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El Salvador's bitcoin-mad president

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The weird world of Martinware
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MoneyWeek

11 February 2022 | Issue 1090

Britain's best-selling financial magazine

From the editor-in-chief...

This month has been a good one for the UK's oil giants. Last week Shell reported 2021 earnings of $19.3bn and this week BP announced its best profit numbers in eight years (see page 13). Add up what these two are making and it comes to real money, says Labour's Anas Sarwar. Think "£44,710 a minute". That doesn't sound fair does it – particularly when all our energy bills are soaring?

Luckily there are politicians aplenty with ideas about how to make it fair. Here's the Lib Dems' Ed Davey on the matter. "It just cannot be right that these energy companies are making super profits without suffering an extra tax while people out there are too scared to turn their radiators on." Labour is with him: it reckons it is time for a windfall tax on North Sea oil profits. That sounds logical – after all, as windfall-tax fans point out, the extra profits are nothing to do with these firms' own cleverness and everything to do with global supply and demand dynamics. However, the truth is that the idea is really anything but logical.

First, it isn't clear that the big oil firms are seeing much of a windfall at all. As economist Julian Jessop points out, they took massive lockdown-related hits in 2020. Add 2020 and 2021 together and "energy firms are still worse off than if the pandemic hadn't happened". No windfall here. Still, let's ignore 2020 – everyone else does – and just think about 2021. Yes, the oil companies have done well, but will we get what we want by taxing them even more this year than we did last year? (Note that the marginal tax rate on UK North Sea production is already around 40%, so higher than standard UK corporation tax.)

This year's windfall for oil follows huge losses in the pandemic

©Getty Images

> *"The oil giants have done well, but we won't get what we want by taxing them even more"*

Investing in what we really need

We want to see heavy investment in the renewable energy we need for transition. BP says it intends to increase spending on renewable energy to 40% of total expenditure by 2025. Add that to Shell's commitments in the area and these two are some of the biggest players in the renewables sector. A lot of the money being made from keeping today's energy show on the road is being poured into getting tomorrow's under way. That, to my mind, is the very definition of the kind of sustainable we should be encouraging – not penalising.

We also need oil and gas. Right now we are more than 80% reliant on non-renewable fuels in the UK and as Paul Jourdan of Amati Global Investors points out, our own UK Climate Change Committee estimates that we will consume 18.3 billion barrels of oil equivalent (boe) of oil and gas over the next three decades with a mere 8.5 billion boe of that coming from the North Sea. That's not really enough, in energy security terms or in price terms (oil prices are global, but the gas price is local). Cutting fossil-fuel production in the UK (by giving firms an incentive to go elsewhere, or just to stop exploring) makes no sense at all. Better to create an incentive for more production, so that we can keep prices low and limit the hardships on the way to net zero.

This is not, I think, complicated stuff. But I can make it even easier perhaps for the tax-them-now crowd to grasp with a simple question. When you have a supply problem that is driving prices up to lifestyle-destroying levels, should you a) make the problem worse by introducing measures that will almost definitely reduce supply further, or b) work to increase supply? This is not a trick question.

Merryn Somerset Webb
editor@moneyweek.com

Supply shortage of the week

©Getty Images

Demand for superyachts is outstripping supply, says Bloomberg. Last year saw 887 superyachts change hands worldwide – a 77% rise from 2020 and more than twice the number sold in 2019 – on the back of rising wealth and a growing appetite for solitary recreation during the pandemic. Superyachts take years to build and the surge in buyers who want to take delivery immediately has depleted the secondhand market. Amazon's founder Jeff Bezos is among those waiting for a new yacht – in his case a 417-foot-long vessel, under construction in the Netherlands – while film director Steven Spielberg also has one on order after putting his old boat, the 282-foot *Seven Seas*, up for sale last November at a price of $158m.

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

Good week for:

An **anonymous British lottery player** has won £109.9m in last Friday's EuroMillions draw, says The Daily Telegraph. The win is the seventh biggest lottery win in British history. The largest ever was a £170m EuroMillions jackpot in October 2019.

Wade Short and Veronica Lisbon have been awarded A$3,100.53 (£1,600) after Australia Post repeatedly failed to deliver parcels to their address following a row with their deliveryman, says The Age. A tribunal in Melbourne heard that the couple had to spend half an hour per week visiting the delivery office from June 2020 to December 2021, and ordered the postal service to pay compensation for inconvenience.

Bad week for:

British holidaymaker **John Nisill** racked up a £192,069 bill on his work mobile phone during a four-day trip to Turkey after being charged exorbitant roaming costs, says The Sun. Nisill says he made 16 minutes of calls and sent a few emails, but was told that he was being charged £80 every 30 seconds and had used 46GB of data. BT says it will waive the charges.

Telecoms mogul **Mohamed Amersi** (pictured) is demanding the return of £200,000 in donations that he made to the Conservative Party after he did not receive perks that he was promised , says The Guardian. Amersi says he had paid £50,000 to be in the "Leader's Group" donor club, but was not invited to elite events. He also paid £150,000 for auction prizes that he never received, including breakfast with prime minister Boris Johnson, a meal with former foreign secretary Jeremy Hunt and a magic show from former defence secretary Penny Mordaunt, who once worked as a magician's assistant.

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Diverging fortunes for big tech

Alex Rankine
Markets editor

The tech giants have an outsized influence on how the wider US market performs

©Getty Images

Thursday 3 February 2022 could go down "in the annals as the day of the most spectacular stockmarket tumble in history", says Philippe Escande in Le Monde. Meta Platforms – formerly known as Facebook – saw roughly $230bn wiped off its value following disappointing fourth-quarter results (see page 7). Yet the following day Amazon's shares leapt, taking its valuation up by a spectacular $190bn following a strong trading update. Investors are becoming more discriminate about which tech stocks they buy.

January's sell-off had been concentrated in the frothiest parts of the market, hitting the likes of bitcoin and Cathie Wood's Ark Innovation ETF, says Katie Martin in the Financial Times. Investors had just started to get over that "wobble", only for Mark Zuckerberg's firm to raise new doubts about the very "bedrock" of the market. Meta is so large that its record plunge was enough to drive the whole S&P 500 index to its biggest daily loss in nearly a year. The sheer size of the tech giants leaves investors who buy index trackers more exposed to the fortunes of individual firms than many realise.

It can be "difficult to comprehend" just how big the tech giants have grown, says Jasper Jolly in The Guardian. Apple earned $67bn before tax in its last financial year, enough to pay for the UK government's combined spending on defence and transport. Amazon is the world's third-biggest employer. The tech giants dominate stock indexes, with the five biggest together accounting for more than one-fifth of the S&P 500. That level of market concentration has not been seen since the 1970s. The combined value of just eight firms – Alphabet, Apple, Meta, Netflix, Microsoft, Amazon, Nvidia and Tesla – sums to almost twice the combined value of all the 2,000-plus companies trading on the London Stock Exchange, adds Danny Fortson in The Sunday Times.

Forget FAANGs, buy AAA

The valuation of those eight has dropped from a frothy 33 times forward earnings at the end of last year to 28 times now. Rather than marking the end of the bull run, that looks more like "a healthy correction to the speculative excesses" of the past year, says Edward Yardeni of Yardeni Research – and perhaps a change in attitudes. Meta and Netflix "have fallen behind the competition and I don't see them catching up", says Peter Cohan on Forbes. The future belongs to Amazon, Apple and Alphabet. "FAANG [Facebook, Amazon, Apple, Netflix, Google] is dead. Long live AAA".

Tech bulls will add Microsoft, another firm with robust earnings, to that list says The Economist. Still, even this elite group faces trouble as they step on each other's toes. "The share of the five big firms' sales in markets that overlap has risen from 20% to 40% since 2015." That will continue as the entire industry rushes into concepts such as the "virtual-reality metaverse". As for Amazon, e-commerce margins are thin and competitors are muscling in on its profitable cloud business. "There comes a time in every great bull market where the dreams of investors collide with changing facts on the ground." Meta's mammoth slump might be only the start.

Small caps start to struggle

With big tech faltering, it might be time to look at smaller firms, says Emma Powell in The Times. Over the past two years the FTSE SmallCap index, which includes most of the FTSE All-Share firms that are not part of the FTSE 100 or FTSE 250, has returned twice as much as the FTSE 100. Constituents include the likes of transport firm Stagecoach and pub operator Fuller, Smith & Turner, many of which are more exposed to the domestic UK economy than multinational blue chips.

Small companies may also be able to grow quicker than their bigger and more mature rivals. The Aim market, which contains many of the newest and smallest firms, has gained 13% since the start of 2020, while the FTSE 100 has been flat. Yet that pattern has recently reversed. The FTSE Aim All-Share fell 10% in January, while the FTSE 100 made a small gain. The FTSE SmallCap has also lagged the FTSE 100 over the past year.

Fuller, Smith & Turner is down 20% over the past year

©Getty Images

"Small-caps are riskier than large-caps," says Russ Mould of AJ Bell. Aprt from common risks such as less business diversification and greater reliance on a key executive or founder, their lack of pricing power can make them more vulnerable to high inflation. This may be one explanation for the recent sell-off.

What's more, "the FTSE SmallCap index is near a 30-year high relative to the FTSE 100, suggesting they are expensive", says Chris Dillow in Investors' Chronicle. The FTSE SmallCap (excluding investment trusts) is on a price/earnings ratio of 27.35; the FTSE 100 is on 16. Some Aim shares may have solid growth prospects, but "history tells us that Aim shares are very often overpriced": Aim has underpeformed the FTSE All-Share over the long run. "Just as gamblers on horses bet too much on outsiders… so stockpickers are overly drawn to shares with a small chance of big returns".

Gold holds up in early turmoil

Gold is "one asset holding up through the early 2022 market turmoil", says Hardika Singh in The Wall Street Journal. The yellow metal has disappointed since it hit a record of $2,067 per ounce in August 2020. But with geopolitical tensions rising and equities tumbling, gold has held steady around $1,800 this year. Globally, gold-based exchange-traded funds (ETFs)saw net inflows of $2.7bn last month, the highest level since May 2021, says Adam Perlaky of the World Gold Council. Gold bugs will welcome that after a bruising 2021 that saw global outflows of $9.1bn from ETFs.

Rising bond yields are bad news for gold: since the metal pays no interest, investors will increasingly be tempted to sell it for low-risk assets that do, such as UK gilts or US treasury bonds. Given this backdrop, gold's relative resilience this year is impressive, says Elliot Smith for CNBC. Analysts at UBS think that partly reflects portfolio hedging – in rocky markets investors want some exposure to gold's tried-and-tested insurance characteristics – but also scepticism about the US Federal Reserve's pivot to tighter monetary policy. Investors may believe either that the Fed will stay "behind the curve" on tackling inflation or will overtighten, "causing growth to falter". In any case, market volatility is a key factor keeping gold aloft, says UBS. If trading is calmer later this year then investors will have less need of a golden comfort blanket, and prices could fall.

The Bank turns hawkish

"Better late than never," says Laith Khalaf of AJ Bell. Last week the Bank of England's monetary policy committee (MPC) raised interest rates to 0.5%, up from 0.25%. It was the second successive hike following December's rise and the first time the Bank has served up back-to-back hikes since 2004. With UK inflation running at 5.4% in December, the bank is now clearly in a "hawkish mood and is taking soaring inflation seriously", with its own forecasts seeing inflation peaking at 7.25% in April. However, policymakers are gloomy about the outlook, forecasting slower growth and the biggest fall in disposable incomes since at least 1990. "If that's not stagflation, it's pretty darn close."

©Getty Images

The Bank has hiked interest rates to 0.5%

Turning hawkish

Four members of the nine-person MPC voted to raise interest rates even more, up to 0.75%. Interest-rate markets are currently pricing in two more 0.25% hikes at the MPC's next two meetings, which would take rates to 1% by May. Investors expect rates to hit 1.5% by mid-2023. That would be a significant increase, considering that rates were just 0.1% as recently as December.

The MPC has also begun to unwind its quantitative easing (QE) programme, a process known as "quantitative tightening", says David Smith in The Sunday Times. The bank plans to undo the £20bn it has put into corporate bonds by the end of 2023. However, the process of unwinding the £875bn stock of UK government debt that it has built up since the financial crisis will be slower going. By not reinvesting the proceeds of maturing gilts, the Bank plans to run down its holdings by £70bn between now and the end of 2023. It may even start selling some of the gilts, meaning faster reductions, once interest rates hit 1%. This all "gives the lie to the many people who have told me over the years that QE would never be reversed".

A slow return to normal

Yet money is only getting tighter compared with historically easy conditions, says Jim Reid of Deutsche Bank. "In the 310-plus-year history of the Bank [before the 2007-2008 financial crisis] base rates were never below 2%." And investors don't think rates will rise much beyond 1.7% during this economic cycle. "We are still at emergency levels" compared with the pre-2007 world.

What is also historically unusual is the fact that interest rates have been stuck below the inflation rate for the past 13 years, says Hamish McRae on iNews. Soaring inflation shows that monetary policymakers need to normalise policy, but they won't do it quickly. "The world's central banks will tolerate higher inflation, say 3%-4%, for some time, raising interest rates only gradually." The return to interest rates that actually exceed the rate of inflation is likely to take up most of this decade.

Viewpoint

"Modern central banking is fairly new. Until the 19th century, private banks commonly issued their own currency notes… In the 1870s the Bank of England pioneered the 'lender of last resort' concept. British writer Walter Bagehot… summarised the central banks' job as averting panic by 'lending freely, to solvent firms, against good collateral, and at high rates'… That isn't what today's Federal Reserve does… it doesn't follow the 'high rates' part of Bagehot's advice… The entire global economy now hinges on a price… determined by a committee… Unlike other prices, it isn't a function of supply and demand… we have been through multiple bubbles brought about by ever-lower interest rates in an effort to avoid recessions… The Federal Reserve and its peers need to get back to boring, Bagehot-style central banking."

