transitioning from

022 from London's junior market

©Getty Images

the traditional smaller high-street unit to bigger "box stores", which boast much more floor space and are also more profitable. These units can stock more ranges of shoes and also require fewer staff, implying a boost in revenue per employee.

Shoe Zone is cash generative with net cash of £14.2m compared with £6.3m in 2020. We also know the business has been performing well recently as the full-year trading update on 13 October was followed by an upgrade to profits a few weeks later, on 1 November.

The directors have increased their already weighty positions recently. Brothers Charles and Anthony Smith, the chairman and CEO respectively, own more than 50% of the stock, with Anthony holding 29.85%. This surely reflects confidence – if he bought any more stock he'd be forced to make a bid for the company (the threshold is above 29.99%).

Clearly, one big risk is further restrictions or another lockdown. Online sales are still far from the dominant source of revenue and, while they may receive a fillip in the event of shops shutting, it's unlikely to be enough to cover the shortfall. The growth in Omicron cases is not good news for the company.

Shoe Zone is trading on a p/e of eight, which means the market currently either doesn't believe in the company's future potential, or its strong prospects have been overlooked. I'm hoping it's the latter.

"Nuclear energy is always on and it doesn't emit carbon – useful for the transition from fossil fuels to renewables"

Iofina (Aim: IOF), 18p

Iofina is known for being one of the lowest-cost producers of iodine in the world. However, that won't count for much with most of the shareholders, who are underwater on the stock.

One thing I like to look for in turnarounds is evidence of improvement, and the green shoots are starting to show here. In September the company refinanced its debt and paid down $5m from its cash reserves. Not only is the balance sheet now stronger but the company also pays between 3.5% and 4% on the smaller debt pile, down from an eye-watering 7%.

Iodine production is growing , while the price of the commodity is strengthening. The board believes that the price should remain strong owing to robust demand – iodine is used in pharmaceuticals and disinfectants as well as X-rays and LCD displays.

Iofina is another stock trading on a single digit p/e. Looking at the recent interim results, and assuming, conservatively, that production won't grow in the second half (although we already know growth is part of management's plan), and that the iodine price stays the same – it has in fact already increased – then the company is on track for £3.65m of net profit.

At a market value of £34m this equates to a p/e of just above nine. However, the risk is that the production of iodine is reliant on brine water (a waste product of the oil and gas industry). That means that in an energy-sector downturn, supply of this waste product may hamper Iofina's production.

Yellow Cake (Aim: YCA), 340p

Yellow Cake is a play on the new uranium bull market. It doesn't explore or produce – it simply buys and stores the nuclear fuel. The uranium bull is a theme repeatedly highlighted in MoneyWeek. The market has been oversupplied since the Fukushima disaster in 2011. But recent events such as the gas-price spike and blackouts caused by a lack of energy call for a reliable source of power: nuclear.

Nuclear energy is always on and it doesn't emit carbon – useful if we are to manage the transition from dirty fossil fuels to clean renewables. Note that the EU has just opted to classify nuclear energy as "climate-friendly". Another bullish factor is the appearance this summer of the Sprott Physical Uranium Trust (Toronto: U.UN), a North American version of Yellow Cake. It is mopping up excess supply in the spot market.

Yellow Cake listed in 2018 and hasn't seen much activity until recently. The company placed new shares at 364p in October to raise new capital to buy more uranium. It does this at a pre-agreed price to avoid moving the price with its own buying. The company trades at a small premium to its net asset value (NAV), which according to its interim results is 326p per share. It boasts 13.86 million pounds of physical uranium valued at a spot price of $43.

I think the uranium bull market is just getting started, given the projected increase of demand for uranium and diminishing supply in the spot market. However, there are never any guarantees. Any nuclear disaster could easily kill this trade completely.

Michael Taylor holds long positions in REAT, SHOE, IOF, and YCA. You can get Michael's monthly Buy The Breakout *newsletter for free at shiftingshares.com. Follow Michael on Twitter @shiftingshares*

Streamers are set for success

The pandemic has accelerated the shift from television to on-demand platforms. Follow the eyeballs, says Tim Dams

"The trend is your friend," according to the old investment adage. Nowhere is this more true than in the media and entertainment sector. The rise of streaming services such as Netflix and Amazon Prime Video, online video-sharing sites such as YouTube, and social-media platforms such as Facebook, Instagram and TikTok, has broken the vice-like grip that television broadcasters and cinemas used to have on our viewing habits.

At the heart of each of these internet-enabled services lies a simple but compelling "on-demand" offer – they allow us to watch what we want when we want. These global platforms grew more popular than ever during the pandemic, which accelerated the shift of viewing away from broadcast television and cinema.

Consider regulator Ofcom's Media Nations research into the country's viewing habits. Even though people watched more broadcast television during the pandemic, TV's actual share of total viewing fell from 67% in 2019 to 61% in 2020. Ofcom also found that young people aged 16-34 are abandoning live TV. They spend more time each day on streaming services (91 minutes) and YouTube (72 minutes) than on watching live TV (65 minutes).

Teenagers abandon telly

The figures back up a trend many of us observe in our home lives. Any family with teenagers will know that they hardly ever tune into live TV, preferring a diet of Netflix, YouTube and TikTok. Those who have put their money on this trend have done well. Netflix's share price has gained around a fifth in the past year and 390% in five years. YouTube-parent Alphabet is up by 70% and 262% respectively.

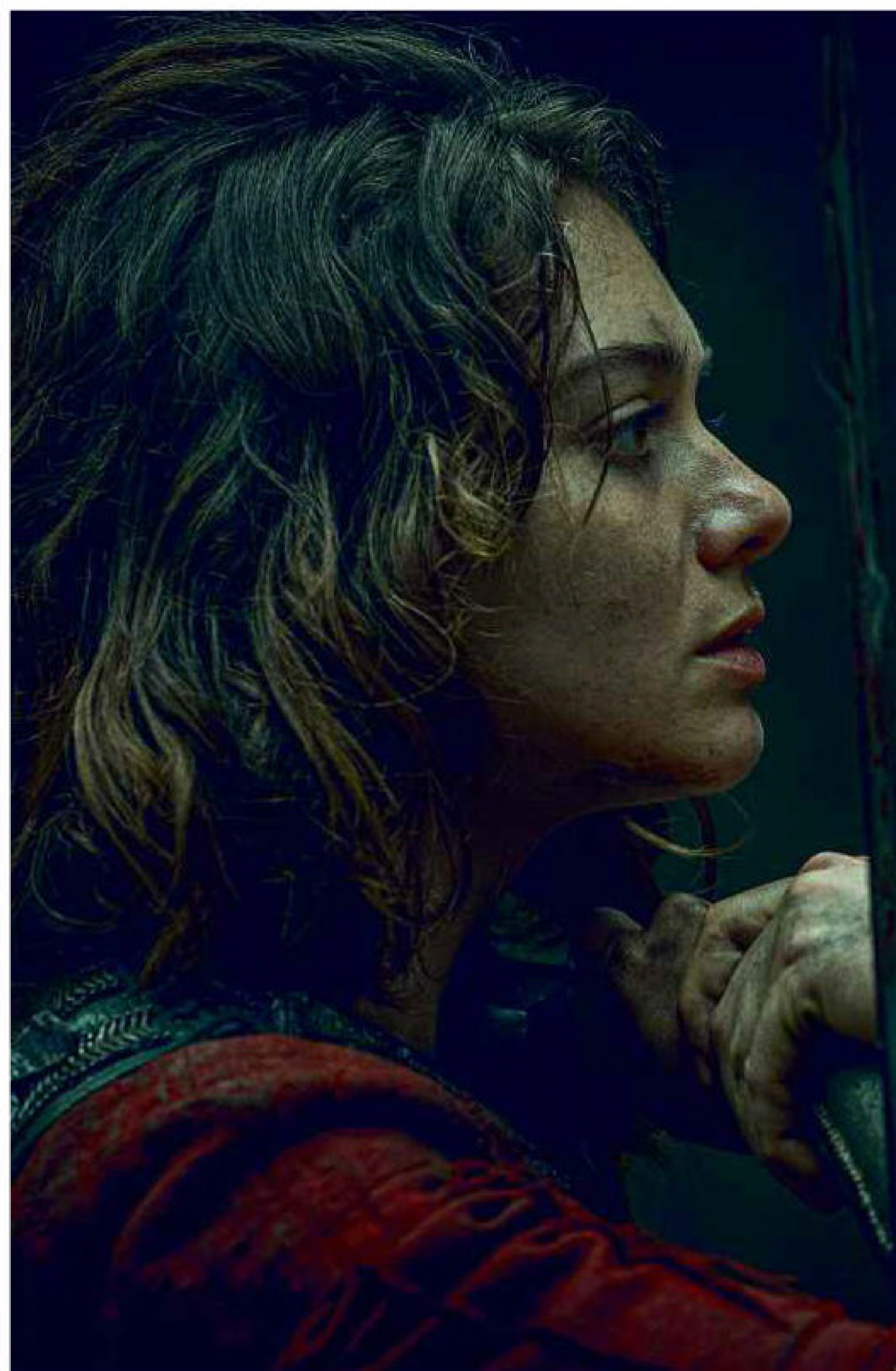
Investors who have backed traditional media firms, however, have fared less impressively. Despite diversifying into production and launching its own streaming services – ITV Hub and BritBox – ITV's share price has declined marginally in the past year, and by 45% in five years. Cinema operator Cineworld has slumped by a respective 50% and 87% over the same period. The big question now is whether you should follow the trend and back global video platforms, or bet that traditional players can bounce back and adapt to the age of online streaming.

The choice is not as straightforward as it might seem. Streamers such as Netflix are highly valued, with a price-to-earnings ratio of 54. There are signs that its growth may have plateaued after it aggressively added subscribers during the pandemic. In its core US and Canada market, Netflix only added 70,000 net paid subscribers in the first three months of 2021.

A frenzy of activity

The streaming market is also highly competitive. Technology and media analyst Omdia reckons there are now more than 5,300 streaming services around the world. The likes of Netflix, Disney+, Amazon Prime Video, HBO Max, Apple TV+, Paramount+ and Discovery+ are spending fortunes on content to make sure they are one of the handful of services that

"The typical 16-34-year-old spends more time on streaming services and YouTube than on watching live television"



The Witcher: *one of Netflix's biggest hits*

households are prepared to pay for. Netflix is investing $13.6bn on programming this year, funding expensive dramas such as *The Crown* and *The Witcher*, as well as action film *Red Notice*, starring Dwayne Johnson and Ryan Reynolds.

Not to be outdone, Disney plans to turbocharge its content spending next year. It has raised its content budget by $8bn to $33bn. A large proportion of this will be earmarked for films and series for its Disney+ platform. Discovery and WarnerMedia, which run the Discovery+ and HBO Max platforms respectively and are in the process of merging, plan jointly to spend $20bn on content.