John Mauldin,
Thoughts from the Frontline

■ The shrinking pool of negative yields

Ultra-loose monetary policy has seen the amount of debt with a negative yield – meaning that borrowers are effectively being paid to borrow – soar in recent years. Huge central-bank purchases of bonds issued by governments and blue-chip companies pushed the global stock of negative-yielding debt up to $18trn by the end of 2020. But with central banks now in tightening mode, that figure has since fallen to $4.9trn, the lowest level since December 2015, says Bloomberg. That may mark "the beginning of the end for a mind-boggling anomaly in modern finance – people paying to lend out money". At the start of the year the German ten-year bund carried a -0.12% yield, but it recently turned positive for the first time since 2019.

MoneyWeek's guide to this week's share tips

Three to buy

National Grid
The Daily Telegraph
National Grid (NG) is an "oft-overlooked opportunity to benefit from the energy transition" and it is now "pivoting to electricity assets". It recently acquired Western Power Distribution, the UK's largest electricity distribution network operator, and plans to sell a majority stake in its gas grid. Electricity usage is predicted to rise significantly and NG's "monopoly position" means it could be a simple, low-risk way of capitalising on that growth. The company expects underlying earnings per share to grow 5%-7% between 2021 and 2026. It aims for its dividend at least to keep pace with inflation. *1,077p*

Porvair
Investors' Chronicle
Shares of filtration and environmental technology specialist Porvair "reversed their downward trajectory" after it reported a return to pre-pandemic profitability. Growth in its laboratory segment, which makes equipment for coronavirus testing, helped increase its revenues by 8% year on year. Sales of coolant and fuel filters for commercial aircraft fell by 10% as travel remained slow, but should pick up in 2022. The company has an "excellent... record of growth" and tends to give "conservative financial guidelines", so could perform better than expected. *680p*

ProCook
The Sunday Times
Cookware retailer ProCook removed its goods from Amazon last year as it "reckoned shoppers could be tempted onto its website" and into its shops. It benefited from an increase in home cooking during the pandemic – sales went up 37% in the year to April 2021. The return to offices and restaurants, rising energy bills and an increase in food prices will now be a key test. However, revenues for the three months to 9 January were up 34.6% from the same period the year before. *159p*

Two to sell

Carnival
The Daily Telegraph
Cruise-ship operator Carnival's "second consecutive plunge in revenues and a multibillion-dollar loss are hardly a surprise". It "may seem perverse" to suggest selling as travel restrictions ease. But the company's weaker balance sheet could limit its ability to cash in on the resurgence of travel. Heavy losses have eaten into shareholders' funds. Full-year results for 2021 show $9.4bn cash at hand, but debt of more than $30bn. These figures don't provide much comfort "should anything else unexpectedly go wrong". Maybe holidaymakers will "flock back to cruise ships when Covid-19 fades into the memory and becomes endemic". But consumers might also feel disinclined to "share a big boat with thousands of other passengers". *1,504p*

Deliveroo
Motley Fool
Online food-delivery company Deliveroo has underperformed the stockmarket so far this year, although it has shown impressive growth. Gross transaction value was up 36% year on year for the three months to 20 January. "The numbers suggest Deliveroo still has plenty of momentum post-pandemic." But that doesn't make it a good buy. Analysts expect the firm to post net losses of £226m and £196m for 2021 and 2022. Tougher regulations in Europe could make gig-economy companies such as Deliveroo reclassify some of their workers as employees, which may raise costs significantly. Rivals such as Uber and Just Eat also pose a threat. Avoid the stock for now. *149p*

...and the rest

Investors' Chronicle
Software company **NCC** helps clients get their software up and running should their provider fail. It also has a cybersecurity consultancy service. Last June it acquired US software business IPM for $220m, which will allow it to expand across the Atlantic. Buy *(189p)*. Gambling group **Rank** runs the Grosvenor casinos and Mecca bingo clubs. These were badly hit by the pandemic, but are enjoying a resurgence. The company "isn't out of the woods yet", but could be a recovery play. Hold *(162p)*.

Mail on Sunday
Mears does maintenance work for local authorities and housing associations. Sales and profits for its 2021 financial year will be ahead of market expectations and it has a strong pipeline of work for 2022. Its contracts last for years and are mostly inflation-linked. Buy *(215p)*.

Shares
Revolution Beauty's shares have dropped more than 25% since September due to Omicron, cost increases and supply-chain disruption. But the make-up, skincare and haircare firm has global growth potential. It has expanded retail distribution and its online arm since floating in July. Buy *(118.5p)*. Online marketing company **Dotdigital** has had a "violent" ride, hurt by signs of pressure on margins. But a recent update suggests issues are fading. It could be a takeover target at this depressed price. Buy *(140p)*.

The Daily Telegraph
Growth-focused investment trust **Scottish Mortgage** has been "an obvious casualty" of the shift away from growth stocks and its shares are down by 26% since November. But its long-term record is unmatched. The team has an "exceptional ability to identify disruptive innovators". Buy *(1,173p)*.

A Singaporean view

Naver, which runs South Korea's number-one internet search portal, is "investing in the right businesses for both short-term and long-term growth", says The Edge Singapore. Online content, cloud computing and financial technology (fintech) all have good near-term earnings prospects, and e-commerce offers long-term growth. Revenue rose 28.5% last year, including 44.5% growth in fintech driven by a 60% rise in payments. E-commerce was up 34.5% and it has increased its share of the Korean e-commerce market from 7% to 17% in the last five years. Naver has healthy cash flow and is in a net cash position. The shares trade on an earnings yield of 3.1% (equivalent to a price/earnings ratio of 32).

IPO watch

Initial public offerings (IPOs) have got off to a rough start in 2022, says Bloomberg. Just $26.7bn of IPOs have been priced so far this year, down 60% from the same period last year, and more of these deals are being scrapped before making it to market. Rising interest rates, slowing growth and geopolitical tensions are making stocks volatile. Many of last year's star IPOs are struggling, including electric-truck firm Rivian (down 60%) and online stockbroker Robinhood (down 80%). Thus planned IPOs, including HR platform Justworks, file-transfer site WeTransfer and law firm Mischon de Reya have been cancelled or delayed, as have $4bn of special purpose acquisition companies (Spacs).

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City talk

©Getty Images

● Dating platform Bumble "made a splash" when it floated last year, says Laura Forman in The Wall Street Journal. But it was "a short-lived love affair"; the shares have since fallen by two-thirds. Now it's buying Fruitz, one of the fastest-growing dating apps in France, Belgium, the Netherlands and Switzerland. Investors will hope this hook-up works out better than rival Match's purchase of Hyperconnect last year, which has not boosted growth. "Just don't say 'Je t'aime' too soon."

● Fintech firm Revolut has appointed a "one-year-old shiba inu called Sam as its chief pet officer" to promote its pet insurance, says Bryce Elder in the Financial Times. Yet "joking about lapdog hires is a bold strategy while working through its application for a UK banking licence". Perhaps it should focus on finding human executives who complement co-founder and CEO Nikolay Storonsky, "whose intense style was judged unlikely to gain the confidence of Bank of England regulators". Chief investment officer Anton Pasiechnikov, who left for Wizz Financial in November after just eight months, is yet to be replaced. "Appointing dogs… appears easier than recruiting people."

● Outspoken ice-cream maker Ben & Jerry's – which last week said that sending troops to Ukraine is "fanning the flames of war" – is an ongoing headache for Unilever, says Ben Marlow in The Daily Telegraph. When the multinational bought Ben & Jerry's in 2000, it "naively agreed" that the firm's board would be independent. It's time for under-fire Unilever CEO Alan Jope to undo that mistake by putting it up for sale. "By casting Ben & Jerry's adrift before the brand becomes too toxic, it will show he's serious about turning things around."

Meta takes a tumble

The owner of Facebook, WhatsApp and Instagram is struggling with slower growth and problems winning over young users. Matthew Partridge reports

Meta Platforms, the parent firm of Facebook, saw a "brutal sell-off" last week as its shares plunged by more than 25%, says James Titcomb in the Daily Telegraph. The $230bn (£169bn) fall in its market cap – "the biggest one-day drop in value of any company in Wall Street history" – was prompted by a "dismal set of financial results". Revenue growth of just 3% in the first quarter was "a dramatic slowdown for a company that has never failed to produce double-digit growth". Ominously, there was a "never-before-seen drop in Facebook's daily user numbers".

It's not just the fact that the total number of users has stalled that suggests that Facebook's "hitherto unstoppable growth" has hit a brick wall, says John Naughton in The Observer. Its losses are particularly sharp with young adults, many of whom are going over to TikTok, an app that "has taken the world by storm" through its collection of "short-form user videos, from genres such as pranks, stunts, tricks, jokes, dance and entertainment". Unless Facebook is able to find a way to win these lost users back, it is at risk of suffering from "ageing demographics", leaving it with just "parents and grandparents".

Betting on the metaverse

In the past, Meta has been able to deal with threats of both competition and stagnation by buying or copying "emerging competitive threats", says the Financial Times. It acquired Instagram in 2012 and WhatsApp in 2014, and "blunted" the challenge from Snapchat by launching its rival Stories. However, the acquisition route "has been largely closed by antitrust pressure", while its efforts to clone TikTok with its Reels app "have yet to pay off". This has forced it to make a "big bet" on the metaverse, which is founder Mark Zuckerberg's vision of "an avatar-filled immersive internet".

Zuckerberg's "leap into the metaverse" might help Meta fight off the competition, but it won't come cheap, says Gina Chon on Breakingviews.

©Getty Images

Zuckerberg: struggling to reinvent Facebook

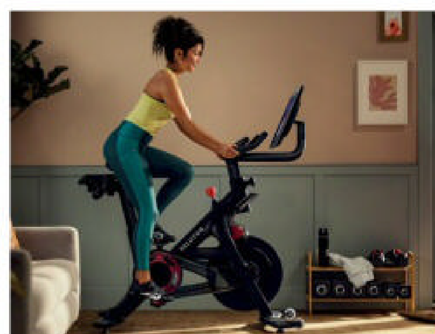
Already, the project is causing Meta to burn through a large amount of money "like a newbie company" having "already signalled a $10bn hit to 2021 operating profit from these investments". Granted, it has "huge resources", with "mature cash cows that can easily fund its ambitions", but the move "could alienate people in its money-making divisions". It's not just a financial issue either, as trying to reinvent "an 18-year-old firm" is a "real-world challenge".

Whether the metaverse lives up to Zuckerberg's expectations or not, it's clear that the status quo is not an option, says Laura Forman in The Wall Street Journal. Many other social-media firms are also doing badly, with Pinterest, Snap and Twitter also falling last week, as they face similar problems. Pinterest has lost users for the past three quarters in a row, and has announced changes to its strategy. Perhaps "old-school social media" – where "we passively peruse content at home and post staged, static photos of ourselves and our interests" – is "falling by the wayside".

Riding to Peleton's rescue

Peleton's "dwindling fortunes" have "taken a turn for the better" amid speculation that Amazon, Nike and Apple are circling the upmarket fitness-equipment firm, says Dominic Walsh in The Times. The shares had fallen 80% from their peak, but takeover speculation has pushed the price up 20% to around $30 – above their IPO price in 2019, although "still a long way short of the $167 they hit at the start of last year".

Yet a deal might be a bit more unlikely than the market thinks, says Cara Lombardo in The Wall Street Journal. Peloton has a dual-class share structure that lets insiders, including co-founder John Foley, control around 80% of votes and gives



©Peloton

them control over any major decisions. The firm has now outlined plans "to replace its chief executive, cut costs and overhaul its board", with Foley moving from CEO to executive chairman. This indicates that Peloton sees an independent future for itself, or "at least doesn't want to sell at the current depressed share price".

Peloton's current price certainly looks a bargain for Amazon, which could offer the equipment manufacturer "customer growth on steroids", says Lauren Silva Laughlin on Breakingviews. The key is Amazon's "more than 200 million Prime members, compared with the three million who plug into Peloton". Prime users "already pay monthly for movies, books, and rapid retail gratification". It's not a stretch to think that many of them would be willing to pay another $12.99 for a digital Peloton subscription that would give them access to the app and exercise classes – a part of the business that is scalable and comes with high margins.

All change at Downing Street

While the PM shuffles the deck chairs, Britain steams into crisis. Emily Hohler reports

Boris Johnson was accused of running an administration like TV's *The Thick of It*, as his new communications chief, Guto Harri, used his first press interview to say his boss was "not a complete clown", says Andrew Woodcock in The Independent. Johnson was "forced to deny a rift with his chancellor" after the pair unveiled only part of the already delayed NHS recovery plan. Johnson has also been busy reshuffling No.10, following a number of departures in the wake of "partygate", including that of Munira Mirza, one of Johnson's "closest and most trusted advisers", says Tom Rayner on Sky News.

The reshuffle has also seen Jacob Rees-Mogg, former leader of the House of Commons, "elevated" to a new cabinet role focused on "Brexit opportunities" and "government efficiency" and Chris Heaton-Harris appointed as chief whip – a "clear sign" that loyalty during this leadership crisis "will be rewarded", says Henry Zeffman in The Times. He also moved Henry Newman, a "close ally" of his wife, into Michael Gove's levelling up department and tasked his new chief of staff, Stephen Barclay, with the job of integrating a new Office of the Prime Minister with the Cabinet Office (estimated cost £15m) alongside his existing role as Chancellor of the Duchy of Lancaster and MP.

Guto Harri: PM is "not a complete clown"
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Focused on the wrong things

Increasingly, Boris Johnson's "personal political travails are making the Tories inward-looking and dysfunctional" at a time when they should be focused on the serious challenges ahead, says the Financial Times. The biggest crisis is soaring living costs. Rising energy bills will coincide with the planned rise in national insurance contributions and the freezing of income-tax thresholds in April. With inflation expected to top 7% by spring, interest rates have been raised to 0.5%, which will increase mortgage costs. Sunak calls his £9bn support plan "fair, targeted and proportionate", others call it "woefully inadequate", says George Parker in the FT. Higher taxes and energy bills will leave a typical household almost £1,300 worse off from April; the first part of the package is a £200 rebate for all households in the form of a loan; the second, affecting 80% of homes, is a one-off £150 council tax rebate. The "big question" is whether that is sufficient to "take the edge off" ahead of local elections on 5 May, widely seen as a vote on Johnson's premiership. Given this, it is "understandable" that Sunak is targeting middle and higher earners as well as the poor, says an editorial in the same paper.

By failing to let the market do its job, slapping "green levies" (roughly 25% of the cost) on our electricity bills and now spending a "fortune" on administering rebates, the soaring costs have been in part caused by government, says Janet Daley in The Daily Telegraph. Lack of planning is also to blame, says Ross Clark in the Daily Mail. British electricity prices are already nearly double those in the US, which is largely self-sufficient. Britain, meanwhile, refuses to exploit its ample energy reserves (reportedly enough for 20 years) while generating capacity fell by 2.7% in 2020 despite all our wind and solar farms. We are still "laughably reliant" on coal imports. "This surely makes little economic sense – and hardly means we can call ourselves green."

Similarly, although Covid-19 "worsened" the pressure on the NHS, the "problems of under-resourcing and lack of long-term planning predate Covid-19", says The Guardian. The extent of delays (six million on waiting lists in England alone) is scandalous and it will be a huge issue by the next general election. All the while, the government remains focused on "the problems facing ministers and their party".

Putin: just about tolerating talks
©Getty Images

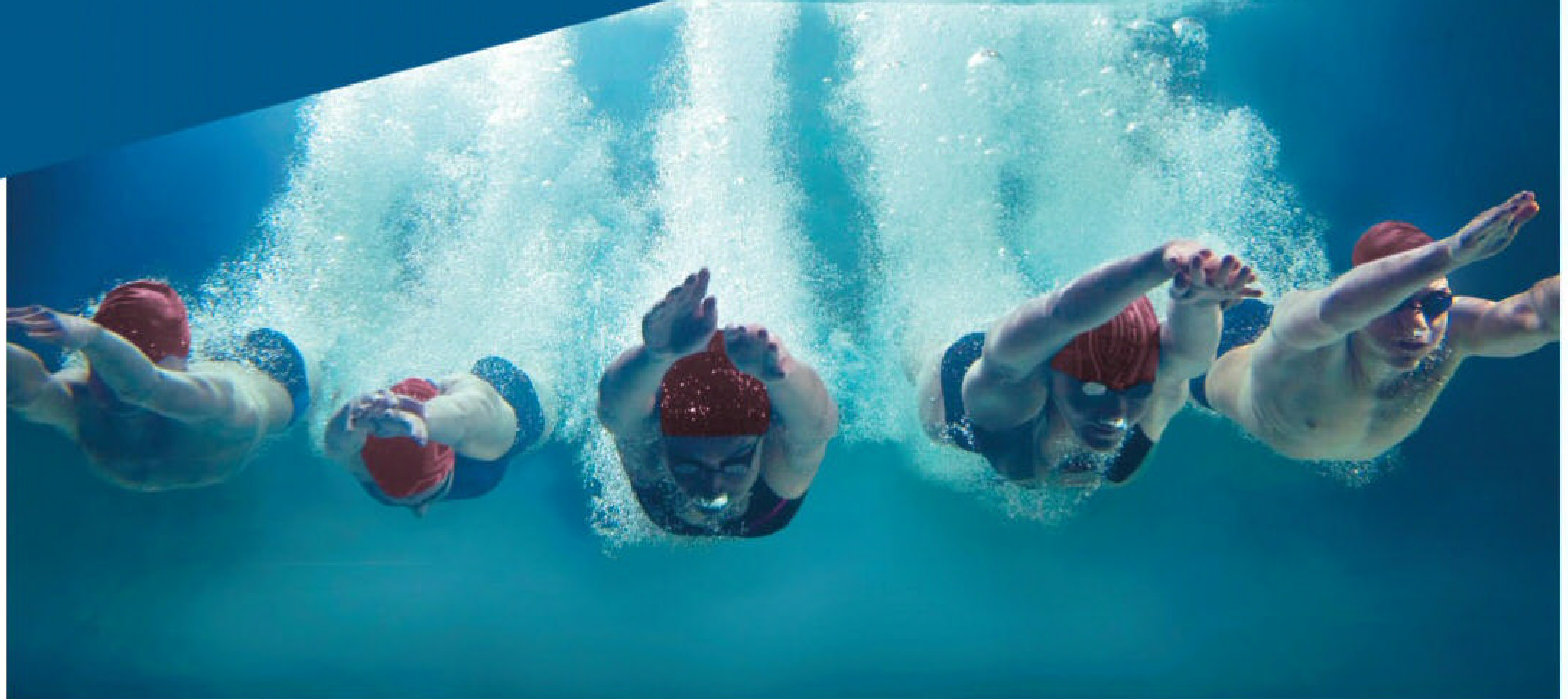
The jaw-jaw continues over Ukraine

The Kremlin slapped down French president Emmanuel Macron's claims earlier in the week that he had secured agreement from both Vladimir Putin and Ukrainian president Volodymyr Zelensky to implement the Minsk II peace agreement – which is "deeply unpopular" in Ukraine – to avert war, say Adam Sage and Roland Oliphant in The Times. In a "further embarrassment for Macron", Dmitry Peskov, a Kremlin official, said that France was a member, not a leader of Nato, implying Moscow would only deal with the US.

It is clear Putin is "only just about tolerating a diplomatic discourse with the West" because he thinks there's a chance he can get what he wants without spilling Russian blood – namely a "Ukrainian government that does what he says" and a Ukraine "firmly outside the Western orbit", says Roger Boyes in the same paper. Putin knows that if he invades, he exposes himself to the possible "humiliation of not winning quickly" and will have "gambled away any hope of being taken seriously" as an international actor, which is what he craves. The other costs of war include sanctions, loss of gas sales, "pariah status", and the expense of "keeping a large army out of barracks". Not to mention, add Jen Kirby and Jonathan Guyer on Vox, civilian deaths and a refugee crisis.

Russia will not want to use the "gas weapon" – it wants to be seen as a reliable supplier – but cutting gas flows is its trump card, says Valentina Romei in the FT. Around 40% of the EU's natural gas imports and nearly 33% of its crude oil imports come from Russia. Gas reserves are below historical levels, giving Russia more leverage, and if energy supplies were rationed, the bloc could be pushed into recession. It's not just energy. "From technology suppliers and lenders to goods exporters and manufacturers dependent on raw materials, disrupted trading links would increase inflationary pressures and curb activity for a wider range of European businesses".

Cut through with conviction



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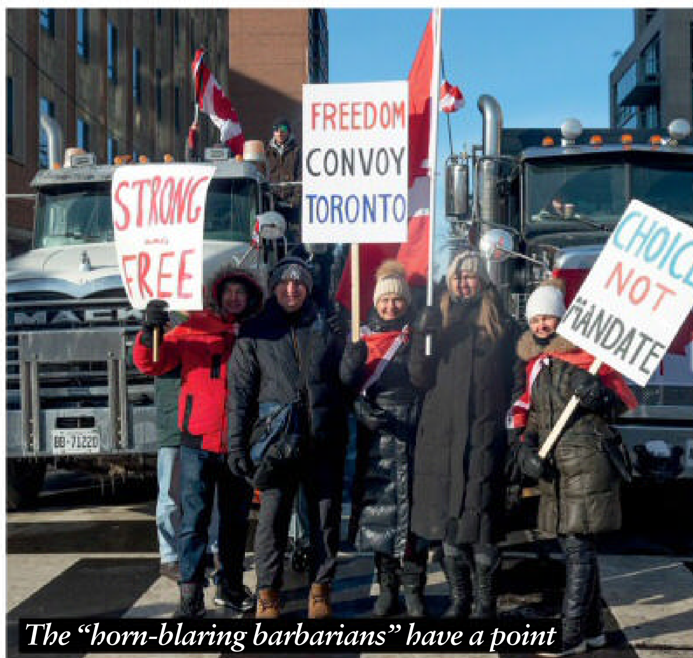
Canada's freedom convoy

Covid-19 protests are snarling up the country. Matthew Partridge reports

The Canadian city of Ottawa declared a state of emergency last weekend as a "freedom convoy" of hundreds of trucks occupied the country's capital to protest against vaccine mandates and Covid-19 restrictions, says Jen Skerritt on Bloomberg.

The protests were originally aimed at Canadian and US laws requiring truckers crossing the border to be fully vaccinated, but have since "morphed into a rally against Covid-19 restrictions more broadly". Ottawa's mayor has warned that the protestors pose a "serious danger and threat to the safety and security of residents"; police have been drafted in from around Canada.



The "horn-blaring barbarians" have a point

©Getty Images

Small but influential

The truckers' demands for the "dissolution of the Trudeau government" have prompted comparisons with the US Capitol riots of just over a year ago, which has generated publicity out of proportion with their numbers, says Dahlia Lithwick on Slate. There are only about 8,0000 of them. And their protest is "massively unpopular" with the public – polls suggest that 60% of Canadians think them "offensive and disproportionate", and the Canadian Trucking Alliance advocacy group refuses to back them. Indeed, support for the protests seems to be coming mainly from "American donors and information spread by far-right influencers".

That doesn't mean you should downplay or dismiss them, says Arwa Mahdawi in The Guardian. The very fact that the protests have raised millions of dollars across crowdfunding sites from international donors is particularly worrying as it shows how a "global network of highly organised groups" can take advantage of "Facebook's misinformation machine" to whip up fury. Canada "may not be on the brink of civil war", but the fact that online warriors are already urging copycat protests globally mean they have "implications for us all".

Time to heal

In fact, the protests are indeed starting to have an impact outside Canada – the truckers attempted to blockade a US-Canada crossing between Windsor and Detroit, which is "critical" to "keeping factories humming in Ontario and the Midwestern United States", says The New York Times. They have also "captured the imagination of far right and anti-vaccine groups around the world", even inspiring small copycat protests in New Zealand and Australia. But it's not just a concern for the political fringe. The truckers themselves and those who support them are mainly "ordinary Canadians driven to take to the streets by desperation after nearly two years of pandemic restrictions" and they have "legitimate concerns".

Indeed, prime minister Justin Trudeau would do well to heed the calls of those in his own party who, while angry at the "mob of horn-blaring barbarians", think he should acknowledge their concerns, says Don Martin of CTV News. It would be an opportunity to "heal a vaccine mandates rift which has divided families, traumatised schoolchildren and stranded travellers". He should scrap plans to ban unvaccinated truckers from driving between provinces and rethink policies that make Canada "one of the most restrictive countries for the unvaccinated and triple-vaccinated" alike.

The slow process of re-opening borders

Kishida is keeping Japan shut

©Getty Images

Two years after Australia imposed some of the world's toughest border controls – it has been almost entirely closed since the onset of the Covid-19 pandemic in March 2020 – the country is to allow international travellers to enter once again, say Ben Westcott and Swati Pandey on Bloomberg.

The new rules allow tourists and visa holders who have been double vaccinated to enter the country from 21 February. The news will be welcomed by the tourism industry, which contributed around 3% to GDP pre-Covid-19.

New Zealand is also loosening up, only less so, says Henry Cooke in The Sydney Morning Herald. Vaccinated travellers will be allowed in, but will still have to isolate at home for ten days. The measure seems aimed at "the Kiwis stuck overseas", who have "slowly formed into a very effective lobby group".

A more general reopening for everyone else seems some way off, something New Zealanders generally are relaxed about as the restrictions have so far kept deaths low and workers scarce, which has boosted wages.

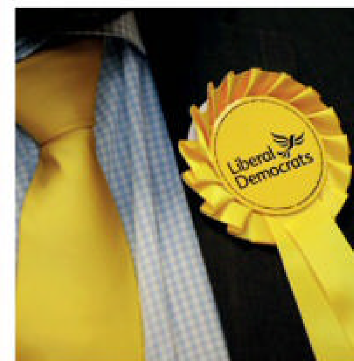
Conversely, Japan is yet to move in the same direction. It tightened its borders again in November in response to the Omicron variant and seems unlikely to reverse course any time soon, says Ben Ascione in the Australian Financial Review.

Universities and business leaders are urging the government to change course. The head of Japan's powerful business lobby has warned of the consequences of staying shut to the world. Yet change is unlikely in the near term: staying tough is "perhaps the easiest way" for newish prime minister Fumio Kishida to flaunt his safety-first credentials.

Betting on politics

It's now less than seven months before the mid-term election in the US and already markets are starting to appear on the outcome. As well as markets on which party will control the House, and the balance of power in the Senate, Ladbrokes also lets you bet on the outcome of the gubernatorial elections in Texas, Georgia and New York. Betfair doesn't have any markets on individual contests, but allows you to bet on the range of seats the Democrats and Republicans win in the House and Senate.

The most impressive effort, however, is from Smarkets. It has markets not only on control of the House and Senate, but also on no less than five gubernatorial contests (Florida, Georgia, Michigan, Pennsylvania and Texas). It has even opened ones on 12 Senate seats (Alaska, Arizona, Florida, Georgia, Iowa, Missouri, Nevada, New Hampshire, North Carolina, Ohio, Pennsylvania and Wisconsin). The only downside is that most of the markets aren't very liquid, although this will hopefully improve as election day draws near.



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For the moment, I'd suggest you turn your attention back to the UK. With £1,164 matched on control of Sutton council, the Liberal Democrats are at 1.35 (74%) to retain control, with the Conservatives at 3.75 (26.7%) and No Overall Control at 15 (6.7%). Since the Liberal Democrats already have a strong majority on the council, and the Conservatives are polling worse than they did in 2018, you should bet on the Lib Dems to retain control.

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Washington DC

Bitcoins seized: The US Department of Justice has seized bitcoins worth $3.6bn (£2.7bn) out of $4.5bn that were stolen during the 2016 hack of Bitfinex, a cryptocurrency exchange, say Logan Moore and Daren Fonda in Barron's. The seizure is the department's most valuable in its history. Husband and wife Ilya Lichtenstein and Heather Morgan, who share a background in blockchain technology (the digital ledger behind bitcoin), were arrested on suspicion of money laundering. Prosecutors were able to trace nearly 120,000 stolen bitcoins through an "intricate web of transactions" back to a number of crypto wallets the pair controlled. Around 25,000 bitcoins had been transferred out of Lichtenstein's wallet, with 94,000 remaining in the wallet used to receive and store the proceeds from the hack. Hacks of digital-asset exchanges are becoming increasingly common. A record $14bn in cryptocurrency was stolen in 2021, but law enforcement "has been notching up some victories" in tracking down thieves. The Department of Justice seized 63.7 bitcoins worth $2.3m last June from a ransom paid to hackers by Colonial Pipeline. Its success in recovering Bitfinex's cryptocurrency "may be a vote of confidence in digital assets for institutional investors" and could "change the counterparty risk assessments that many will have of the ecosystem… [because] even if there is a hack, the possibility of recovery is very real".