In the face of competition from global streamers, British firms are adapting. The BBC, ITV, and Channel 4 each have compelling platforms of their own: BBC iPlayer, ITV Hub and All4. The BBC and ITV have also teamed up to launch BritBox, which offers UK programming highlights and is being launched around the world.

ITV recently said it expects to generate £1.95bn in advertising revenue in 2021 – a company record – on the back of a buoyant economy. Its production arm, ITV Studios, has also seen revenues rise as it capitalises on the demand for original content. It makes shows for an array of broadcasters and streamers, including BBC1's *Vigil*, ITV's *The Long Call*, Netflix's *Snowpiercer Season* 2, Apple TV+'s *Physical* and HBO Max's *Ten Year Old Tom*.

Cinemas too are attracting back growing audiences after the disastrous lockdown closures of 2020. Gower Street Analytics has predicted overall global box-office takings of $21bn for 2021, with top films including *The Battle at Lake Changjin*, *No Time To Die* and

©Netflix

F9: The Fast Saga. The figure is still half of 2019's total. But it is a 75% increase from 2020. Gower Street forecasts that box-office revenues will rise by another 58% to $33.2bn in 2022. Despite all this, analysts firmly believe that the leading global-streaming platforms will continue to dominate the media and entertainment market. "The future is streaming," says Tom Harrington, head of television at Enders Analysis, a media and entertainment market researcher. "Video will all be online."

Netflix cements its dominance

Maria Rua Aguete, Omdia's senior research director for TV, video and advertising, forecasts that Netflix will still be the number-one streaming platform in 2025, with 255 million subscribers, up from 2020's 204 million. Disney+ will be in second place with 248 million, and Amazon Prime Video third with 161 million.

She notes that Netflix is also expanding beyond video into video games and sales of merchandise related to its shows. Rua Aguete says that Netflix's content spend isn't the only reason for its success; the streamer is also highly skilled at partnering with telecoms groups and operators around the world to make the platform very easy to access for subscribers.

Netflix's technology – from its recommendation algorithms to its user interface – is also considered better than rival versions. Furthermore, Netflix has recently shown signs that it is prepared to be flexible on price in order to gain subscribers.

Last month it announced that it was cutting its subscription costs by up to 60% in the price-sensitive and strategically important Indian market, where

"Disney's launch of its own streaming platform, Disney +, was a bold plan well executed"

Disney and Amazon are currently ahead. Meanwhile, Enders Analysis predicts that the content arms race between the streaming platforms will soon show signs of easing as they shift from focusing on gaining market share to focusing on profitability.

"We think the perceived value of content is declining," Harrington says. He explains that audiences are spending less on content than they have in the past and currently have much more choice. Audiences are also watching less long-form content owing to competition from short-form platforms such as YouTube, TikTok and Instagram. Streamers are therefore likely to cut the amount they spend on content in future years. Certainly, much of the streamers' content spending seems wildly inefficient: many expensive shows are barely watched after their first thirty days on a platform. The logical conclusion of this argument is that if streamers spend less, the streamer-driven growth model of many content producers will also come under threat.

The top stocks in the sector

Market leadership, a strong content pipeline, cutting-edge technology, effective partnerships and global scale make **Netflix** (**Nasdaq: NFLX**) a good long-term bet. Netflix's programming has been popular worldwide, and its strategy of investing in local content with global appeal – such as Korean hit *Squid Game*, French thriller *Lupin* and Spanish drama *Money Heist* – is paying off.

Walt Disney (**NYSE: DIS**) has impressed with the launch of Disney+. It has brought a direct-to-consumer streamer to market, pivoting away from profitably distributing its content through third-party channels and platforms. For a legacy media firm, it was a bold and transformative bet that has been well executed. Many within the industry are bullish about Disney's prospects, pointing to its unrivalled content that appeals to young and older viewers alike. In addition to Walt Disney Pictures, it owns Pixar, 20th Century Fox, Lucasfilm and Marvel Studios.

YouTube parent **Alphabet** (**Nasdaq: GOOGL**) has thrived as younger audiences in particular watch more and more content on the video-sharing website. Advertising money has followed the eyeballs, allowing YouTube to raise advertisement prices. Traditionally, YouTube has scooped up advertising from smaller companies, while TV has been viewed as the key bedrock for campaigns by major brands. More recently, big brands are realising that a combination of digital platforms, such as YouTube, and TV is a powerful mix for reaching audiences.

Advertising revenues at **ITV** (**LSE: ITV**) are currently very robust and this looks set to continue into the first quarter of the year based on early booking indicators, according to Sarah Simon, an analyst at investment bank Berenberg. However, investors are sceptical about whether this is sustainable. With more competition than ever, total viewing at ITV is declining. Investors perceive that "the money will follow that decline", says Simon. Berenberg recommends holding ITV.

Cinema chains such Cineworld and Everyman Cinemas have struggled to regain their pre-pandemic highs. Recovery in cinema-going seems to be taking longer than expected, and new Covid-19 variants have not helped; neither has the decision of Hollywood studios to cut the release window of big films to just 45 days before they appear on their streaming platforms. Other shares worthy of research include those of firms that supply the video platforms and content creators. In the UK, these include **Zoo Digital** (**LSE: ZOO**), which provides subtitling and dubbing services; **Vitec Group** (**LSE: VTC**), a supplier of production kit and software; and video-editing firm **Blackbird** (**LSE: BIRD**).

It's time to clear debts

Don't pay interest on your post-Christmas debt – get a balance transfer credit card instead

Ruth Jackson-Kirby
Money columnist

In the run up to Christmas many of us flex our credit cards to pay for everything from presents to festive food. As a result, consumer debt soars. But interest-free credit card deals are booming, making it a great time to take control of what you owe.

The average UK household had around £2,085 sitting in credit cards in October, according to The Money Charity. That is likely to have risen substantially over the past month thanks to Christmas shopping. MoneyFacts puts the average interest rate on a credit card at 26.2% APR, meaning your credit card could be prove to be a very expensive drain on your finances.

The good news is it is very easy to dramatically slash your credit card debts and clear them completely in a relatively short space of time. Here's how.

Know what you owe

Start by getting an accurate picture of what you owe. Look at all your credit card balances, as well as any overdrafts. Once you know exactly how much debt you have you can work out how to repay it.

Now look at your savings and current account balances. Can you afford to clear your credit card in one lump payment? This is a great idea if it won't eat into your emergency savings. Considering that the average instant-access savings interest rate is a measly 0.19%, according to MoneyFacts, you will be much better off financially if you pay off your credit card debt quickly rather than tucking away money into your savings account.

Stop paying interest

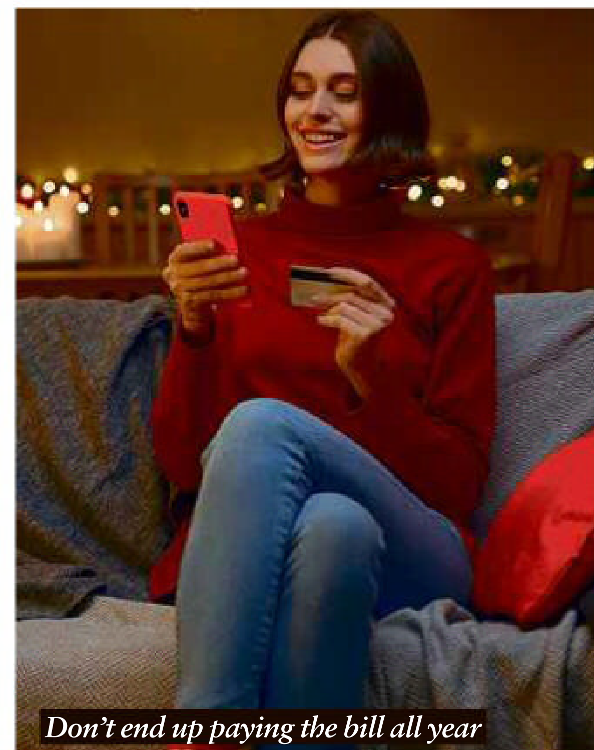
If you can't manage to clear your credit card debt at once, concentrate on making that debt as cheap as possible. All you need to do is find the best balance-transfer credit card. These are a type of low-interest credit card that allow you to shift debts over from other credit cards. Most offer an interest-free period of many months or even years, stopping your debt from growing while you pay it off.

An interest-free balance transfer card can make a huge impact on what your debts cost you. Let's say you have £2,085 of debt on a card charging 26.2%APR. If you only made a minimum payment each month of 3% it would take you over five years to clear your debt and cost £1,683.28 in interest. Even if you paid off £200 a month, you'd still pay £306.64 in interest.

> *"It is very easy to dramatically slash your credit card debt"*

However, if you shifted that debt onto an interest-free balance transfer card you could completely eradicate all those interest charges. All you may have to pay is a balance transfer fee – that's a small payment for each debt you move onto the card. Luckily, these fees have been falling – they are now cheaper than they have been since 2006, according to MoneyFacts.

"In the run-up to the festive season it seems credit card providers have made overhauls to their interest-free balance transfer offers," says Rachel Springall, finance expert at MoneyFacts. "This could well be perfectly timed for borrowers looking to consolidate their debts and have more time to pay off their balance without incurring interest."



Don't end up paying the bill all year

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Don't take longer than you need

There are currently 68 balance-transfer credit card deals on the market. Finding the right one for you is simple: just weigh up how long you need to clear your debt against the balance-transfer fee. The longest interest-free deals tend to have the highest fees. So don't opt for a card that gives you years with no interest – often the top result on the best-buy tables – if you can pay it off in a few months.

For example, the longest interest-free offer is from Virgin Money at 35 months, but it comes with a 2.94% balance transfer fee. That means the average £2,085 debt moved to that card would cost £61.99. It's great to get almost three years interest-free to clear your debt, but if you don't need that long consider a shorter-interest free period with a lower fee. If you can repay your full balance in less than two years, Sainsbury's Bank has a balance transfer card with 21 months interest-free and no balance transfer fee, so it could cost you absolutely nothing.

Just remember to pay off the card in the interest-free period or move your card before it ends. Most cards have high interest rates once the initial deal ends.

Pocket money... the year of the squeeze

■ Get set for "the year of the squeeze", says David Byers in The Sunday Times. The UK is facing "a cost-of-living catastrophe" by April, according to the Resolution Foundation, a think tank that focuses on living standards.

By that point alone, "inflation is expected to hit 6%, the social care levy will kick in, the energy price cap will rise, income tax bands will be frozen and council taxes will go up – welcome to April, truly the cruellest month". All these factors mean that average household costs could rise by £1,200 over the next 12 months, making it more important than ever to keep an eye on your personal finances in 2022.

■ New rules from the Financial Conduct Authority (FCA) designed to stop home and car insurers from punishing loyal customers with premium hikes have come into effect this month. Insurance firms are no longer allowed to offer below-cost prices to new customers "while hitting loyal customers with higher premiums and year-on-year rises," says Jeff Prestridge in The Mail on Sunday. However, financial experts remain sceptical.

These rules "will count for nothing unless the regulator closely monitors insurers to ensure they do not find 'new ways' to exploit loyal customers", says Gareth Shaw of Which. There are also fears the new rules "could inadvertently lead to a less competitive market, as fewer people may believe it is worthwhile to shop around for cheaper cover", says James Daley at Fairer Finance. That might allow insurers to increase fees in indirect ways, such as "by whittling away at the quality of their products".

■ "The growth of mortgage-free home ownership has peaked in England and will fall back over the next five years," says James Pickford in the Financial Times. Research into property market trends by estate agent Hamptons International suggests that "cash buyers will be thinner on the ground in the housing market in the coming decade" .

The proportion of homeowners without a mortgage has gone from 37% in 1991 to 54% in 2020. However, that figure is set to fall to 51% over the next five years, Hamptons predicts, because younger buyers increasingly take out longer mortgages than buyers in previous years.

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Check your headroom

Don't forget the lifetime allowance when reviewing your pension planning

David Prosser
Business columnist

For many people, January is the month to get their personal finances organised, particularly if they have to file their self-assessment tax returns by the end of the month. However, one job that often gets overlooked – even though it could lead to a future tax headache – is a review of whether you have a problem with the lifetime allowance (LTA) on pension savings.

The LTA sets a limit on the amount of tax-free savings you may build up across all your private pension schemes, including both work-based plans and any individual arrangements you may have. Currently, this limit is set at £1,073,100. There are no rules to prevent you building up more than this amount, but if you do, you'll have to pay an income tax charge on the excess when you begin cashing in your pension benefits. The charge is payable at rates of up to 55%.

The LTA covers not only what you put into your pension – including your own contributions, those of your employer, and tax relief – but also the investment returns you earn on the savings. This makes it difficult to plan for. At age 40, say, you might have total pension savings worth £400,000, less than a third of the way to the LTA, but if those savings earn an annual return of 5% a year, your pension fund would be worth around £1.35m by the time you reach age 65. In other words, even without a further penny of contributions, you would face a significant LTA charge.

Start planning early

The power of compound interest, particularly over the long term, is a powerful weapon for pension savers. But for those with larger sums, it does present a problem from a tax perspective. And it is something to think about early on in your planning for retirement, as that will give you more time to consider counter measures.

Don't bank on the government helping you out with increases to the LTA. The current plan is for it to stay at today's level for at least five years – and even beyond that date, it is difficult to imagine much appetite for measures to help wealthier savers reduce their tax bills.

Instead, think about how you might mitigate the problem. One option is to maximise your use of other types of tax-efficient savings vehicles. Individual savings accounts (Isas), which allow you to save £20,000 a year tax-free, can be helpful, while schemes such as venture capital trusts and the enterprise investment scheme might also be useful.

This is not to say you should automatically opt out of pension schemes if you are heading for an LTA problem. For one thing, doing that could mean missing out on pension contributions from your employer. It may be possible to make alternative arrangements with your employer – such as receiving benefits in pay that you can use to make savings elsewhere – so consider all your options.

The other point to make is that an LTA liability is not the end of the world – you'll still have a more valuable pension than those below the threshold. In any case, there is no tax to pay until you begin crystallising your pension fund savings, and phasing that process can defer the liability.

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First superfund gets the green light

Thousands of members of small final salary pension schemes could see their pension rights transferred to new arrangements in the years ahead, after regulators finally gave the green light to a new type of consolidated pensions "superfund".

The Pensions Regulator cleared the launch of Clara-Pensions, the first such fund, just before Christmas following a long period of discussions with pension providers about how best to protect savers' interests. The aim of the superfund will be to take on the defined benefit promises made by employers over many years, bringing together large numbers of small schemes.

In theory, the superfund should benefit from economies of scale that ensure members' benefits can be funded more efficiently, while leaving a profit margin for the fund provider. The government has backed the idea of superfunds amid concern that many employers are struggling to fund legacy defined-benefit pension schemes, ultimately putting savers' retirement benefits in jeopardy. However, there have also been warnings that protections for scheme members could be eroded.

The Pension Regulator has urged employers only to deal with providers it has approved. So far, only Clara-Pensions is on the list, although a second scheme, The Pension SuperFund, is also seeking the nod.

Millions of savers unaware of age change

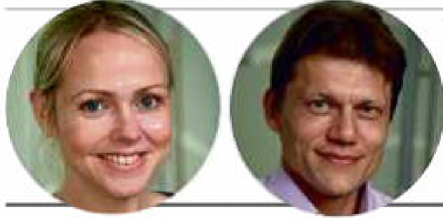
● Millions of savers who are potentially affected by plans to increase the minimum age at which they can access their pensions have no idea the change is coming, new research warns. In April 2028, the earliest age at which pension savers will be able to take benefits from their private pension plans will increase from 55 to 57. However, the Pensions Management Institute's research suggests that 82% of people in their mid- to late forties – the cohort most directly affected by the change – are not aware of the increase.

● The Financial Conduct Authority (FCA) is studying plans to launch a compensation scheme for thousands of workers at British Steel who may have been wrongly advised to transfer their pension savings out of the company's gold-plated occupational pension scheme. The FCA said it would consult on how to set up such a scheme following criticisms from consumer groups and the National Audit Office over the way in which it policed advisers now suspected of giving poor advice.

● Some 2.8 million Britons are missing out on workplace pension schemes despite working for employers who are automatically required to enrol their staff into such arrangements, figures from the Pension Policy Institute reveal. The employees in question don't qualify for automatic enrolment because they are earning less than £10,000. The problem disproportionately affects women, people with disabilities and those from ethnic minority backgrounds.

● The decline in defined-benefit (DB) pension schemes that guarantee a set income for life will make it harder to retire early, says The Sunday Times. One in three people who have taken early retirement say that having a DB scheme was a major factor in their decision, according to a survey by insurer Aviva. However, most workers in the private sector now save into a defined contribution (DC) scheme, where benefits depend on investment returns. In June last year, there were 25.3 million members of DC schemes and 18.5 million in DB and hybrid schemes.

The big potential in biotechnology stocks



Professional investors tell us what they'd buy now. Ailsa Craig and Marek Poszepczynski, International Biotechnology Trust

Biotechnology investors are increasingly beginning to focus on life beyond the pandemic. There are many innovative companies in the biotech sector addressing long-term challenges, such as cancer and various neurological conditions.

As we look forward to the eventual endemic stage of the pandemic, these companies will benefit from the resumption of standard medical activities. We could also see the development of groundbreaking new drugs to treat conditions with considerable unmet need. We highlight three portfolio holdings well placed to outperform.

A niche with few competitors

Antipsychotic drugs are life-changing for patients, but the side effects can be severe. In certain cases patients develop treatment-induced tardive dyskinesia – involuntary movements similar to those experienced by patients suffering from Parkinson's disease.

US biopharmaceutical company **Neurocrine Biosciences** (Nasdaq: NBIX) is working to tackle this problem. Ingrezza, one of its drugs, improves the quality of life for patients on antipsychotic medication, while Ongentys, another treatment, is used to treat Parkinson's disease. During the pandemic, sales of these drugs slid sharply: movement disorders such as Parkinson's tend to be diagnosed in person. The shares fell too, bringing their valuation down to a more attractive level.

It will take time for sales trajectories to recover to pre-pandemic levels, but the long-term growth prospects for this company remain attractive. Neurocrine's drugs address urgent, unmet medical needs, and few other competitors operate in the sector.

Making headway with headaches

Migraines create debilitating auditory and visual disturbances as well as severe pain. Up to 25 million days of work and education are lost every year owing to migraines, according to The Migraine Trust. The condition also places significant strain on accident and emergency departments. However, after many years of research, a new treatment known as calcitonin gene-related peptide (CGRP) inhibition has proved effective.

Injectable forms of this drug are already in use, but US-based **Biohaven Pharmaceuticals** (NYSE: BHVN) has developed it in a much more convenient tablet form. Biohaven recently received additional-usage approval for the treatment. It is applied to acute and chronic cases, as well as being used for migraine prevention. After the breakthrough, Biohaven announced a $1.2bn licensing deal with Pfizer for ex-US rights to the compound. This area has not seen major progress for many years, meaning competition is sparse.

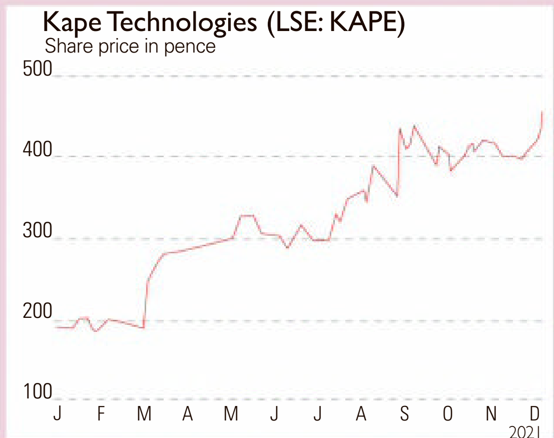
"Investors are increasingly beginning to focus on life beyond the pandemic"

Managers with a proven record

Cancer therapies have become more effective over the past decade, but treatment resistance remains a problem. US start-up **ORIC Pharmaceuticals'** (Nasdaq: ORIC) principal drug, ORIC-101, targets the glucocorticoid receptor, which is linked to multiple types of treatment resistance.

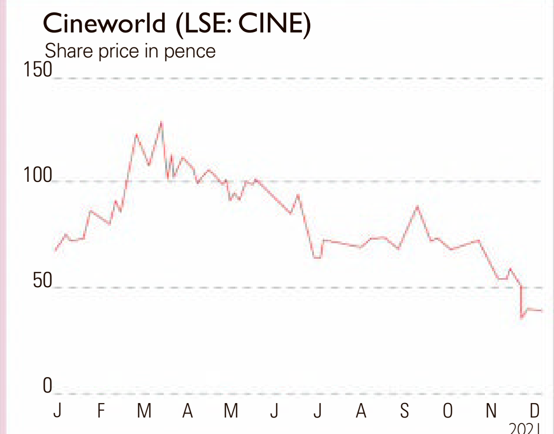
Current trials are focused on prostate cancer, but if ORIC-101 proves effective, it could benefit sufferers of many other types of cancer. ORIC's drugs are in the early stages of development, making it relatively risky. But it has a strong management team with a record of developing successful treatments, while the potential appetite for its products would be significant.

If only you'd invested in...