San Francisco

Arm deal dead: The deal to sell Arm, the UK-based semiconductor design company, to US chipmaker Nvidia has collapsed over regulators' competition fears, says Wataru Suzuki on Nikkei Asia. Japanese investment firm SoftBank will instead list Arm in the largest initial public offering in semiconductor history, says its chairman and CEO, Masayoshi Son (pictured). SoftBank took Arm private in 2016 for $31bn. Since the sale to Nvidia was announced in September 2020, the share portion of the $40bn stock and cash deal has soared in value. That makes the loss all the more painful, says Tim Culpan on Bloomberg. And yet SoftBank could write off the entirety of its $24bn valuation for Arm, and still not dig a hole as big as the one Chinese online retail giant Alibaba, its biggest holding, delivered over the past year as its stock slid 56%. At least by listing Arm, SoftBank stands a chance of recouping some of the money it spent on the chip designer if the shares rise. "Alibaba, on the other hand, is already listed and may struggle to rise again." The Chinese government has taken a hard line on tech companies, and the world's second-biggest economy has started to slow. Having to sell down Alibaba will hurt more than losing the chance to sell Arm.

Denver

Airline merger: Colorado-based low-cost airline Frontier has agreed to buy rival Spirit Airlines for $2.9bn (£2.1bn) in a cash and stock deal that would "create a discount-airline juggernaut", say Alison Sider and Will Feuer in The Wall Street Journal. The merger will create the US's fifth-largest airline. The airlines valued the deal at $6.6bn, including net debt and operating leases.

The travel industry "continues to claw its way back toward pre-pandemic levels despite higher costs, labour shortages, and disruptions caused by Covid-19". Budget airlines have increased capacity more quickly than their larger rivals, but the companies now face the task of convincing "merger-averse regulators and investors whose initial reaction suggests the plan is pie in the sky", says John Foley on Breakingviews. The merger "would require antitrust acrobatics at the best of times, but that's especially true now". The US Department of Justice has taken a "sceptical" view of mergers more generally, and it has already moved to block an "alliance" between JetBlue and American Airlines. But Spirit and Frontier's deal seems logical. They will run their networks together more efficiently and provide new, cheaper alternatives to routes offered by bigger, more expensive rivals.

Investors certainly see advantages; the airlines' combined market capitalisation increased $500m after the deal was revealed.

The way we live now... living next door to Snoop Dogg in the metaverse

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Land in the metaverse of interconnected virtual worlds is being snapped up astonishingly quickly, says Robert Frank on CNBC. Sales passed $500m (£369m) in 2021. Firms are selling virtual villas, mansions and yachts for up to $100,000 to investors who hope lots, known as "parcels", will yield exponential returns as the technology develops. Properties near celebrity lots are particularly popular as are branded spaces, with one "resident" paying $450,000 to be rapper Snoop Dogg's neighbour in The Sandbox online space.

Meanwhile, non-fungible-token (NFT) auction house Portion has paid $1.2m to produce a customised company-branded district in virtual world Decentraland. Critics have been quick to liken the land-grab to previously lacklustre digital spaces and question the value of the "land" being purchased, as it has a theoretically unlimited supply. Some say the investments resemble the generic pyramid-schemes promoted by technology start-ups in the past and question what will happen once the current wave of excitement begins to fade.

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London

BP gushes profits: The government is facing calls to impose a windfall tax on energy companies after oil giants posted bumper profits thanks to rocketing energy prices, says Henry Martin in the Daily Mail. BP posted $12.85bn (£9.48bn), its highest annual profit in eight years, while Shell "boasted" of raking in a "momentous" $19.3bn profit for the year. BP also announced $1.5bn of share buybacks. The two firms are on track to make a combined profit of almost $54bn in 2022 (both firms, though UK-based, report in dollars).

Households, meanwhile, face a cost of living crisis. Ofgem, the energy regulator, raised the energy price cap from £693 to £1,971 a year, warning householders to expect a 54% rise in their domestic energy bills in April. Unions and politicians, including Labour's Ed Miliband (pictured), described much of the profits as an "unjustified windfall" and urged the government to "move quickly" before firms distributed extra cash to shareholders, says Phillip Inman in The Guardian. BP and Shell have channelled £147bn to shareholders over the past decade. BP rejected the calls for a windfall tax, arguing it would reduce investment in renewables.

Ed Miliband wants a windfall tax

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Tokyo

Toshiba splits: Japanese conglomerate Toshiba has announced reworked spin-off plans in a bid to win over "wary investors" but "may have missed the mark again", says Nikkei Asia. Toshiba intends to spin off its devices and storage solutions business but keep its infrastructure services. The latter would have been split off as well under the previous proposal. Toshiba also said it would return ¥300bn (£1.9bn) to shareholders over two years, three times the original amount.

Though it focuses on higher payouts, the new proposal doesn't offer a "compelling road map for longer-term growth" and "fails to address the lost trust in management". The change in plans ultimately comes down to costs. The original split was estimated to cost several times the ¥10bn first discussed, while the revised plan would cost around ¥20bn in one-time transaction costs. The "pragmatism" of a more conventional two-part break-up is "a virtue, although it doesn't replace the value of a long-term vision shaped by permanent leaders", says Jennifer Hughes on Breakingviews. That the share price edged just 2% higher on the news suggests "antsy shareholders are not entirely placated by the new plans".

Warsaw

EU withholds funds: The European Commission is withholding money intended for Poland over unpaid fines. The Court of Justice of the European Union imposed a €500,000 (£422,000) daily fine on Warsaw last September after it refused to cease operations at a mine and power plant on the border with the Czech Republic after a complaint from Prague that its water sources were at risk. The amount withheld to cover the fines for the four-week period between September and October 2021 is roughly €15m. The Polish government is also contending with the resignation of its finance minister, Tadeusz Koscinski (pictured), who stepped down after a backlash over the implementation of a package of tax reforms, says James Shotter in the Financial Times. The "Polish Deal" took effect at the beginning of the year, and includes a string of spending pledges and tax reforms for lower- and middle-class earners. The ruling right-wing Law and Justice Party hoped it would "boost both the economy and its own flagging popularity". But the deal proved contentious after some lower earners received less income.

Sydney

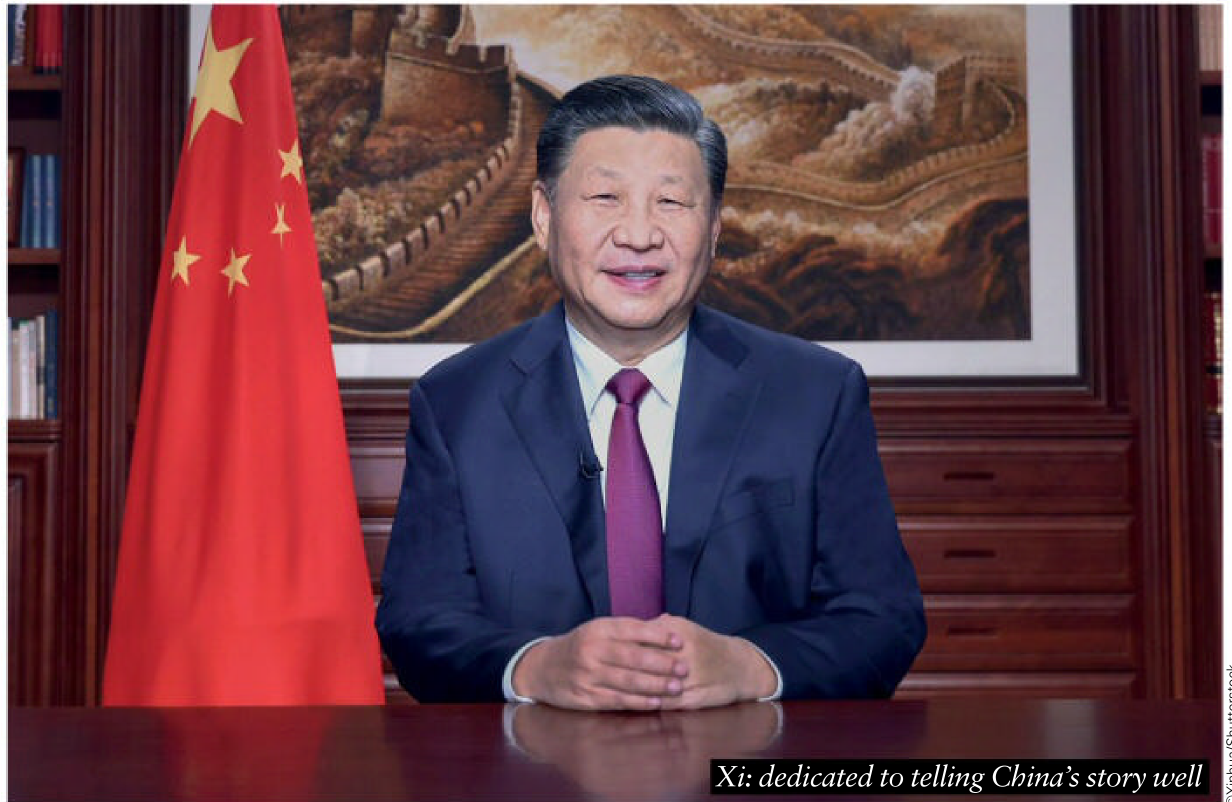
CBA's bumper profit haul: Cash profit from ongoing business at Commonwealth Bank of Australia (CBA) surged 23% in the six months to the end of December from a year earlier, to almost A$4.8bn (£2.5bn), thanks to a hot domestic property market. CBA, Australia's largest lender, has outpaced rivals in attracting home buyers with the sheer volume of its business at a time when interest rates are at ultra-low levels and many borrowers are switching to fixed-rate deals, says Reuters. There were more "sugar hits" for the investors in share buybacks worth A$2bn and a hint of further capital management down the line, while the 25% increase in the dividend was the "cherry on top", says Elizabeth Knight in The Sydney Morning Herald. CEO Matt Comyn's control of costs has been "surgical". However, CBA has recently felt the "same chilly wind" as its rivals in the form of a squeeze on interest-rate margins, as lenders rushed to offer customers "once-in-a-lifetime" ultra-low fixed loans last year. Loan volumes grew, but so have banks' borrowing costs. Pressure on margins won't improve until the central bank raises its interest rate from 0.1%, and that largely depends on inflation. For now, banks are "fixated on the moment when the margin noose [around their necks] is loosened".

The long arm of Xi Jinping

Like most countries, China is dedicated to projecting soft power and building links with institutions abroad. Unlike most other countries, that is rattling Western governments. Simon Wilson reports

Who is Christine Lee?

She's an apparently very respectable Chinese solicitor in London who has moved in Westminster circles for years, working as an advocate for Sino-British nationals in British politics, rubbing shoulders with former prime ministers and winning a gong from Theresa May. All the while – according to MI5 – Lee was working for the Chinese state for the purposes of "covert political interference" in the UK's affairs. She hasn't done anything criminal and is not facing prosecution. But she is accused of working "on behalf of the United Front Work Department (UFWD) of the Chinese Communist Party (CCP)", which, says MI5, seeks to "covertly interfere" in UK politics through links with "established and aspiring parliamentarians across the political spectrum" and to "cultivate relationships with influential figures".



Xi: dedicated to telling China's story well

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What is the United Front?

The United Front is a branch of the CCP dedicated to building and wielding external influence. It was first established during the Chinese civil war, and regarded by Mao Zedong as one of his three "magic weapons", alongside armed struggle and party-building. The Front was reformed in 1979 under Deng Xiaoping, and under Xi Jinping the CCP has invested heavily in the agency. Many countries, including Britain, aim to promote their national interests by projecting soft power. But it would be a mistake to think of the UFWD in this way, says Ben Macintyre in The Times. It might sound "innocuous, just another department in the acronym-forest of Chinese bureaucracy". In fact, it is one of the most "formidable and sinister arms of the communist state, a vast, growing, highly sophisticated, massively funded, intensely secretive, multifaceted extension of Chinese political influence and control", both domestically and globally.

Why sinister?

Because China remains a one-party surveillance state where ethno-religious minorities are subjected to systematic repression that arguably amounts to genocide, and the UFWD is dedicated to consolidating that party's grip on power. Part of its remit is to "suppress overseas protest, monitor loyalty within the Chinese diaspora and ensure ethnic, religious, ideological and cultural conformity", and it is also accused of being used by the Chinese Ministry of State Security to steal technology and run covert operations. China is increasingly focused on promoting its interests by spending money to shape the public discourse in a Beijing-friendly direction – targeting universities, think tanks, scholars, journalists, politicians, business people and officials around the world.

What's wrong with educational links?

Nothing, but critics say China's aims are not benign. Chinese funding of the China Centre at Jesus College, Cambridge – and a related professorship – is an example of pro-Beijing influence being blatantly purchased, claims Freddie Hayward in The New Statesman. Inevitably, reliance on Chinese funding leads to what Tory MP Tom Tugendhat calls the "gentle drip, drip, drip of silence" as academics self-censor and shy away from contentious topics. More broadly, nine UK universities now depend on Chinese students for more than 20% of their tuition-fee income, leaving them vulnerable to pressure. Last year, Human Rights Watch documented the growing harassment and pressure faced by Chinese students in Australia for expressing pro-democracy views.

"Reliance on Chinese funding leads to the gentle drip, drip, drip of silence"

And here?