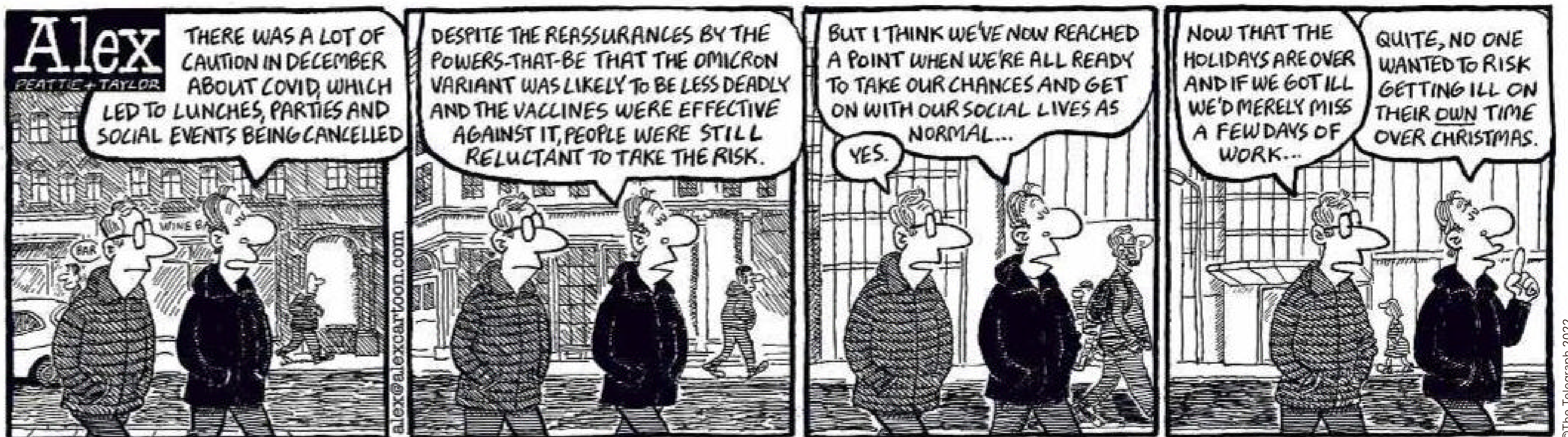


Kape Technologies (LSE: KAPE) is a security software provider. The group acquired ExpressVPN, a large virtual private network (VPN) firm, for nearly $1bn last year, meaning it now owns three of the largest and most well-known VPN providers in the world alongside CyberGhost and Private Internet Access. (VPNs allow users to establish a secure connection to the internet.) The cybersecurity market is expected to grow from $156.2bn in 2020 to $352.5bn by 2026. Kape has forecast revenues of about $200m for the year just ended, up from $66m in 2019. The shares are up 115% in the last 12 months.

Be glad you didn't buy...



Shares in cinema company **Cineworld (LSE: CINE)** fell sharply last month after a Canadian court ruled it must pay C$1.23bn in damages over its abandoned takeover of rival Cineplex. The Canadian chain accused UK-based Cineworld of breaching its obligations by pulling out of the deal in June 2020 under pressure from investors and lenders. The group has struggled during the pandemic, after entering it with $7.68bn in debt due to rapid expansion in recent years. It avoided bankruptcy in November 2020 by securing $750m in emergency funding. The shares are down 55% over the last 12 months.



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The silencing of China's troll king

Hu Xijin had been described as the only man in China who could speak his mind – not least because his mind was as one with the ruling party – and what he said moved markets. Now, his heyday is over, says Jane Lewis

It's the end of an era for Chinese media. The country's most prominent (some would say infamous) journalist, Hu Xijin, has "resigned" from the Global Times – the nationalist tabloid owned by the People's Daily, mouthpiece of the ruling Communist Party (CCP). Within China, "the troll king" had become an institution. He is credited with transforming the national conversation since taking over the paper in 2005, inspiring a generation of "Wolf Warriors" and "Little Pinks" (see below) with a drumbeat "China first" rhetoric. But it seems the authorities have decided to decommission an increasingly "loose cannon", says China Media Project.

©Getty Images

"Many traders viewed him as a key oracle of Beijing's next move in the trade war"

A Trumpian Twitter strategy

One can see why. Of late, Hu's never-diplomatic social-media posts and newspaper columns have become ever more incendiary, notes The Guardian. He has hyped up the prospects of military confrontation between the US and China over Taiwan; warned Britain that it will be treated like "a bitch… asking for a beating" if it infringes Chinese sovereignty in the China Sea; compared India to a "bandit"; and likened Australia to "chewing gum stuck on the sole of China's shoes".

Hu, who has millions of followers on Weibo and WeChat (and broadcasts to the West on Twitter), has always occupied "an ambiguous space in the Communist Party's efforts to communicate its plans to the world", says Bloomberg. But the perception that he was the voice of the Chinese state often had the power to move markets – particularly during the country's tense negotiations with Donald Trump in 2019, when many traders viewed him as "a key policy oracle" of Beijing's next move in the trade war. Hu rattled bond markets by suggesting that "many Chinese scholars are discussing the possibility of dumping US Treasuries and how to do it specifically"; and he sent shares in Boeing tumbling by predicting that China would reduce its orders for planes. Larry McDonald, of the investment newsletter Bear Traps Report, described Hu's Twitter feed as "a Chinese Communist version of Trump's", and an important "negotiation tactic".

Beijing-born Hu, 61, grew up in "a poor, Christian, but otherwise traditional family", says The Guardian. At 18, he joined the People's Liberation Army and enrolled in its foreign-language college in Nanjing. His claim that when student demonstrations erupted around China in 1989 "I went to Tiananmen Square every day, chanting slogans like everybody else", was regarded with scepticism by some. Shortly after the protest's violent repression, he joined People's Daily. Hu's career was transformed when he was dispatched abroad to cover the Bosnian war. On his return to China, he took the role of editor at the Global Times, a racy and plain-talking publication by Chinese standards that was reined in, in line with the CCP's increasingly repressive stance following the rise of president Xi Jinping in 2013.

The fall of the Frisbee-catcher

Hu's domestic critics have nicknamed him "Diaopan", or "Frisbee-catcher" – a reference to his "nimble grasp" of whatever narrative is being handed down from Beijing, says Bloomberg. And his public reputation can't have been helped by a 2020 report in Hong Kong's Apple Daily (since shut down) claiming that the Party's unofficial "mouth-piece" enjoyed "sky-high" earnings – he was paid ¥570,000 (£66,000) a year by the Global Times, but pulled in revenues of ¥12m a year from digital-media platforms such as TikTok – and had shipped his family to Canada. Last year, he was mocked by an army of mainland "netizens", using virtual private networks to jump China's internet firewall, for his "flip-flopping standards" and nonsensical logic, says Nikkei Asia. Perhaps his masters took note. Hu once observed that "the authorities have absolute control over me and can take me down easily". It seems he has been proved right.

Xi's red lines close around Chinese media

One reason for Hu Xijin's ubiquity over the past decade is that he has "unparalleled license to speak bluntly about politics", says Han Zhang in The Guardian. Indeed, opponents have described him as "the only person with freedom of speech" in mainland China, although that freedom is partly a reflection of his adherence to the Communist Party line. "He's willing to be quoted…when huge numbers of others – especially liberal commentators – have grown too nervous to go on the record," says Evan Osnos of The New Yorker: a measure of the steady repression of the Chinese media in the era of president Xi Jinping.

The aim is twofold: to quash internal dissent and counter the perceived "Western-dominated narrative" about China elsewhere in the world. "Tell the China story well and build China's soft power," Xi urged party delegates in 2017 – a challenge taken up with alacrity by an aggressive cadre of "Wolf Warrior" diplomats and millions of internet-savvy young nationalists who "prowl social media to rebut criticism of their homeland", as Yuan Yang puts it in the Financial Times. Originally known as "50 cents", or "wumao" (for the Rmb0.5 they were said to earn for each patriotic post), in recent years a new "volunteer troll army" has emerged, some of whom call themselves "Little Pinks".

Of late, Beijing has been stepping up its use of the news media as a propaganda weapon – "especially in countries directly linked to larger infrastructure projects such as the Belt and Road Initiative", says Raksha Kumar of Oxford University's Reuters Institute for the Study of Journalism, a think tank. Tactics include conducting exchange programmes for compliant foreign reporters and "paying for entire supplements in respected foreign newspapers".

"China's press has never enjoyed more than a small modicum of freedom," says The Economist. But Xi relentlessly continues to toughen controls, ensuring that "reporters and editors deemed politically wayward have been disciplined, fired or jailed". In October, a draft regulation reiterated "a ban on private investment" in most news operations, alongside "new instructions about what news could be republished online". Notably absent from the list of approved sources was the "popular and trusted" business-news website Caixin Media – perhaps the most telling signal yet, to the average Chinese citizen, of how the "red lines" are tightening.

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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

- All wines come personally recommended
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Prices shown below are per case of 12 bottles. Wines are also available in a 12 bottle mixed case (2 of each of the wines) **excellently-priced at £119.22 (saving £18.78 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

~~£12.40~~ £10.73

2020 Racine, Pinot Noir, Bruno Lafon & François Chamboissier, Pays d'Oc, France

This wine is a complete and utter revelation. It is easier to find inexpensive versions of any other grape variety on the planet than Pinot, and so when I first tasted this enchanting wine I wrote 'MWWC Jan' at the top of my note. A nailed-on superstar, this is a wild, cherry-soaked, velvety wine with Pinot traits mixed with a touch of southern banditry, and I cannot believe the professionalism and skill found here. This ought to be your house red for as long as stocks last.