Something similar can be seen in the UK, says Ian Williams in The Spectator. For example, Confucius Institutes and the China Students and Scholars Association are ostensibly cultural and welfare organisations. Yet the latter is a United Front body, and "both have been accused of peddling propaganda, spying on students and intimidating critics". It's important, of course, that concern about Chinese influence doesn't tip over into a witch hunt, or become tinged by racism. That is the accusation levelled by some commentators in the US over the government's drive to counter Chinese influence in universities. Last month federal prosecutors recommended that the Justice Department drop criminal charges against Gang Chen, an MIT mechanical engineering professor accused of hiding his China ties – but fiercely defended by his colleagues. It's one of several cases, says Aruna Viswanatha in The Wall Street Journal, where the authorities have appeared overzealous in pursuing innocent academics.

What about journalists?

China has invested approximately $6.6bn since 2009 in building up its global media presence, according to Raksha Kumar in a recent essay for the Reuters Institute. Beijing once focused on censoring its own media and trying to control the activities of foreign correspondents based in China. Now, in the words of Xi, its new media strategy is to "tell China's story well" and boost its international influence.

How is it doing that?

By establishing print outlets such as China Daily and setting up TV news channels such as the China Global Television Network, based in Beijing, Nairobi, Washington and London. But it also includes exchange programmes and training for foreign journalists in China, providing state media content free of charge to foreign outlets, paying for entire supplements in foreign newspapers, and wooing journalists with lavish "study tours" in exchange for favourable coverage. There's nothing new about governments seeking positive coverage by offering freebies or privileged access to journalists. But China remains a repressive one-party state that does not accept a plurality of views. There may be something faintly comic about the idea of China trying to win influence via a London solicitor donating to the office of Labour MP Barry Gardiner. But the work of the UFWD is deadly serious.

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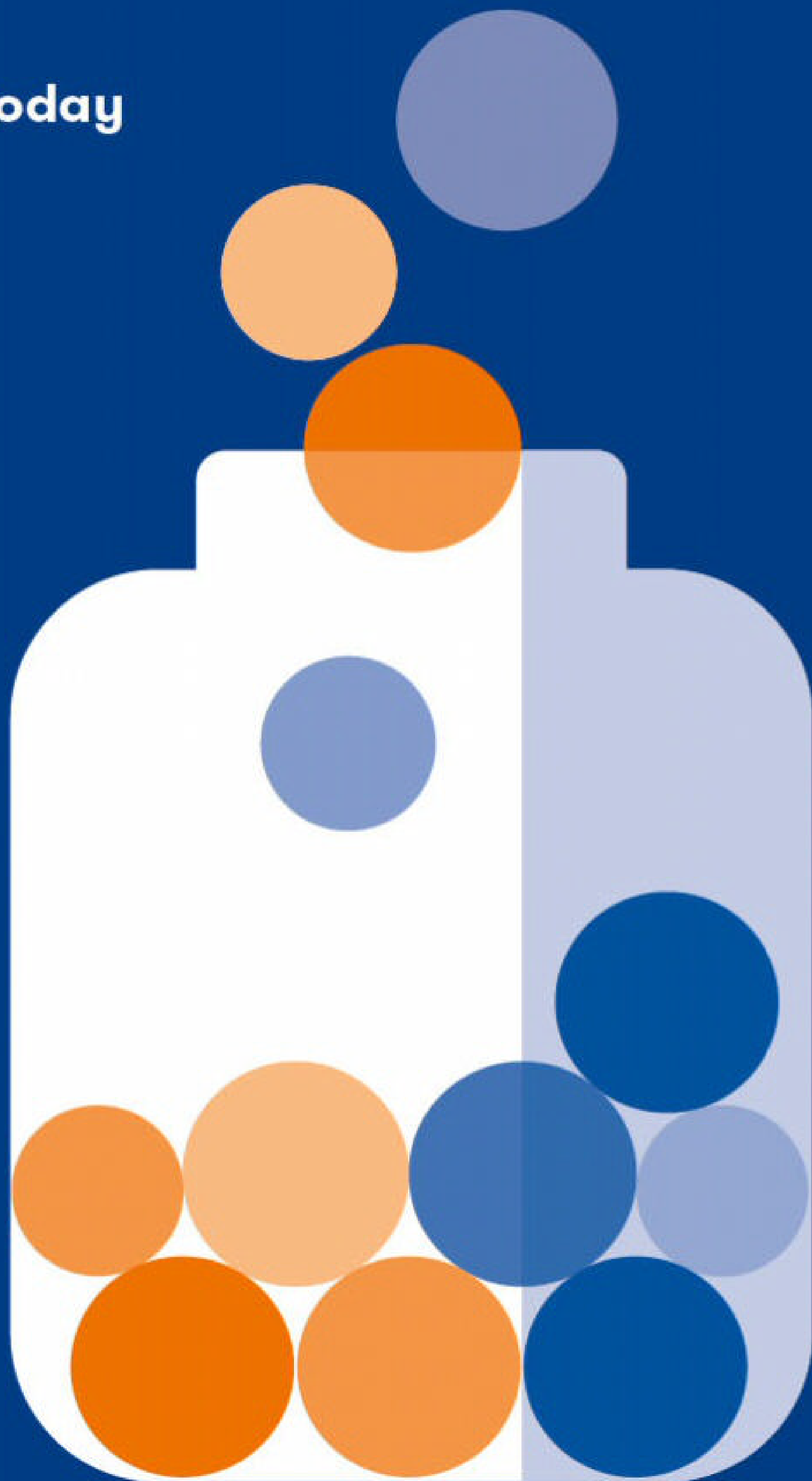

Capital at risk

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Piling it high and selling it cheap is not the easy money-making strategy it might seem. Buy up those who can do it well

Matthew Lynn
City columnist

That didn't last long. Tesco decided last week that competing with Aldi and Lidl at the bottom of the grocery market was a lot harder than it looked and closed the "Jack's" chain set up only four years ago to take the fight to the German discounters. Named after the founder of the chain, Jack Cohen, Tesco launched its low-cost chain with great fanfare in 2018. The idea was to compete with Aldi and Lidl, discount grocers who were taking an increasing chunk of the British grocery market with their cheap, limited ranges. If Tesco allowed the two newcomers to advance too far into its core customer base it could quickly find itself in big trouble. And with its vast buying power and its expertise in the market, Tesco's executives may well have thought they could swat aside their rivals with ease.

That didn't work out as planned. Four years on Jack's has only a handful of stores and hasn't made any impact on the market, while its German rivals have kept on growing. At the same time, Tesco has managed to stabilise its market share and its finances, and the share price has recovered. It makes more sense to focus on cutting prices at its existing 4,000 stores and matching its rivals right across the range.

This is not the first time a major company has tried to compete head on with a low-cost rival and failed. In the 1990s, British Airways launched a budget airline called Go to compete with Ryanair and the other low-cost carriers starting to take a chunk out of the market. It quickly gave up when it realised that running a budget airline was a lot harder than it looked and a lot more difficult to run profitably than ferrying executives from Heathrow to New York and Singapore. Likewise, in the 1980s, with cheaper Japanese cars flooding into the US market, General Motors launched a new brand called Saturn. But it never worked out how to make any money and eventually gave up, while Honda and Toyota sailed on regardless. There are circumstances that explain each failure. But the bigger point is that the bottom of the market is a really tough place to make money.

The magic of successful bottom-feeding

There are three reasons why it is so difficult. First, and most obviously, the margins are wafer-thin. With a 50% or 100% mark-up, you can afford to carry some slack in the system. With just a few percentage points on each sale, you don't have that luxury. Every penny counts. A company has to be brutally efficient just to stay afloat. Stocks have to be managed precisely, supply chains perfectly managed, and the maximum effort coaxed out of staff who are probably not paid very much. It is easy enough to sketch out, but very hard to get right day after day, and not many companies can manage it.

Second, your core customers don't have much spare cash. If inflation goes up, as is happening now, it won't be possible to raise prices to match it. There will have to be constant special offers to persuade cash-strapped shoppers to spend any money. And you can't expect much in the way of natural sales growth. The customers are not getting any richer, so the only way to raise sales is to open more branches. Finally, there is never any room for mistakes. The machine has to be kept running perfectly every day. Get a single thing wrong and the profits for the year will be wiped out. Put it all together,

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Cheap as chips and hard to make money from

and it is a huge operational challenge and one that requires a lot of skill to get right. For the few businesses that manage it, however, it is a very strong position to be in.

As it happens, the UK has a whole clutch of companies that pull it off. In groceries there are Aldi and Lidl, although they are both German-owned. In airlines, there is Ryanair, easyJet and Wizz Air. In hospitality there is JD Wetherspoon and Greggs. In leisure, there is Travelodge. In retail, there is Poundland, owned by Pepco Group and now listed in Warsaw, and Primark, a unit of Associated British Foods. The market should be rating these more highly. They'll never be exciting. They won't generate huge year-on-year sales growth. They don't have any very interesting technologies and the brands don't inspire enthusiasm. Yet they churn out earnings year after year. Perhaps most importantly of all, they are almost impossible to beat – as Tesco has just demonstrated all over again.

Who's getting what

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● Bank of America's boss **Brian Moynihan** (pictured) received a 31% pay rise last year, taking his total pay to $32m, says The Wall Street Journal. His pay package consisted of $1.5m in base salary and $30.5m in restricted stock, half of which is tied to the lender's performance over the next three years. Moynihan's pay for 2020 was cut to $24.5m due to the effect of the pandemic on the bank's bottom line. However, Bank of America posted record-high profits of $32bn for last year, due to a flurry of deal-making activity, and the release of reserves that had been set aside to cover loan losses that never arose.

● Tesla's chief executive **Elon Musk** is set to receive stock awards worth at least $35bn over the next year, despite the recent slide in the share price of the electric carmaker, says The Times. Under lucrative pay terms approved in 2018, Musk will receive share options in five tranches, entitling him to buy Tesla shares for $70.01 each. The current share price is around $930, valuing each tranche of shares at about $7bn. The stock awards are conditional on performance and market value targets being met, of which Musk has already met several.

● **Severin Schwan** and **Vas Narasimhan**, CEOs of rival Swiss drugs giants Roche and Novartis, both earned around CHF11m (£8.8m) last year. Schwan received almost CHF11.5m in total pay. His pay was 4% higher than in 2020. Narasimhan took home CHF11.2m, an increase of 8% on the previous year. His fixed pay came to CHF2.2m.

Nice work if you can get it

The global supply-chain crunch has been a disaster for British businesses, says Sam Chambers in The Sunday Times. But for shipping magnates, such as Gianluigi Aponte of Mediterranean Shipping Company (MSC), the world's biggest shipping company, it has been a bonanza. Services have remained dismal – for years MSC was disparagingly known as "Maybe Ship Comes". But that hasn't stopped the shippers charging vastly inflated prices. The industry raked in $48.1bn of net profit in a single quarter of 2021, nine times the previous year's haul. The sector made almost 50% more than the tech titans Facebook, Amazon, Netflix and Google combined over the same period, while the cost of sending a container rose from Asia to Britain rose from $2,000 to $16,500 in just fifteen months. Small wonder that, according to Forbes, Aponte's net worth "swelled" by $4.4bn to $10.9bn during the pandemic.

Get ready for higher rates

Central banks are starting to raise interest rates. Which stockmarkets are best-placed to cope?

John Stepek
Executive editor

One aspect of the investment backdrop that has changed very significantly this year is that central banks are no longer taking a relaxed approach to inflation. The Federal Reserve, the Bank of England and now even the European Central Bank are either actively raising interest rates or threatening to do so. Given that we've been in a world of ultra-low rates and money-printing for so long, this was always bound to have an impact on the broader market. One side-effect – which we're already seeing – is that assets which are particularly sensitive to changes in interest rates (highly speculative growth stocks, for example) have started to underperform, while those that are less sensitive have been picking up (this is one reason why "value" stocks have rallied).

Interest-rate sensitivity in bonds is usually described by a bond's "duration" (see box below for more). Bonds with "high" or "long" duration are more sensitive to moves in interest rates than those with "low" or "short" duration. But this is a concept that can be applied to equities as well. In his latest blog, investment writer Joachim Klement highlights an interesting piece of research by Jules van Binsbergen of Wharton business school at the University of Pennsylvania, which has some implications for what rising rates might mean for your own equity asset allocation.

Duration and equities

Binsbergen's research compares long-term returns on bonds with those on equities by treating the latter as long-duration assets (shares never "mature", although those with higher dividend

Christine Lagarde: threatening to raise interest rates

yields have shorter durations). He matches their performance with bonds with similarly long durations. Binsbergen's research has thrown up a conundrum in that he finds that bonds deliver the same return as equities of a similar duration, but with less risk. In theory, this shouldn't happen because equities are riskier than bonds, and thus should enjoy greater rewards.

"Central banks are no longer relaxed about inflation"

But if we park that problem for another day, then Binsbergen's research throws up another useful finding. Looking at the US, Japan, the eurozone and the UK, he finds that the US – as measured by the S&P 500 – has the longest-duration equities. This makes logical sense. The US equity market has hugely outperformed all others during the ultra-low interest rate era, and this is clearly one reason why.

So which market has the shortest duration, and thus might start to outperform? The good news for UK investors is that of the four mentioned above, it's the FTSE All-Share. So as Klements notes, if you plan to adjust your equity asset allocation for a rising rate world, the answer is simple: "sell US stocks and buy UK stocks".

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

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

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

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

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

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Guru watch

Larry Fink, chairman and CEO, BlackRock

"Many people believe social values or environmental issues are political and woke. I don't," says BlackRock CEO Larry Fink, discussing his annual letter to CEOs of the companies whose shares are held by BlackRock funds (ie, virtually all of them) with CNBC. But it's important to engage with companies rather than attack them.

For example, on the environment, "society is dependent on hydrocarbons right now". We have to acknowledge that, then find "fair and just solutions" as to how to reduce this reliance

and build a "decarbonised" world. "If we want to just admonish the hydrocarbon companies... and say 'stop investing, get out of your business', we're going to have a very unequal outcome".

As for the broader economy, Fink believes inflation will be stubborn this year. "You have supply-chain problems... And we also have an economy that's paying the cost right now of having less immigration, and we have rising wages."

Higher wages are not necessarily a bad thing, says Fink, but it raises questions over how this affects company earnings if they can't pass on those costs, and it also means the Federal Reserve is likely to be more aggressive on raising rates over "the next two years".