CASE PRICE: £128.76

~~£13.85~~ £12.48

2020 Le Mas, Domaine Clavel, Languedoc, France

While you might expect this wine to be dark and spicy, it is rather honed and polished with the fruit lingering on the border between red and black, making it a perfect staging post between Racine and Verquière. Organically grown, the earthiness acts as seasoning to lift the perfume and spike the palate of this heart-warming red without bringing any coarseness or tannin into the picture. 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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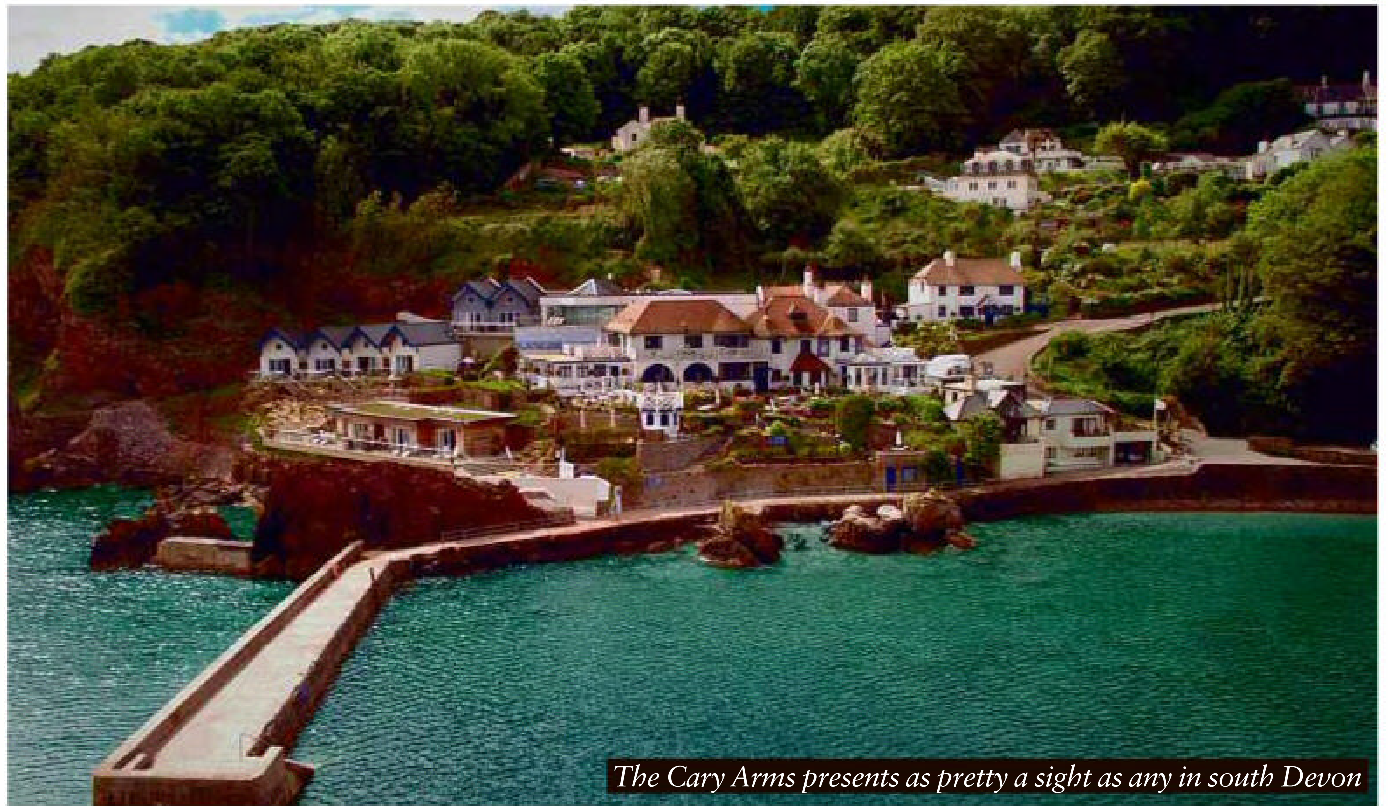
A perfect spot for some wild swimming

A dip in some icy waters in Devon will set you up for the New Year. Chris Carter reports

"Wait till it hits the top of your zipper," Susie, my wild swimming guide, cautioned from the cold water. It was October and I was sitting on the edge of the boat in a bay, just down from Babbacombe beach, near Torquay in Devon. My feet were dangling over the side, and Susie was referring to the wetsuit I had moments before wriggled into with some difficulty. Dany, from the hotel, had already jumped in – there was nothing else for it. I closed my eyes and gritted my teeth, clenching every muscle for that bone-jarring snap as you crack the water feet first, followed by belly and zipper, then goggles, and swimming cap. And I was under! Seconds later, I came roaring back up like a submerged buoy. "Ahhhhh…," I cried. "That's not bad!"



The Cary Arms presents as pretty a sight as any in south Devon

A life-affirming experience

Honestly, it really wasn't bad – once you get past the "zipper shock". But then, the wetsuit, not to mention my own layer of "homemade insulation", began to do the job. Perhaps my goggles were too tight, but it actually began to feel – yes – pleasant. We bobbed along beside the cliffs, inspecting the sandy red rock like Mark Rothko paintings in a gallery, then passed the seal pup on a little beach, from a distance. He was calling to his mother, who had apparently popped out for lunch somewhere beneath our toes. Paddling on, we passed through the natural galleries and caves carved out by the waves. Apparently, mother can be seen here, too, from time to time, grabbing five minutes for herself. Who could blame her? Pushed along by the gentle currents, we reemerged, the seagulls and cormorants circling above our heads. Families love it, but wild swimming is particularly popular with middle-aged women, who find the experience life-affirming and confidence-building, Susie told me. I can see why. Everybody should take the plunge on an organised trip, such as the one with SeaFari that I enjoyed.

Returned to the pier, it was back to my beach hut to peel off the wetsuit. The Cary Arms & Spa is built around a traditional 19th-century seaside inn. Think white brick exteriors, dark wood and stone interiors, with boating paraphernalia, and shaggy dogs next to the fire. The restaurant and bar is broodingly atmospheric, which brightens as you move into the conservatory. Outside, there is

a radiant terrace overlooking the bay, perfect for a pint on a warm summer evening. Above the old pub, there are a clutch of cottages for rent, and a little lower down, a couple of beach huts, including ours, located next to the spa with its hydrotherapy pool, steam room and sauna. (My partner nipped into the treatment room for a *lomi lomi* massage of fragrant oils and kneading – "fabulous".) Four more beach huts and suites sit just below, on the other side of a small, prettily managed garden, overlooking the turquoise water. With a warm breeze, you could easily think yourself in the Caribbean.

More characterful rooms, suites and sea views are to be found in the main building. Taken together, the whole lot seemingly tumbles down the rock face. Looking back from Babbacombe beach, located a short sailor's jig away, the hotel is as pretty a sight as any

> *"With a warm breeze, you could think yourself in the Caribbean"*

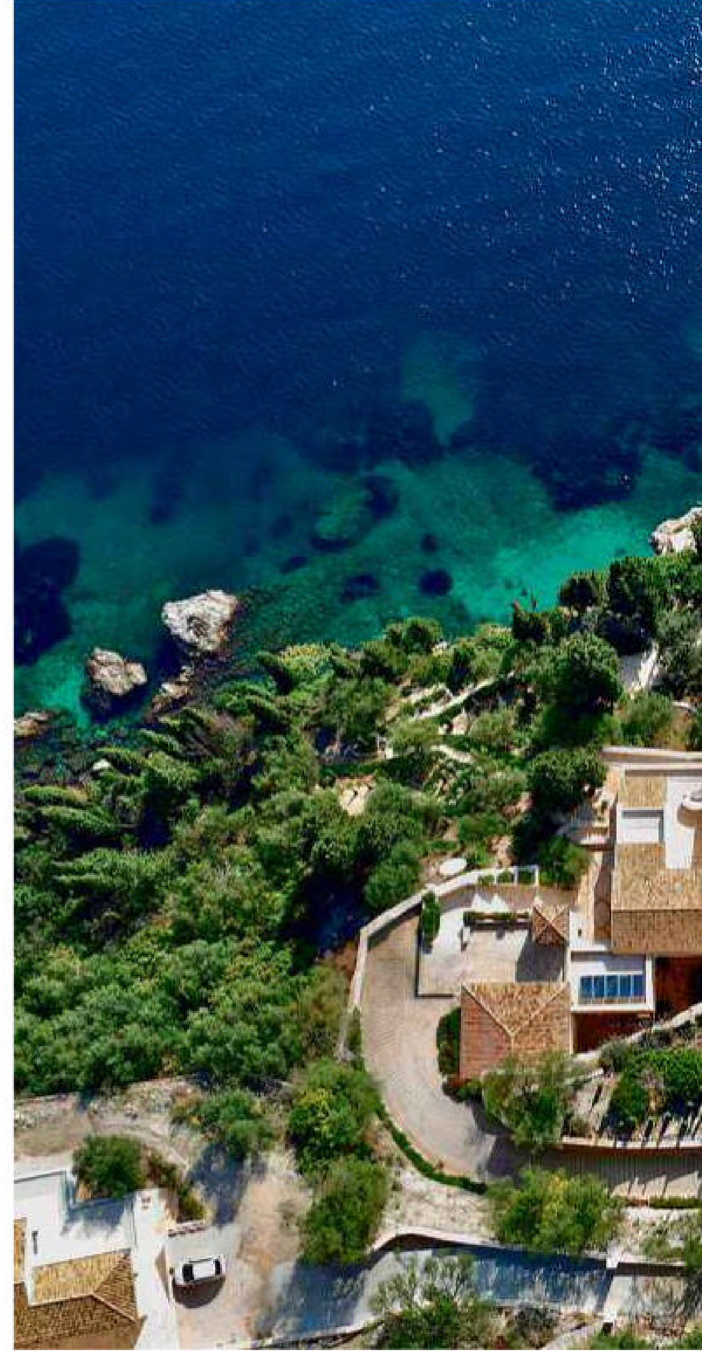
in south Devon – and that's saying something considering the breadth of breath-taking cliff walks nearby, not to mention wind-swept Dartmoor, which lies only a 40-minute drive away.

Our beach hut, at the end of the wooden deck, with its back to the rock and an expanse of ocean in front, was impossibly snug. There is an electric faux-fire by the sliding doors, when you walk in, and a decanter of sloe gin to complete the ambience. You can even lie in bed each morning, on the little mezzanine floor upstairs, and gaze out at the first glimmers of sunshine, shimmering off the bay. But nothing beats sitting out on the deck with a chilled glass of rosé and a book. It must be spectacular in summer.

Mind you, it wasn't half bad in October when we went. The odd shower swept in, as you would expect for the time of year. But after arriving, and as we were being shown to our hut, a vivid rainbow broke out across the bay. I joked that the Cary Arms had arranged it just for us. If the hotel did, they seemed to do it for all of their guests. I have never seen and admired so many rainbows as over the course of that long weekend, all framed against an iridescent light, and sat, as we were, on the deck of our cosy little beach hut, book and a glass of rosé in hand.

Chris was a guest of the Cary Arms & Spa. There is a range of accommodation to choose from including self-catering cottages, luxury beach huts and suites. See caryarms.co.uk. The Luxury Seaview Rooms starts from £275 per night B&B. Wild swimming trips cost from £50.

This week: properties in the sun – from two interconnecting villas built in a minimalist style in a hillside region in Port



▲ **Soneva Jani, Maldives.** A villa in the Soneva Jani resort in the tiny, remote archipelago of Noonu Atoll, surrounded by a 5.6km private lagoon. The villa has a private swimming pool, gym, wine cellar, sunken dining room and a water slide. 4 beds, 4 baths, Wi-Fi, air-conditioning, butler service. $9m sonevavillaownership.com.