Fink reckons US rates could rise to 2.5%. That would be good news for savers, but it does mean the stockmarket will have to adjust: "Some companies are going to be benefiting from this and some companies are not... and we're seeing a big rotation out of growth into value."

Productivity gains will boost US

Justin Lahart
The Wall Street Journal

Worker productivity in the US was up 6.6% in the last quarter of 2021, according to the US Labour Department. This follows a 5.5% decline in the third quarter; nevertheless, it looks as though higher productivity "might be on the way", says Justin Lahart. The US could do with a boost. When productivity is high, businesses can "sell more, pay workers more and increase profits while leaving prices unchanged". With investors worrying that rising wages will squeeze profit margins and persistent inflation will lead the Federal Reserve to "slam the brakes on the economy", such gains would be "more than welcome". There are grounds for optimism. First, the pandemic changed ways of working; when it eases, these could "pay big dividends" in terms of efficiency (eg, virtual meetings and online ordering). Even without that, the easing up of supply chains could suddenly raise productivity (think car manufacturers waiting for "just one hard-to-obtain part"). Finally, with workers difficult to find and demand strong, businesses have "some of the strongest incentives in years to figure out ways to be more productive". With higher productivity offsetting slowing earnings growth and rising interest rates, 2022 may not be so bad after all.

It's time to drain the swamp here

Nick Cohen
The Observer

The "oligarchical money" swilling around the British elite may not have bought our foreign policy, but taxes are rising and public services are failing because our leaders "will not pass laws to drain the swamp", says Nick Cohen. The "naturally conservative" milieux of the City, estate agents, the art market and private schools depend on "the proceeds of crime". The UK loses an estimated £190bn a year to fraud while the government spends just £852m fighting it. Anyone who raises questions about fraudulently acquired wealth (total fraud losses across Whitehall are put at £29bn a year) "faces libel actions with costs that run to millions". A "serious policy response" would involve providing Companies House with the funds to "weed out and prosecute the beneficial owners" of the thousands of criminal enterprises it now "covers with a patina of responsibility". It would include "cleaning up the City", clamping down on UK-controlled tax havens and "stopping the libel courts being used as weapons". It won't happen because these fraudsters supply the Tories with "donations and personnel". The "sea of dirty money is the sea the Conservative leadership swims in. It can no more live outside it than a fish can live on land."

We will all pay for elite complacency

Nick Timothy
The Daily Telegraph

The age of comfort and security is "coming to an end", says Nick Timothy, and successive governments who failed to fix Britain's structural weaknesses have left us vulnerable. Energy prices have been rising for years; yet instead of nuclear power stations, we have a "net-zero target" with no idea of costs or how to achieve it. British households and businesses will pay the price, just as they will pay for inflation and tax rises. Responsibility for the sorry state of our economy – "too reliant on financial services, too geographically unequal, too exposed to stretched supply chains, poorly connected, with low productivity and too little investment" – lies with our complacent, indecisive leaders. Nor is there a credible plan to project and defend Western interests as power shifts eastward. China has bought its way into critical infrastructure, stolen industrial secrets and extended its economic and military reach, while Russia, as the Ukraine crisis shows, will continue to undermine Western interests with impunity. From a position of unnecessary weakness we now face great challenges; revolutionary technologies, mass migration, energy shortages and security threats. "We need a new generation of leaders to return us to reason and strength."

Let's end the 60-year war on Cuba

Belén Fernández
Al Jazeera

This month marked the 60th year of the US sanctions regime against Cuba, making it the "longest-running embargo in US history, and one that has cost Cuba an estimated $130bn", says Belén Fernández. The "punitive details have fluctuated", but the US has remained "committed to strangling the Cuban example" and the idea that a nation that places wellbeing, free healthcare and education above "soul-sucking consumerism and savage military campaigns" could function. Former US president Donald Trump imposed 243 new sanctions on the island. Joe Biden has ramped up the "de-facto war" further, even as the UN General Assembly voted for the 19th year in a row, and by 184 to two in favour, of a resolution calling for a halt. In defence of its vote, a US official described sanctions (which prevent people from buying basics such as food and medicine) as "one set of tools in our broader effort to advance democracy (and) promote respect for human rights". The Cuban government is far from flawless, but those flaws must "necessarily be analysed within a context of economic asphyxiation by a global superpower". And if, as is often alleged, it is using the embargo as a "scapegoat" for mismanagement, why not end it and deprive it of excuses?

Money talks

"When I bought my first property, going abroad, the easyJet, coffee, gym, Netflix lifestyle didn't exist. I used to walk to work with a sandwich. And on payday I'd go for a pizza, and to a movie, and buy a lipstick."
TV presenter Kirstie Allsop (pictured) suggests youngsters forego luxuries if they want to buy a house, quoted in The Times

"MMT proponents, to be consistent, should now be calling for large tax hikes. Would be interested to hear how much they think taxes need to go up to solve the 'cost of living crisis'?"
Jonathan Portes on MMT, the idea that governments can print money at will, keeping a lid on inflation with taxation, on Twitter

"Why does the governor of the Bank of England encourage restraint in wage demands, but not call for restraint in businesses' attempts to protect their profit margins? Intellectual bias, ideology, greater resignation with respect to price- than wage-setting, or something else?"
Financial Times journalist Martin Sandbu, on Twitter

"Don't worry about it. It's just money. I know people with an obscene amount and they're not happy, and it's not the money that's making them unhappy. It's the fact they're not happy making them unhappy..."
Singer Matt Cardle, quoted in The Sunday Times

"Bankruptcy really only means that you made a lot of money. It's nothing to feel bad about. A lot of successful business people have been bankrupt."
Singer Mica Paris, quoted in The Daily Telegraph

"I'm not bothered about a social life. It's never something I've enjoyed. I don't drink, I don't party. I work, I spend time with my boyfriend and I go to bed. I'd rather just focus on making money, being successful and happy."
Influencer Molly-Mae Hague, in the Daily Mirror

©Getty Images

Green lairds buy up Scotland

Make way for the new boss

©Getty Images

reuters.com

Wealthy people have long gone to Scotland to shoot grouse and other game, says Andrew Marshall. Raising grouse for them demands intense management of the land, killing predators and burning heather-clad moors, a task that employs hundreds of people.

Now, however, vast swathes of the Scottish Highlands are being snapped up by the "green lairds" – "climate-savvy" millionaires – who buy land to save it from hunting and exploitation and "rewild" it, that is, convert it into native woodland that will capture carbon and sustain biodiversity.

Multimillionaire property developers Camille and Christopher Bently bought a 5,500-acre estate in the Highlands in 2020 for about £11m, and have banned shooting and trapping to turn it into a semi-wilderness "where dwindling species are revived and protected". Scottish brewery Brewdog bought 9,300 acres for £8.8m in 2021, vowing to ban blood sports and help reduced carbon emissions.

A green Ponzi scheme?

All this activity from private and corporate investors has seen the value of some ground in Scotland double in recent years. But not everyone is happy about it. Jamie Williamson, who runs a traditional sporting estate on the edge of the Cairngorms National Park, is struggling to maintain his revenue on an estate surrounded by rewilding projects (they make it harder to control predators, for example).

The kind of landscape the green lairds want to recreate has been gone for thousands of years, he points out, and replacing commercial woodland with forest makes no sense as long as Scots import cheap timber from countries that wreck their own ecosystems to provide it. Meanwhile, otherwise economically worthless land is fetching millions based on what it's worth in carbon credits.

By accelerating the decline of traditional hunting estates and the jobs they support, the green lairds are also opening themselves to the charge that rewilding means "de-peopling", a politically explosive claim given the 18th and 19th century Highland Clearances still fuel nationalist sentiment today.

The Scottish government has promised reform to create a "more diverse pattern of land ownership", while generally cheering the greening of the land. Yet even Williamson, who is relying on other sources of income such as caravan parks, has an open mind about the potential new revenue streams. "Have we missed a trick?" he wonders. "To my mind, it looks like a Ponzi scheme. But you never know."

Who cares about plagiarism?

worksinprogress.co

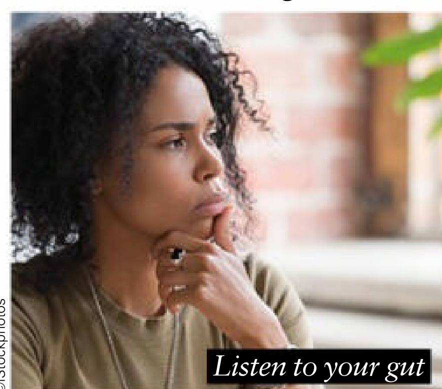
The only people who care about plagiarism are "wussies and pussies", according to Bob Dylan. That was his response to claims that he had stolen lyrics from other sources, says Stuart Ritchie. And his attitude makes sense given that borrowing from the wider culture is "part of the folk tradition", as Dylan put it. But it's too much of a leap from there to suggest, as some do, that plagiarism therefore doesn't matter at all. Their argument is that we all borrow from other sources anyway, consciously or unconsciously, and the creation of a culture is always a collective process – there is no one person to take the credit for the Large Hadron Collider, for example, and the Open Science movement suggests we'd all be better off if we made scientific papers available to all for free. The trouble is, if we stopped considering plagiarism inherently wrong, it would encourage activities associated with it that we don't want to facilitate – laziness, inattentiveness, haste, outright fraud. It would also weaken incentives. If just anyone can take your work and claim it as their own, that reduces the incentive for researchers to go on producing good work. "A world where we stop caring about plagiarism is one where we dismiss useful information about the freeriders and wrongdoers in our midst."

How to make a tough call

psyche.co

When faced with a difficult decision, it can be tempting to "take the easy road and procrastinate", says Joseph Bikart. This is understandable. The word "decision" comes from the Latin *caedere*, meaning "to cut off" – decisions cut us off from other choices and the possibility of better outcomes. But it is also a mistake, because refusing to make a decision is itself a decision, and one that prolongs the pain, not least because we tend to regret things we haven't done more than things that lead to a disappointing outcome.

When faced with a difficult decision, acknowledge the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Listen to your gut

different parts of yourself that want different things. "The simple act of recognising your own competing desires will help you to think through the decision more effectively." Then create distance from the decision, perhaps by imagining you are advising a friend. This will help you be more objective while weighing the options.

Finally, remember that no matter how rational you try to be, "gut feeling" will come into it. "Learning to listen to your emotions and feelings is a powerful indicator of what you truly aspire to."

CEOs deserve their wedge

econlib.org

The idea that CEOs earn too much is commonly heard, says Isadore Johnson. When pressed, many claim that it seems impossible that one person could produce something of so much value. The "superstar effect" explains what is going on.

The superstar effect is when an individual gets a disproportionate share of the gains from what seem like small differences in ability. In a digital age, the marginal costs of producing an additional unit of a product are small, while the fixed cost of getting started is high. And if two goods cost the same but one is better, people are almost always going to choose the better one. Hence small differences can lead to outsized gains for the talented.

It's easy to see how in this way Kanye West's edge in music leads to disproportionate riches. It's harder to see the same effect in the business world. Yet economist Tyler Cowen estimates that the skills of CEOs allow them to capture 68%-73% of the value they bring to firms. Workers on average get about 85% of their marginal product. CEOs deserve their wedge.

18+

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Profiting from market turbulence

Short and leveraged ETPs could be useful for making trading bets as tech stocks fall

David Stevenson
Investment columnist

Towards the end of last year, I wrote about short and leveraged index trackers. These exchange traded products (ETPs) allow you to track an index with upside and downside leverage, usually up to three times the daily return.

The word "daily" is very important here – the way that daily leveraged and short returns compound means that market volatility can eat into your returns much more than you'd expect. For example, markets can end up flat over one month, yet be so volatile day-to-day that such an ETP loses a significant amount of money.

So these products come with a health warning, but I highlighted them because I felt investors were underestimating their usefulness over the short- to medium-term. A three-times daily returns long product could produce geared upside profits in a trending bullish market.

Cathie Wood's ARK ETFs are having a torrid time

©Getty Images

Betting against Cathie Wood

We're not in a trending bullish market at the moment, but these leveraged ETPs are still proving useful to profit from falling share prices. GraniteShares has seen a 166% rise in trading in its range of short ETPs on popular stocks (such as Tesla and NIO) amid the recent market sell-off.

Another string of short ETPs has caught my attention this week. This bunch is from Leverage Shares and tracks what was, until this year, an insanely popular range of exchange traded funds (ETFs) from ARK Invest in the US, managed by Cathie Wood.

Wood is the public face of the turbocharged tech disruption bull community in the US. Her actively managed ETFs have proved a huge hit and she's riffed on her theme of tech disruption by launching distinct strategies based on tech innovation, genomics, autonomous tech, and robotics and fintech. She will focus on to a big trend and then find the most interesting stocks, many of which are mid- to small cap.

When the market is buoyant Wood is queen of the hill, but when markets turn dismal, her ETFs plunge. At the moment, she's having a very tough time. Now Leverage Shares has launched a range of ETPs that allow you to track three of her most successful US funds directly: the Innovation ETF, the Next Generation Internet ETF and the Genomics Revolution ETF.

Investors in the UK aren't able to buy most US-listed ETFs, so what these do is mirror the US portfolios within a UK tracker fund – but with a twist. In each of these strategies you can either track the underlying ETF one for one, or leverage returns three times on the upside and three times on the downside. The smart money has been in the short three-times leveraged version. The three-times short ARKK Innovation product from Leverage Shares is up a staggering 138% this year, while the year-to-date return on the original ETF is down 23%.

The contrarian in me wonders whether most of the tech sell-off is priced in, which could mean speculators turn to the three-times leveraged long version. Alternatively, I can see the appeal of the one-for-one tracker for British investors to get access to Wood's ETFs. If you want a Scottish Mortgage disruption strategy on steroids, ARK Invest is worth a look.

Trading Berkshire Hathaway

These new products from Leverage Shares came out in December, alongside another range that tracks Berkshire Hathaway's shares. Warren Buffett's investment company is the polar opposite of ARK – it's value oriented and prioritises dependable cash flow.