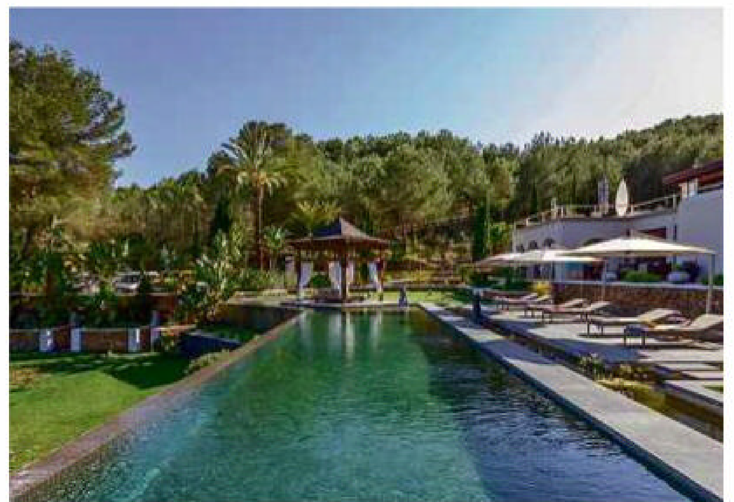
▶ **Agni, Anassa, Corfu, Greece.** An estate with three properties set in 2.92 acres of landscaped gardens that include an infinity pool and a terrace leading to a private cove. Main villa: 6 beds, 6 baths, 2 receps, kitchen, guest house with 3 en-suite bedrooms; studio flat; 2-bed villa. £10.8m Greece Sotheby's International Realty +30 210 968 1070.

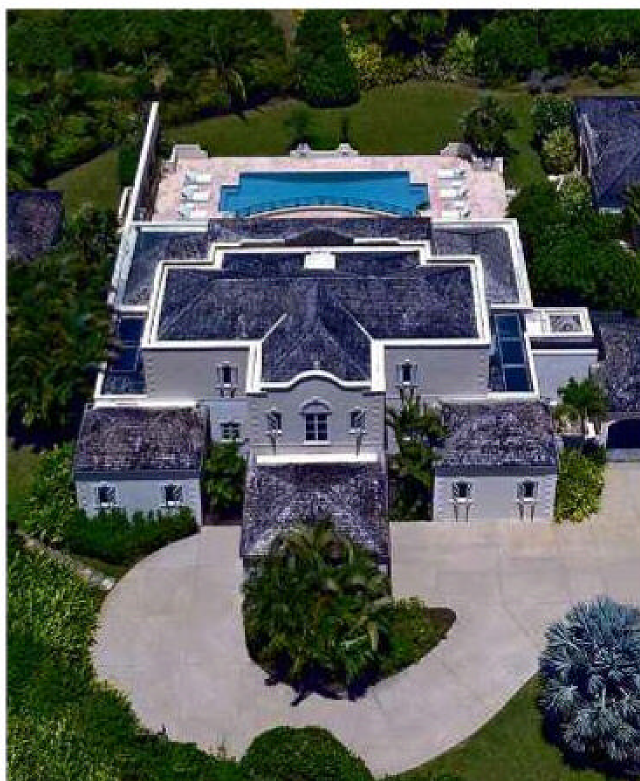
▶ **Casa Dare to Dream, Playa Hermosa, Carrillo, Costa Rica.** A contemporary house built into the cliffs of Playa Hermosa, a popular town in the Guanacaste province of Costa Rica. The house is set in a gated community with access to a country club and has floor-to ceiling windows overlooking the bay, and a fully equipped gourmet kitchen. 5 beds, 5 baths, recep, sauna, swimming pool, gardens. £1.73m Mayfair +1 888 572 4627.

ugal's Algarve, to a property in the Soneva Jani resort in the remote Maldives archipelago of Noonu Atoll

◀ **Casa Luum, Santa Barbara de Nexe, Algarve, Portugal.** Two connecting minimalist villas set among olive and cork trees in a hillside region north of Faro. The villas have handmade doors, windows and shutters, a contemporary open fireplace and two swimming pools set among terraces and gardens. 4-bed, 2-bath villa with kitchen and 2 receps; 3-bed villa with a roof terrace; laundry, courtyards, electric-gated entrance, 0.43 acres. £3.06m Signature Properties Solutions +351 289 103 168.

▶ **Secret Cove, San Juan, Ibiza.** A villa in the Atzaro Mountain area set in landscaped gardens with an infinity pool made out of volcanic stone. The house has marble floors and an open fireplace. 4 beds, 4 baths, 4 outdoor baths, 2-bed annexe, 1-bed flat, 7.5 acres. £5.5m Fine & Country +34 634 080 922.





▲ **Monkey Manor, St James, Barbados.** A property in the Royal Westmoreland gated estate minutes from the beach and set in nearly an acre of tropical gardens overlooking the Caribbean Sea. It has an entrance hall with a grand chandelier and a custom-designed staircase. 7 beds, kitchen, 2 receps, 2-bed cottage, gardener's cottage, swimming pool. £4.52m Hamptons International 020-7265 6571.

◀ **Sandyport, Nassau, Bahamas.** A furnished house by the canal in a gated community within walking distance of a white sandy beach, with access to shared amenities, including restaurants, medical centres, shops and a school. It has open-plan living areas, floor-to-ceiling windows, marble floors, a private swimming pool and mooring on the canal. 6 beds, 5 baths, 2 receps, kitchen, balcony, terraced garden, 0.1 acre. £1.04m Knight Frank 020-7861 1553.

▶ **Little Pond, Sarasota, Florida, America.** This property is set in landscaped waterfront gardens on the edge of Cocoanut Bayou. It is part of Cocoanut Bayou Association and comes with private deeded access to the beach. It has high ceilings, sliding glass doors and a large master suite with a private terrace overlooking the bay. 5 beds, 4 baths, 2 receps, breakfast kitchen, screened pool and spa area, gardens, terraces, boat dock, 0.75 acres. £2.08m Michael Saunders & Company +1 941 266 0529.

A proper BMW – but electric

The new i4 saloon will suit drivers who don't want to let petrol power go, says Jasper Spires

BMW began its foray into the electric-vehicle (EV) world nine years ago with the i3 hatchback – "a courageous and radical little car that didn't quite work", says Steve Cropley in Autocar. But the new i4 "sits at the other end of the engineering and styling spectrum". This mid-sized saloon doesn't take the "I'm-electric-so-I'm-different route". Instead, it "adopts relatively familiar Gran Sport four-door body styling that looks sleek and sporty, but doesn't frighten the horses".

"The i4 is built for those who traditionally shun EVs thinking they are cold and clinical and are looking for more spirited drives," says Jeremy White on Wired. The steering is "famously precise", coupled with the kind of performance that means drivers must keep their wits about them. It's a car for those who have "let petrol power go, but can't bear to see it leave".

"The 'entry-level' eDrive40 model, with rear-wheel drive and one electric motor, competes with everything from small premium SUVs… through to the award winning Tesla Model 3," says WhatCar. It produces 335bhp and goes from zero to 62mph in 5.7 seconds, with an official range of 367 miles. That's enough for most drivers, "but if you're the kind of person who finds roller coasters a bit boring", there's the "range-topping" M50 with two motors and four-wheel drive. This produces a "whopping 536bhp" – pitching it against the Model 3 Performance and Polestar 2 – races from zero to 62mph in 3.9 seconds, and has a range of 318 miles.

The M50 is "seriously fast" in its sport boost setting, says TopGear, yet the milder modes make it "easy to dawdle". It's a "better steer" than Tesla's Model 3, has the range for most road trips, and charges fast. "This is a proper BMW."

Wine of the week: a worthy ambassador for a much-maligned style

2021 Macerao, Naranjo Orange Wine, Itata Valley, Chile (£8.99, Waitrose)

Matthew Jukes
Wine columnist

I am not one for New Year's resolutions, and I certainly do not want you thinking that I have turned over a new leaf and now embrace the subject of orange wines, but this inexpensive wine is indeed a rather wonderful way to welcome in 2022. Orange wines are white wines made in the same manner as red wines. They are fermented on their skins instead of crushing the grapes, discarding the skins and just carrying on with the juice. This technique of "skin contact" colours the wine, lending it an orange hue, hence the name.

My problem with orange wines is that they often have a cidery, funky feel about them. There is a distinct lack of freshness coupled with raucous acidity. None of these traits excites me, but when I tasted Macerao, a 100% moscatel made from 60-year-old, unirrigated vines, which is hand-harvested, fermented with wild yeasts and left for 90 days on its skins, I felt angels dancing on my tongue!

With an energetic 12.5% alcohol and a refreshingly dry finish, this floral, mandarin-scented white wine is both delightful and super-fresh. It is a far cry from the dank, occluded examples that have put me off this style of wine to date. While this is a fairly simple creation, I can assure you that it is a worthy ambassador for this much-maligned wine style and, who knows, perhaps it will inspire others to make cleaner, brighter and tastier orange wines going forward.

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

The priciest artworks of 2021

The temperature in the art market keeps soaring. Chris Carter reports

1. $103.4m – *Femme Assise près d'une Fenêtre (Marie-Thérèse)* (1932). Pablo Picasso's portrait (pictured) of his muse "as a winged goddess, a modern-day Nike", was the only artwork to sell for nine figures in dollar terms last year, according to Christie's in New York. That was an improvement on 2020, when none breached the $100m mark.

2. $93.1m – *In This Case* (1983). Jean-Michel Basquiat underscored his status as the artist of the moment with the sale of this, the last of his three iconic *Skull* paintings with Christie's. It was only the second of the three to come to auction, but it didn't quite reach the $110.5m that Japanese billionaire Yusaku Maezawa paid for *Untitled* (1982) in 2017.

3. $92.2m – *Portrait of a Young Man Holding a Roundel* (c.1480). Sandro Botticelli's painting caused a stir at the start of the year when it was auctioned by Sotheby's. The price was nine times higher than the previous record for a Botticelli of $10.4m, set in 2013, and the second-highest for an Old Master after Leonardo da Vinci's *Salvator Mundi*, which sold for $450m in 2017.

4. $82.5m – *No.7* (1951). Mark Rothko's vibrant painting of three luminous and distinct bands of pink, yellow and orange dates from the moment Rothko developed his signature style of abstraction. It was the highest-selling lot from the Macklowe Collection at Sotheby's $676m sale, which produced four of the top ten highest auction prices, including…

5. $78.4m – *Le Nez* (1947). Swiss artist Alberto Giacometti was one of the most important sculptors of the 20th century, and his "craggy, emaciated figures… have come to symbolise the human condition in the wake of World War II", notes Sotheby's in its catalogue. *Le Nez* was the only sculpture to make the top-ten list, bought by crypto entrepreneur Justin Sun.