You can buy US-listed Berkshire Hathaway shares easily (the famous Class A shares are around $480,000 each, but the class B shares are around $320). So the direct one-for-one tracker, which simply holds the underlying Class B stock with no swaps or derivatives, may not be that useful. Still, the firm also offers a two-times long or short tracker, although quite why you'd want to do that with a boring stock such as Berkshire Hathaway is beyond me.

Activist watch

Hiromi Yamaji, the head of the Tokyo Stock Exchange (TSE), is urging Japanese companies to engage more with activist investors, says Nikkei Asia. Japanese firms have always had an uneasy relationship with activists, often scorning them as short-term profiteers. However, "frank, open discussions" between companies and shareholders can be beneficial in helping firms think harder about growth and profitability, says Yamaji. "You shouldn't lump all activists together and dismiss them as all bad." Last month, the TSE announced changes in how firms will qualify for a "prime" listing, which will require them to maintain a free float of more than ¥10bn ($87m). Yamaji hopes the rules will force firms to try to increase their value or face demotion.

Short positions... Yiu's lucky escape

Stephen Yiu, one of the UK's rising-star fund managers, avoided the dramatic fall in Meta Platforms and PayPal when he sold them shortly before they released poor results last week, says Financial News. Meta – which owns Facebook – reported falling numbers of active users for the first time (see page 4 and page 7). The firm will struggle with competition from TikTok and tighter privacy settings on devices made by Apple, says Yiu. PayPal plummeted 25%, losing $51bn. The digital payments giant got a big boost in users as online shopping grew during the pandemic, but activity is now going back to normal, reckons Yiu. Rumours that the firm was considering a merger with Pinterest also raised questions over its acquisition strategy. Yiu's £1bn Blue Whale Growth Fund has half its assets in tech stocks and Meta and PayPal have been major holdings, but Yiu has been selling some as he takes a more cautious view. In December, he also sold Amazon due to competition concerns.

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Terry Smith (pictured) has reversed his view on Alphabet, not long after doing the same on Amazon, says Citywire. Smith snapped up Alphabet for his Fundsmith Equity Fund during the January correction. He had previously said that he liked Google's core advertising business, but criticised its "very unprofitable periphery", including moonshot projects such as the autonomous driving company Waymo. In October he bought Amazon, having earlier argued that the fast-growing cloud-computing arm was attractive, but not the core online retail business.

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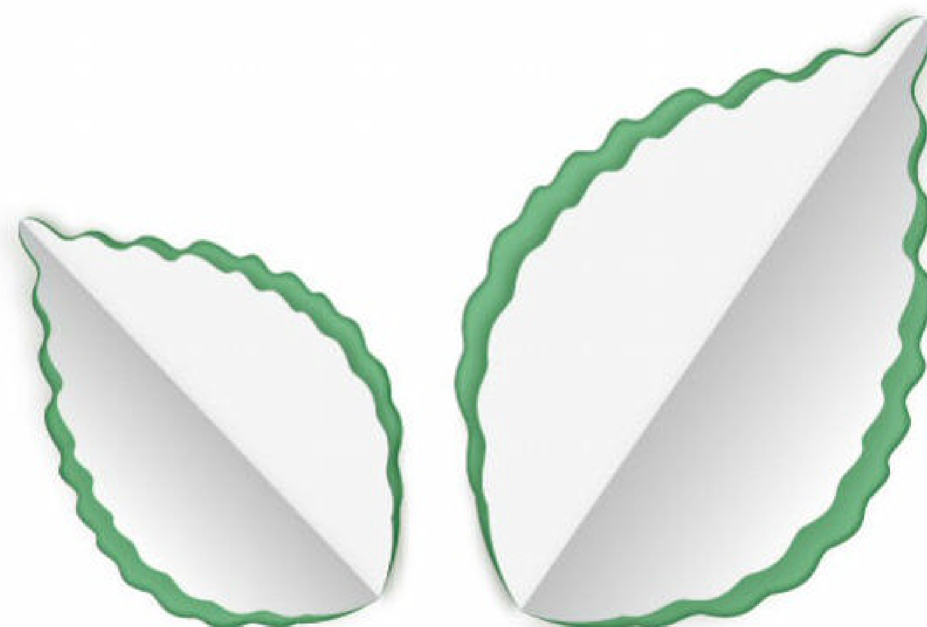

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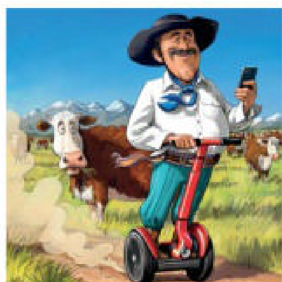
Latin America's digital revolution

A region that was once an innovation desert is changing rapidly. Billions of dollars of venture capital funding and the impact of the pandemic are creating new tech giants. James McKeigue reports



Covid-19 battered Latin America. It killed more people and caused deeper recessions than in any other region. Yet the massive disruption also forced people to solve centuries-old regional economic challenges. This is accelerating a nascent digital revolution that will eventually save more lives and drive more economic growth than was lost in the pandemic.

I first tipped Latin America's tech sector back in August 2012, when I highlighted Mercado Libre, the region's leading ecommerce platform. If you bought in then, congratulations, as the stock is up more than 1,100% in the last decade. But don't worry if you missed out, because Latin America's digital revolution is only just beginning. The region only saw its first unicorn – the name given to private tech start-ups worth more than $1bn – in 2017. Now those mythical beasts are a lot less rare, with 34 in the region today.

Latin America attracted more tech funding than similar-sized Southeast Asia last year and almost the same amount as the much larger Indian market. Venture capitalists are pouring billions into the region's start-up companies, but a wave of tech listings on the New York Stock Exchange and Nasdaq means that private investors can also play the story.

Perfect conditions for a tech revolution

For a long time, Latin America was an innovation desert. A barren, bureaucratic, venture capital-starved landscape with few successful tech start-ups. Most international investors focused on the region's incredible commodity resources and assumed that Latin America's poor education, weak internet coverage and excessive bureaucracy would make serious tech innovation impossible.

In fact, the opposite is true. The terrible quality of local services makes the region a fertile ground for start-ups with good solutions. I live in Ecuador and I pay far more for my children's education and hospital visits than I did in the UK. The local banks, which are among the most profitable in the world, are very expensive and offer limited services. Public transport consists of a few fume-emitting second-hand buses. Please don't take this as a criticism of Ecuador – I love the place – but it helps explain why apps that offer people better mobility, banking, health and education services will do well.

Unfortunately, Ecuador is typical of the region. World Economic Forum analysis shows that Latin America has the worst-quality infrastructure of anywhere in the world outside of sub-Saharan Africa. Public education is shocking, with 50% of 15-year-olds unable to read properly. Even before the pandemic, health systems in many Latin American countries were at the point of collapse. As for the financial system, a World Bank study showed that nearly half of the region's entire population did not have access to banking services even before the pandemic.

"Social-media use is higher than in any other region in the world"

But being a bundle of needs isn't enough on its own to foster tech innovation. Latin America also had several positive factors in its favour. Demographics play a crucial role in the region's tech boom. The middle-class population expanded from 33 million households in 2008 to 46 million households in 2018. People are increasingly moving to cities. Latin America is the world's most urbanised region: 260 million people – approximately 40% of the total population – currently live in the 200 largest cities and generate 60% of the region's GDP. Meanwhile, internet usage in Latin America has exploded, reaching 450 million people in 2019 from just 200 million in 2010, making it the world's fastest-growing internet population. Not only do Latin Americans have access to the internet, but they're also taking full advantage of it. The region's social-media use is higher than any other in the world, and almost double the North American average. Rising purchasing power, coupled with increasingly widespread internet access, makes people more willing to purchase products and services through new tech platforms.

However, a lack of venture capital meant Latin America was slow to find tech solutions to its long-standing problems. The region is dominated by family-owned firms, whose main aim is to preserve capital in a volatile political environment, not back exciting tech ventures. That gradually started to change a few years ago – venture investment into the region doubled every year from 2016 to 2019, according to analysts at the Latin American Venture Capital Association. Then in 2019 SoftBank, the Japanese tech conglomerate, announced a $5bn Latin America-focused tech fund. That helped Latin America attract $4bn of venture-capital tech funding in 2020. Meanwhile, a host of companies have successfully listed on the tech-focused Nasdaq stock exchange in the US providing another way for the sector to attract international capital.

How the pandemic changed everything

All of those developments were positive, but the pandemic was the gamechanger. In 2021, venture-backed companies raised $14.8bn across 772 deals in Latin America, according to PitchBook data. That's more than the total tech capital invested in the region over the previous six years.

A lot of the focus is on financial technology (fintech), which makes sense when you consider that Latin American banks have higher profit margins than anywhere else in the world. Nubank, the Brazilian digital bank, listed on Nasdaq in December with a market value of $41bn. There are eight other venture capital-backed fintechs valued at over $500m, according to PitchBook, with a collective value of $11.6bn. Yet around 60% of the venture capital raised last year was for non-fintech companies.

That's because the pandemic created a massive increase in demand for health, e-commerce, mobility and education services in Latin America. The region implemented some of the world's longest and severe lockdowns and these restrictions pushed people into finding tech solutions. In Guayaquil, the bustling Pacific-coast port city where I live, you can't drink the tap water. Before the pandemic it was easy to get drinking water delivered by motorbike, but when the pandemic hit the deliveries stopped as the drivers didn't

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Around 70% of Latin America's population has a mobile connection

want to handle cash. I had to queue for hours at the shop and walk back – we weren't allowed to use our cars – carrying my household's water supply. Then I discovered an app that let me pay digitally and have the water left outside my house. That small experience was repeated across the region. "When you look at the metrics for e-commerce penetration, what was achieved in the last 18 months probably would have taken several years organically," Nicolás Szekasy, co-founder of Kaszek Ventures, one of Latin America's largest venture capital firms, told the Financial Times recently.

No wonder the shares of my old Latin American e-commerce favourite, Mercado Libre, rose to more than $2,000 during the peak of the pandemic (as with a lot of tech stocks, investors got a bit carried away – it has since halved again). Stats from Mastercard also capture the pandemic's impact on tech. The need to avoid cash and make digital payments pushed 40 million Latin Americans to open a bank account for the first time between May and September 2020.

Education was also ravaged by the pandemic. Many state-school children in Ecuador have not had a lesson in person since March 2020. That colossal policy error is repeated across the region, which inflicted longer school closures on children than any other region. "Nowhere else in the world are so many children currently left without face-to-face schooling," said Jean Gough, the head of United Nations Children's Fund (Unicef) in Latin America and the Caribbean, last year. "This is the worst education crisis Latin America and the Caribbean has ever faced in its modern history." Even when schools do reopen – in Ecuador the holidays mean that will not be until May 2022 – there will be a massive education deficit to make up. Educational technology (edtech) companies can help with that.

The region's failing health systems are another obvious target for tech solutions. Barring some positive outliers – such as Costa Rica, Uruguay and Cuba – the region's health systems are inefficient and underfunded. The Latin American average for health spending is less than 4% of GDP compared with 8% in Europe. Health tech can help in two ways. The first is that historically weak states mean that Latin American public services rarely reach remote rural areas. Technology offers a way for competent doctors to conduct virtual consulations with patients in isolated communities. The second is that by bringing down costs, technology allows poorer Latin Americans to receive a health service that isn't available in the public system and is too expensive in traditional private hospitals. A great example is Dr. Consulta, a venture capital-backed network of low-cost clinics, which is now the biggest private medical service provider in Brazil. It started out as a bricks-and-mortar clinic in a favela in 2011, but now complements its physical locations with a digital practice.

Political risks are overstated

I run LatAm Investor, the UK's only Latin America-focused investment magazine, and that experience has taught me just how hard it is to persuade British people to invest in what many still see as a risky region. That task is no doubt made even harder when you are dealing

Continued on page 24

"40 million people opened a bank account between May and September 2020"

Continued from page 23

with start-ups. And to be fair, there are certainly some risks worth highlighting – most obviously politics. Latin America's coups and caudillos have always captured the imagination and in Venezuela, Nicaragua and Bolivia we still have plenty of present-day examples. But in the last 20 years, democracy has strengthened across most of Latin America in a way that is not fully recognised.

"Being a LatAm-focused investor for more than 20 years, I am often reminded by clients of the political volatility in the continent, which makes the region less attractive to investments compared with Asia, and specifically, China," says Alfredo Mordezki of Santander Asset Management. "The latest crackdown on Chinese private-education companies and the wiping out of $70bn of market cap from Jack Ma's companies should make investors think about the difference between stability and the rule of law. Institutions are hard to build, it takes a long time to make them resilient to tyrants and history shows that even the US may show some cracks over time. The landscape has become globally a lot more uncertain, but still democracies, even weak ones, have in place institutions that make arbitrary decisions harder to implement."

Indeed, Latin American governments may actually help tech investors. That's because the pandemic has forced many bureaucrats in the region to update antiquated processes – which typically involved queuing up to get documents stamped – that were impractical during the pandemic. On a recent trip to Panama, Carlos Urriola, the chief executive of a large local port, Manzanillo International Terminal, told me how Covid-19 has forced the government to streamline paperwork. "The government has digitalised processes at a much faster rate than its predecessors because it was forced to by the pandemic," he says.

A long-term opportunity

Rising interest rates are perhaps the biggest threat to these tech companies, as is true with high-flying growth stocks everywhere. The appeal of buying into tech firms that dangle the carrot of big earnings ten years down the line may dwindle when interest rates rise. As safer assets such as US Treasuries start to offer higher yields, that will inevitably have an impact on stockmarket valuations. Some of this is already playing out in the market: many of the recently listed Latin American tech companies have fallen below their debut price.

Students in El Salvador: Covid-19 forced education online

©Getty Images

However, good companies with solid earning potential will do well over the next decade regardless of current market jitters. For example, Mercado Libre survived the dotcom bust to become Latin America's most valuable company. Indeed, the fact that tech firms are currently out of favour makes this a good time to buy into a great long-term story, as Julio Vasconcellos, co-founder of Atlantico, a Latin American venture capital fund, argues in the Financial Times. He notes that Latin America's total tech market capitalisation stands at 3.4% of GDP, compared with 30% in China and 14% in India. If Latin America were to get to China's level, then "we're talking about the equivalent of over a trillion dollars of market value being created", he says. In the box below, we look at the best ways to play this trillion-dollar investment opportunity.