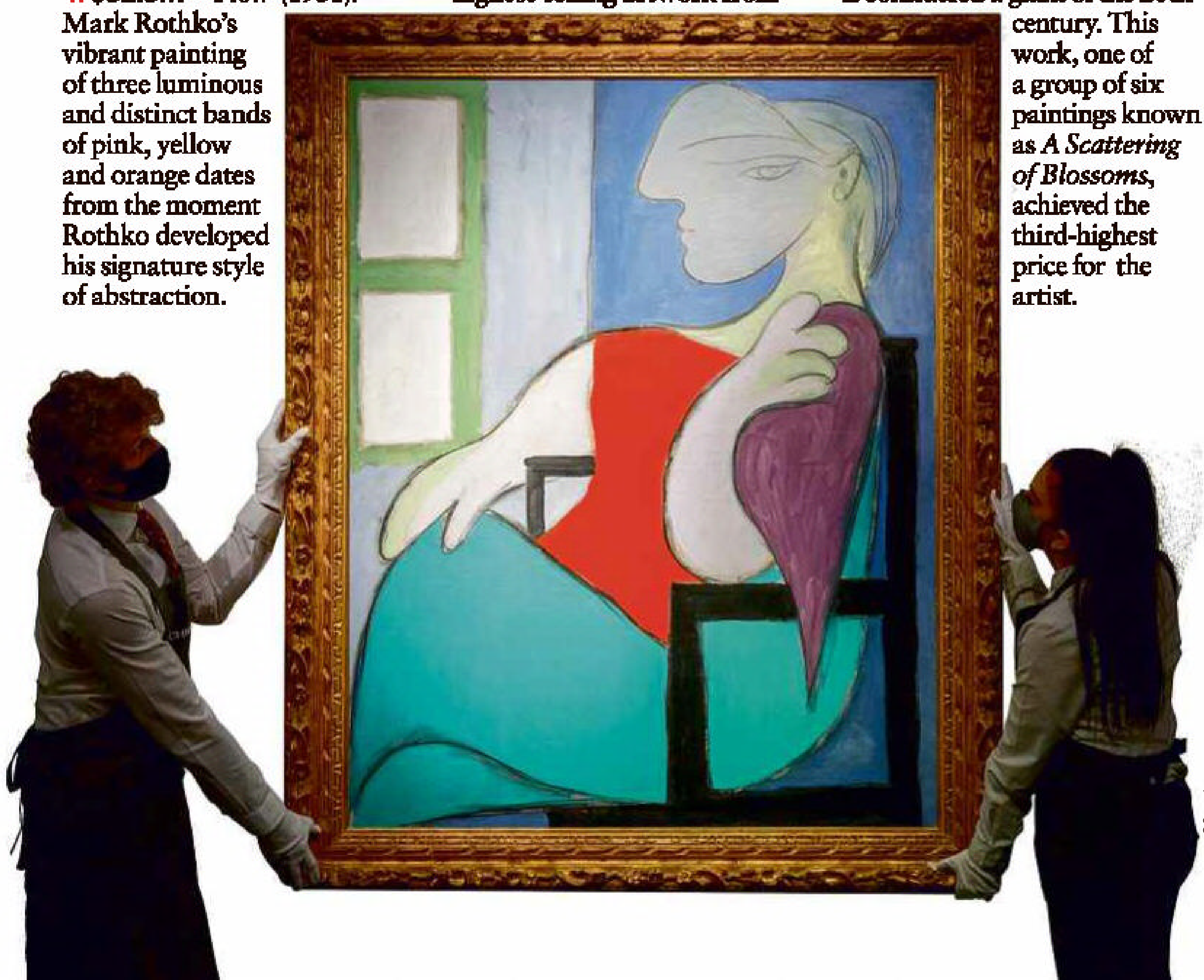
6. $71.4m – *Cabanes de Bois Parmi les Oliviers et Cyprès* (1889). This Provençal scene of a wooden cabin amid olive trees and cypresses in southern France by Vincent van Gogh was the highlight of Christie's *The Cox Collection: The Story of Impressionism* sale in November, which also featured works by Claude Monet, Paul Cézanne and Edgar Degas.

7. $70.4m – *Le Bassin aux Nymphéas* (1917-1919). Claude Monet's impressionist work of his iconic water lilies was painted towards the end of his career. It was easily the highest-selling artwork from the Sotheby's evening sale in May, even if it didn't reach the $110.7m that Monet's *Meules* (1890) fetched in 2019, also with Sotheby's. But it was higher than…

8. $69.3m – *Everydays: The First 5000 Days* (2021). While the price for a newly "minted" digital artwork (NFT – non-fungible token) still has some way to go before topping Monet's century-old paintings, or indeed Botticelli's 500-plus-year-old work, the astonishing sum achieved for the work by Beeple (Mike Winkelmann) at Christie's set off the year-defining NFT craze.

9. $61.2m – *Number 17* (1951). The final two in the list also came from the Macklowe Collection. Sotheby's achieved a new high auction price for the artist, American painter Jackson Pollock, when it sold the abstract expressionist work for around twice its pre-sale estimate. Then again, Pollock's drip paintings only occasionally come up for auction.

10. $58.9m – *Untitled* (2007). Cy Twombly's 18-foot-wide artwork was the second from this century to make the list, but comes from towards the end of the artist's long career. Twombly is considered a giant of the 20th century. This work, one of a group of six paintings known as *A Scattering of Blossoms*, achieved the third-highest price for the artist.



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A bumper year for the auction houses

©Phillips

Will the auction world have an even better year than in 2021? It has its work cut out. The previous 12 months have seen a tidal wave of released pent-up demand stemming from the first year of the pandemic. According to art market research firm ArtTactic, auction sales at the big three auction houses – Sotheby's, Christie's and Phillips – reached an all-time high of $12.5bn in 2021 up to 10 December, a rise of 69% on the same period in 2020, and 1.6% higher than the previous high, set in 2018. Sotheby's accounted for almost half of that figure, with its sales figure for the year to mid-December the strongest in its 277-year history. Its auction sales, at $6bn, were 71% higher than last year, and even 26% higher than in 2019, before the pandemic.

Rival Christie's also had a stand-out year. It projected its sales (including private sales) for 2021 to reach $7.1bn, a five-year high and 54% and 22% higher than in 2020 and 2019 respectively. It also stole the bragging rights for having sold the most expensive artwork of the year, while also being arguably responsible for setting the hottest trend of 2021 – NFTs (see left).

Phillips only managed to grab a comparatively measly 7.7% slice of that $12.5bn sales figure mentioned above. But it won't be feeling sorry for itself. The watch department at Phillips found a buyer for every watch it offered last year, the first time any auction house has achieved that feat, to achieve a record-high auction total of $209.3m. It sold 27 timepieces for more than $1m – the highest price fetched, at a little over CHF7m (£5.7m), was for a "fabled" gold Patek Philippe Ref. 2523 (pictured). Phillips has asserted itself as the leading auction house in this lucrative and growing collectables market.

Let's get everyone inside again in 2022

The government's response to the pandemic proved a surprising point about homelessness

The Slide family's traditional Christmas endeavour to give some succour to the less fortunate met with an unusual form of resistance this year. A letter from the local housing shelter that we support wrote to us to ask if we kindly wouldn't mind not sending them any more money as they just didn't have anything to do with it. Homelessness, in our part of the shires at least, appears to have been solved.

Our future king is making room for the homeless in his heart – and his palaces

©Getty Images

"Homelessness, in our part of the shires at least, appears to have been solved"

And it was the government what done it. Having for years convinced us that homelessness was a very tricky and difficult problem that it was powerless to affect, the government discovered in the early months of the pandemic that solving the problem was within its gift after all, and it cleared the streets with a wave of its magic wand of power. As Simon Hattenstone and Daniel Lavelle explain in The Guardian, for years the hole left by government inaction has been filled by Christmas appeals for help. But at the start of the first lockdown, the government found £105m to get England's homeless people off the streets and into emergency accomodation. Once off the streets, the idea was to provide them with support to help get their lives back on track. It was a step closer to a Housing First model, first developed in New York in the 1990s, whereby homeless people are housed before trying to address their needs and change behaviour. Britain's "impromptu version" of this policy housed most of Britain's rough sleepers within days.

That good work is in danger of being undone as the government "reverts to type" and homelessness once again becomes a low priority, say Hattenstone and Lavelle. According to homeless charity Shelter, 77% of the 37,430 people helped under the government's Everyone In scheme are now not in settled accommodation and almost one in four not accommodated at all. As for the idea of ongoing support, the project did not last long enough and was insufficiently resourced to provide it. So it's back to charity – in the summer, The Big Issue launched a campaign to get the government to pay off £360m in rent arrears to stave off a long-term homelessness crisis.

Blowing your fortune on charity

The Slides have redirected funds to where they seem most needed. But we must admit to hanging our heads in shame at the modesty of our efforts when we read that actor Michael Sheen turned himself into a "not-for-profit actor" when a charitable effort to help the homeless that he was organising suddenly became strapped for cash. He sold up a house in the US and one here and "put all my money into keeping it going", he told Wales Online. "It was scary and incredibly stressful. I'll be paying for it for a long time." Not to be outdone, Prince William, the Duke of Cambridge, is looking into using the Duchy of Cornwall properties that he will inherit to house the homeless, reports The Daily Telegraph. "The Duke is interested in finding ways to help alleviate the homelessness situation in any way he can," a source told the paper. He is patron of The Passage charity, which helps up to 200 homeless people a day in London. The Slide family have resolved to be more generous in 2022. Happy New Year.

Quintus Slide

Tabloid money… a greener Britain will be a colder, darker place

● "What is it with celebrities who make millions and think they've cracked the key to what it is the public really need?" wonders Mercy Muroki in The Sun. Pop singer Dua Lipa (pictured) is the latest celebrity-turned-lifestyle guru. The 26-year-old is launching a venture, called Service95, which she describes as "a style, culture and society concierge service". Cue the rolling of eyes. Celebrity gurus Gwyneth Paltrow, Kourtney Kardashian and Reese Witherspoon already advise their fans on music and what to wear and read. "Do we really need… [another] star telling us if we buy those £100 candles, £500 face creams and go on a vegan diet of seaweed, hemp milk and chia seeds, we'll be happy?" Most people would be happy with cheaper bills and the odd bargain in the sales. "If Dua has any tips here, I'm sure she'll be a hit. Until then, my free lifestyle advice is to avoid A-list know-it-alls."

● Green dogma has replaced communism in the minds of the global left, says Peter Hitchens in The Mail on Sunday. And like communism, it has a noble goal in saving the planet. Any opposition is wicked, all doubt is unforgivable. "In the minds of these people, a golden future lies just beyond the next hill, provided by sunshine and windmills." Efficient and modern coal power stations are wantonly destroyed, while we submit to the folly of failing to renew our nuclear ones. But sunshine and wind are not enough. So we have become hopelessly reliant on gas, which has become so expensive. "By next autumn, we will all be paying hard cash to sustain… [this] dogmatic lunacy." Britain will be a colder and darker place.

● Like the £15bn investment scam of Bernie Madoff, who died last April, bitcoin is just another Ponzi scheme, says Alex Brummer in The Daily Mail. The cryptocurrency has been lent respectability by El Salvador making it legal tender and Tesla CEO Elon Musk buying it up. Fortunes have been made by early adopters, but they have only been able to cash out at the expense of new money coming in. Those new buyers hope for the same handsome returns. There is no other source of external income. "Unlike, say, investment in shares and bonds, bitcoin makes no contribution to the greater economic or public good." And there is no recourse to the legal processes that recovered 70% of lost funds for early Madoff investors. "Bitcoin is a scam that will only end in tears."

©Getty Images

Bridge by Andrew Robson

Acelessness

Plan the play in Six Hearts on a Diamond lead.

Dealer North — Both sides vulnerable

North:
♠ KQ965
♥ KQ
♦ K
♣ K10762

West:
♠ J832
♥ J87
♦ Q752
♣ A9

East:
♠ A1074
♥ 63
♦ 10864
♣ J53

South:
♠ –
♥ A109542
♦ AJ93
♣ Q84

The bidding

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

* Fourth Suit Forcing – “We’re going to game, more information please.”

** North has a good hand except for the extreme scarcity in one respect: Aces. I admit I’d have allowed my acelessness to dissuade me from a slam venture, but North asked partner how many Aces they owned, using the Blackwood convention.

*** Knowing they have sufficient first-round controls (Aces and voids) for slam, South didn’t bother to answer.

Declarer won West’s Diamond lead in dummy and had much work to do. His first move was clear – to lead dummy’s King of Spades. Show me an East who would not cover with the Ace (or at least hesitate).

East did indeed play the Ace, so declarer ruffed. Declarer crossed to a Heart, ruffed a second Spade, crossed to a second Heart and ruffed a third Spade. He then cashed the Ace of Hearts, discarding a Club from dummy.

At trick eight, declarer led a low Club towards dummy, West ducking (best). Declarer won dummy’s King, cashed the Queen of Spades discarding a Diamond, pleased to observe the four-four split, and enjoyed the fifth Spade discarding a Club.

At trick 11, declarer led a Club to his now-bare Queen. West won the bare Ace but had to lead a Diamond round to declarer’s Ace-Knave. Twelve tricks and slam made.

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

Sudoku 1085

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

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

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

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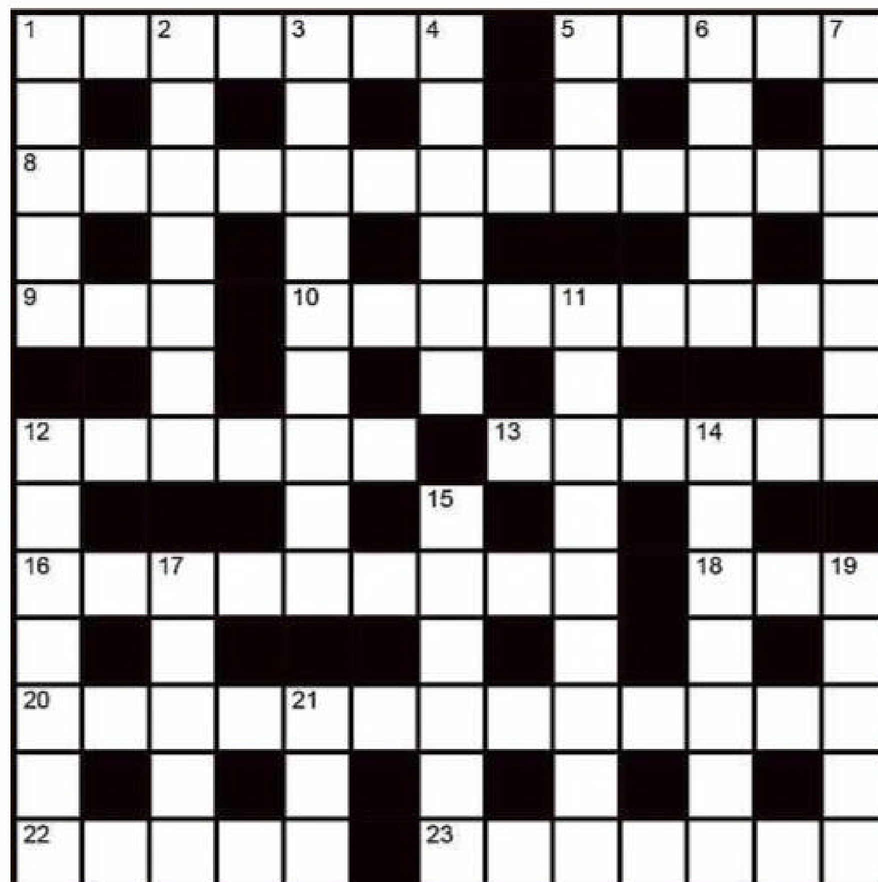
Tim Moorey’s Quick Crossword No.1085

A bottle of Taylor’s Late Bottled Vintage will be given to the sender of the first correct solution opened on 17 January 2022. Answers to MoneyWeek’s Quick Crossword No.1085, 121-141 Westbourne Terrace, Paddington, London W2 6JR



Across clues are mildly cryptic while down clues are straight

ACROSS
1 Complaint found in spot check? (7)
5 Refuse part of eyeshadow as tested (5)
8 Unexpected response from awfully pleasant chief (4, 2, 3, 4)
9 Deer in line by the sound of it (3)
10 All fine working with me in French (2, 7)
12 State in which bonsai is developed (6)
13 Wine cartel busted (6)
16 Poor Mimi getting allowance from new entrant (9)
18 Not entirely consistent relative (3)
20 Bonus for hair stylist? (6, 7)
22 Still lives with large hairy creatures (5)
23 A princely sum paid to musician? (7)

DOWN
1 Scrooge (5)
2 Rouses (7)
3 Hanging around (9)
4 Embark on a journey (3, 3)
5 A small Scotch? (3)
6 Theatre seat (5)
7 Asian mountain (7)
11 Belligerence (9)
12 In short (7)
14 Calming (7)
15 Hairdresser (6)
17 Slightly wet (5)
19 Indonesian dish (5)
21 Empty talk (3)

Name ....

Address ....

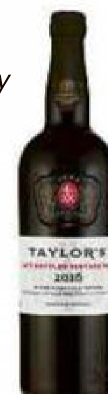
Solutions to 1082

Across 1 Bali *homophone* 3 Pavement *two definitions* 9 Net loss *deceptive definition* 10 Tears *anagram* 11 Alec Guinness *anagram* 13 Neighs *homophone* 15 Murder *reversal of Red Rum* 17 Heart of stone *middle letter of stone is O* 20 Realm *real + m* 21 Cheated *c = cold + heated* 22 Hedonism *anagram* 23 Tory *story less s*

Down 1 Bandanna 2 Latte 4 Austin 5 Extinguished 6 Elapsed 7 Test 8 Longshoreman 12 Friendly 14 Iceland 16 Forces 18 Outdo 19 Arch.

The winner of MoneyWeek Quick Crossword No.1082 is: Angela Fuller of Leeds

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.

Fables of the season

From coronavirus rules to monetary policy, we are surrounded by nonsense

Bill Bonner
Columnist

A "papers please" culture does nothing to stop Covid-19

Just before Christmas, we came to France. We had hoped to take the ferry, but the ferries between France and Ireland are all booked up. "Brexit" was the one-word explanation at Irish Ferries.

But this is not a good time to make the sea crossing, anyway. The waves can be rough. So, we took a plane from Dublin to Paris, and then a car down to Poitou.

One son was already there; he had prepared a jolly, warm fire in the kitchen. The morning was freezing cold and white as the tree-tops glistened with frost. Later in the day, temperatures rose and we enjoyed the soft, melancholy stillness of midwinter.

Panic and farce

Here in France, half the people you meet are in a panic about the new strain of coronavirus. The other half are fed up with the hysteria and ready to move on.

In public places, you are required to wear a mask inside. Restaurants and bars are supposed to check if you are vaccinated or have a recent negative test. Some do. Some don't. The gendarmes come along, occasionally, and ask to see your *pass sanitaire* (health pass).

"First, the Covid-19 tests were free," says our local source. "Then they were free only if you were vaccinated. And now, they're planning to eliminate the testing option; so you have to be vaccinated. Even if you have a negative test result, you still won't be allowed in a restaurant. And even if you are vaccinated, you'll need a negative test result too.

"There's a lot of faking going on," our man continues. "You copy someone else's 'health pass'. Shopkeepers are not allowed to ask for identification, so they have no way of knowing if those are your papers or not. Most don't care. They just want to see a paper so they can say they did their jobs."

> *"Life goes on, full of nonsense, illusions, claptrap, fraud and debt"*

The great illusion

There's an under-reported story here. Or, at least an open question: would people be better off if the politicians had kept out of it, leaving health issues to patients and their doctors? And yet life goes on, full of nonsense, illusions, claptrap, fraud… and debt.

Social distancing, lockdowns, and bailouts have taken trillions of dollars out of the global economy. To replace that, the feds everywhere have printed up new money – and spent it.

Global debt rose by $20trn in the first six months of 2021 year, according to the Institute of International Finance. It was the biggest year-over-year increase in debt since 1970. Total debt is now over $300trn – more than three times world GDP.

That alone tells you why the feds will not return to "normal". At a normal-ish interest rate of 5%, just the interest on this debt would cost $15trn – or one-sixth of GDP – annually. It's just not possible.

The bottom line

£11,000 The price per square foot an anonymous billionaire has paid for a four-bedroom, 3,442 sq ft duplex in the former War Office on Whitehall, London, for a combined £40m, beating the record £7,400 paid for a flat at One Hyde Park in 2017. The building has doubled as the headquarters of MI6 in three James Bond films, most recently in 1989's *Licence to Kill*.

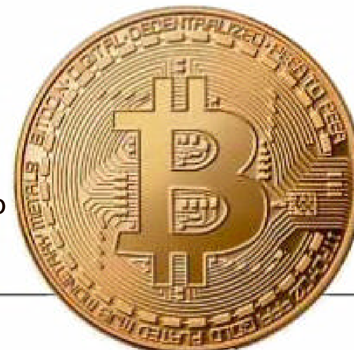
6.5trn The value of bribes in Russian roubles (£67bn) paid by companies in Russia to public procurement officials every year; more than is spent on education and healthcare, according to Russia's RBC Media, citing research by the Higher School of Economics in Moscow.

€132,680 How much, including fees, an NFT (non-fungible token) of the world's first text message fetched at Paris auction house Aguttes. The message, sold by Vodafone in aid of the UN refugee agency UNHCR, was sent within Britain by engineer Neil Papworth to Vodafone director Richard Jarvis on 3 December 1992. It read "Merry Christmas".

£28.9m The average price of a home on Tite Street in Chelsea, west London, the most expensive road on which to buy a property in England and Wales, according to Halifax. The street has been home to famous artistic figures, including Oscar Wilde.

€15m The annual fee Denmark has agreed to pay Kosovo to rent 300 prison cells for an initial five years in a bid to ease overcrowding. The cells will be used for non-EU criminals, who were due to be deported at the end of their sentences.

$232bn The combined value of the five million bitcoins, equivalent to 27% of the total in circulation, that are held by 10,000 cryptocurrency investors, equivalent to just 0.01% of all bitcoin investors, according to the National Bureau of Economic Research.



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MoneyWeek, 121-141 Westbourne Terrace, London W2 6JR
Tel: 020-3890 4060. Email: editor@moneyweek.com.

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