"Latin America's tech capitalisation is 3.4% of GDP, compared with 30% for China"

The new wave of tech leaders

For many years, **Mercado Libre (Nasdaq: MELI)** was the main way to invest in a Latin American tech success story. It has been highly successful, taking around 30% of the Latin American e-commerce market, and the valuation reflects that. It trades on a price/earnings (p/e) ratio of 650, falling to 120 based on forecast earnings. However, a wave of initial public offerings (IPOs) in the last couple of years has given us a much wider choice. Most are high-growth prospects and are priced accordingly

Arco Platform (Nasdaq: ARCE) is a Brazilian online-learning provider. It serves more than 1.3 million children across 5,000 private schools in Brazil and provides live sessions, pre-recorded classes, teacher training and game-like educational programmes for students. Demand for its services rocketed in the pandemic, when many schools in Brazil struggled with the tech demands of providing virtual learning. Pupils in Brazil are now back at school, but the educational deficit means demand for edtech solutions will remain strong. The shares are on a p/e ratio of around 38 times forecast earnings.

Vasta Platform (Nasdaq: VSTA) and **Vitru (Nasdaq: VTRU)** are also based in Brazil. Vasta is similar to Arco, but about half the size. Vitru is a higher-education provider that focuses on small and medium-sized Brazilian cities. They are on forecast p/es of 135 and 43.5 respectively.

Afya (Nasdaq: AFYA) is a Brazilian firm that combines both education and heath technology. It is the largest private medical school chain in the country and offers digital training for doctors at all stages of their career. The pandemic put health at the forefront of Latin American politics; while some industries may fear the likely election of left-wing populist Luiz Inácio Lula da Silva in the presidential poll later this year, he is not going to cut health budgets. The shares are down by around 50% from the pandemic high and trade on a p/e of 29 and a forward p/e of 11.

Globant (NYSE: GLOB) was originally set up by four tech workers made redundant in Argentina's 2001 economic crisis. It provides software solutions for large corporations, mainly in the US and UK – one of its first big clients was Google. It has dropped 26% since its pandemic high and now trades on a p/e ratio of 121, falling to 63 on forecast earnings.

E-commerce only accounts for 20% of retail in Latin America, compared with 50% in the US, but is expected to grow strongly over the next decade. **Zenvia (Nasdaq: ZENV)** is a nuts-and-bolts way to play this theme. This Brazilian firm helps businesses track their customers online and to communicate with them through chatbots, text messages and similar channels. As more of the region's retailers invest in their online offering, they will need Zenvia's solutions. The company is active in Brazil, Mexico and Argentina, giving it good regional exposure. It trades on 26.5 times forecast earnings. **VTex (NYSE: VTEX)** operates an e-commerce platform used by 2,500 online market places in 32 countries. Its direct corporate clients include Sony, Coca-Cola and Walmart. Growth is rapid, but analysts project that it will remain loss-making next year.

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Cut your tax bill with VCTs

Demand for venture capital trusts is on track to set a new record this year. David Prosser reports

Investing in long-term growth should not feel like trying to bag a ticket for an Adele concert. But when asset manager Gresham House opened its three latest Mobeus venture capital trusts (VCTs) to applications from investors last month, the phones did not stop ringing. The three funds hit their fundraising target of £35m within 22 hours and then closed their doors.

Not all VCTs launched in recent months have seen quite so much demand, but the sector is certainly running hot. By the end of January, investors had already committed £710m to new VCT launches, ahead of the £685m raised over the whole of the 2020-2021 tax year. "VCTs are on track to raise record sums," reckons Alex Davies, chief executive of Wealth Club, an investment platform specialising in VCTs and similar investments. It looks increasingly likely that by 5 April, the last day of the current tax year, the sector will have surpassed the £779m raised in 2005-2006, the all-time record, achieved at a time when the funds offered more generous tax reliefs than they do today.

Understanding VCTs

VCTs are collective investment funds that have a mandate to build portfolios of stakes in small, early-stage businesses. These are typically companies that have yet to float on the stockmarket, though some funds own companies that are listed on Aim.

The rules on qualifying VCT investments that the funds can make are extremely strict. Usually, VCTs may only invest in businesses worth less than £15m and with fewer than 250 staff. These businesses must be less than seven years old and certain sectors of the economy are off-limits, notably most financial services.

The fact that VCTs spread their money across a number of companies goes some way to mitigate the risks of investing in small, early-stage firms like these. However, investors should be under no illusions: these are immature and fragile businesses with plenty of potential for failure. This, of course, is why the Treasury offers investors a range of tax benefits for committing their money. These include up-front income tax relief of 30% – so investing £10,000 costs only £7,000 – as well as tax-free dividends and capital gains.

VCTs are listed on the London Stock Exchange, but income tax relief is only available on new VCT shares. This is what underpins the annual VCT season: each year, VCT managers launch new funds, or new share issues from their existing vehicles, to attract investors looking for that 30% benefit. Investors must then keep their VCT shares for at least five years, or repay the up-front tax relief.

Entering the mainstream

Even with these generous incentives, VCTs were for many years considered a niche investment best suited to high net-worth investors who already owned extensive portfolios of more conventional assets. More recently, however, the sector has moved into the mainstream.

The biggest factor driving this shift has been the steady erosion of the tax benefits available to more wealthy savers planning their retirement. The annual allowance governing how much savers may contribute

"The erosion of pension tax breaks is driving demand for VCTs"

Meal-kit retailer Gousto was a VCT funding success

to a tax-efficient personal pension is now £40,000 – and this allowance reduces if you earn more than £200,000 a year. In addition, the lifetime allowance caps the amount that investors can build up in private pension savings, including investment growth, at a little over £1m. Above this threshold, which is due to stay frozen until at least 2025, punitive tax charges are payable once you start cashing in your savings.

By contrast, VCTs come with a £200,000 annual cap on contributions, and no limits at all on how much you may build up in total. For growing numbers of wealthier savers worried about pension contribution limits, the funds are now seen as a useful long-term financial planning tool.

Tax allowances frozen

"With personal tax allowances and the pension tax allowance frozen until April 2026, plus dividend tax increases coming in the new tax year, it is reasonable to expect demand for VCTs to remain buoyant," explains Jason Hollands, managing director of the investment platform Bestinvest. "They are one of the few ways – alongside contributing to a pension – that you can give yourself a juicy income-tax cut."

A second driver of VCTs' popularity is the income many funds offer. While early-stage firms don't generate much in the way of dividends, VCT managers have become adept at structuring their portfolios' investments and realisations to generate a steady stream

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"VCTs are high risk and not suitable for most investors"

of income for shareholders, all of which is tax-free. In an era of ultra-low interest rates – and disappointing yields on other assets – that looks very attractive.

Not that VCT managers want their funds to be seen purely through the narrow prism of tax relief or income. There's probably "never been a better time to invest in VCTs", argues Ewan MacKinnon, a partner at Maven Capital Partners. "History teaches us that firms born of crises such as Covid-19 and the 2008 financial crash can be among the best businesses to back. VCTs give investors the opportunity to invest in innovative, fast-growing UK" small and medium-sized enterprises.

Jack Rose, head of retail sales at Triple Point, points out that the VCT market is now more than 25 years old and has matured and developed considerably over that time. "You now have a core group of managers who have demonstrated strong and clear... records of delivering investors returns through multiple market cycles."

However, financial advisers have some concerns about the explosion of interest in VCTs. "It would be a mistake to say VCTs are suitable for most investors – they most certainly are not," argues Hollands. "The tax perks of VCTs are there for a reason: VCTs are high risk and therefore the government needs to give people an incentive to invest in them."

Moreover, success brings its own problems, warns Ben Yearsley, investment director at Shore Financial Planning. "The thing that concerns me most is that this weight of money, coming on top of some very good years for fundraising, will undoubtedly mean VCTs are having to overpay for companies," he says. "There is a finite pool of good-quality businesses to invest in – and overpaying now means lower returns in the future."

Certainly, VCT managers are now casting the net wider than in the past, though they argue this is a reflection of the maturation of the sector. In the early years of the funds, most VCTs were generalist in nature, investing in qualifying companies across a broad range of sectors. Those funds are still plentiful, but there are also a growing number of specialist VCTs that concentrate on particular areas of the market. Downing, for example, operates a VCT focused on healthcare businesses. In addition, a number of VCTs invest purely in qualifying Aim companies.

One interesting new arrival on the VCT market this year is Octopus Future Generations VCT, the first fund with a mandate built on sustainability. This is in line with the growing demand for investments tilted towards environmental, social and governance (ESG) criteria – and may represents a new growth opportunity for the sector. "Early-stage companies that can provide innovative solutions to address these issues could have the potential for attractive returns," points out Wealth Club's Alex Davies.

If the combination of ESG issues and VCT funding turns out to be sound, some of the businesses that the Octopus fund backs may eventually join the ranks of well-known companies that have already graduated from previous VCT classes. Household-name businesses that have grown with the benefit of VCT funding include estate agent Zoopla, travel business Secret Escapes, meal-kit retailer Gousto and Depop, the secondhand clothing platform.

However, investors need to bear in mind that for every high-profile success story emerging from the VCT sector, there are also plenty of failures that you hear less about. Tax relief may soften the blow, but it doesn't mitigate the risk of those disappointments entirely. With that in mind, VCTs certainly have their place, but there is every reason for investors to approach with caution.

Top VCT picks for 2022

With no fewer than 18 funds currently raising money – including several managers with more than one on offer – there is no shortage of choice for investors looking for exposure to VCTs. Which you go for will partly depend on whether this is your first VCT investment – in which case a more broad-based generalist fund may make sense – or you already have such holdings and now want to add a more specialist VCT.

Performance record is important, but advisers specialising in VCTs also urge investors to look for the most experienced managers. These firms have more experience of selecting potentially profitable portfolio holdings; it is also more likely that they will have access to good "deal flow", with plenty of interesting businesses coming directly to them looking for funding.

Jonathan Moyes, head of investment research at Wealth Club, picks out three managers in particular. "Previously known predominantly as an asset-backed investor, Albion's VCTs have made a real success of their transition towards growth capital investments," he says. "The six Albion VCTs also have a unique feature where each VCT aims to pay a half-yearly dividend of 2.5% in a different month of the year, which may appeal to investors looking for a tax-free monthly income."

"Pembroke VCT seeks to invest in premium consumer brands. Its portfolio, which contains several wellness and e-commerce brands, has benefited from changing consumer habits following the pandemic and has performed strongly through the last two years," he adds. Thirdly, "management of the Northern VCTs was recently acquired by Mercia Asset Management, a move that is likely to see the VCTs benefit from the wider resource and deal flow of the Mercia group".

At Bestinvest, meanwhile, Jason Hollands says: "My top picks of the current crop are Unicorn Aim VCT, the Albion VCTs, the Northern VCTs and Pembroke VCT." Hollands also has a warning for investors to act quickly. "Capacity is always finite with VCT fundraisings, so it is unwise to wait until the last few weeks of the tax year, as choice will be limited and the best offers almost certainly closed."

Protect your mortgage

Rising interest rates pose a threat to your mortgage, but it's not all bad news. Here are some ways to secure a better rate

Ruth Jackson-Kirby
Money columnist

In an effort to combat inflation, the Bank of England increased the base interest rate from 0.25% to 0.5% last week. What does that mean for your mortgage?

"The one in four mortgage holders who have a standard variable rate (SVR) will see their monthly payments rise almost immediately as banks pass on the 0.25% hike to their default mortgage rates," says George Nixon in The Times.

You need to act fast if you're looking to remortgage to secure the best rates. Many major lenders have already announced they will be increasing their interest rates in line with the Bank of England's rise. Barclays, Aldermore, Santander, Halifax, Nationwide and Lloyds have all said their standard variable rates will rise by 0.25% from 1 March. This could affect anyone on a tracker mortgage with them, although that will depend on the individual details of your deal.

Remortgaging is still an option

If you have a fixed-rate mortgage, how this rate change will affect you depends on when you last secured your interest rate. Homeowners with a five-year fix that is coming to an end could still get a better deal than when they last remortgaged. The best rate available five years ago for 60% loan-to-value (LTV) was 1.79% from Skipton Building Society. You can still beat that with First Direct's five-year fix at 1.54%. However, homeowners with a two-year deal coming to an end could see their bills go up. In January 2019 the best rate on a two-year fix was 1.19%, now the lowest offer is 1.3%.

But it isn't all bad news. Remortgaging could still be a way to offset the rising cost of living. Some people will be able to save more than £200 a month, or in excess of £2,000 a year, by making a simple switch, says Hilary Osborne in The Guardian.

If you are on your lender's SVR or a tracker mortgage, now could be the time to switch to a fixed-rate deal. Someone with a £150,000 mortgage on Yorkshire Building Society's SVR, which is 4.49%, who switches from that to First Direct's market-leading five-year fix at 1.54% with a £490 fee, would shave £228 a month off their repayments.

Solutions for the longer term

Now might also be the time to consider a longer-term fix. Interest rates on ten-year fixed-rate mortgages have been falling in recent months. "Competition in the ten-year fixed rate market is fierce and has emerged as a key battleground for lenders," Chris Sykes, mortgage consultant at broker Private Finance, told the Financial Times.

Potential borrowers and lenders expect consistent base-rate increases for the next year and beyond, which is driving demand for longer-term products. Lloyds brought out a new ten-year fixed rate deal at just 1.66%. It comes with a £999 fee and is available to borrowers with a deposit or equity of at least 40%.

Another way to counteract rising rates and keep your mortgage repayments low is to improve your property's loan-to-value (LTV). Lenders reserve the cheapest deals for people who have bigger deposits or more equity built up in their home because they represent less risk.

If a house with 40% equity had to be repossessed, the lender can be confident they will get their money back when they sell it. A property with only a 5% deposit could lose the lender money if they can't sell it for at least 95% of what it was valued at when the mortgage was taken out.

Rising rates mean your mortgage will cost more

©Getty Images

"If you need to remortgage it is well worth checking how much you need to pay to qualify for the next LTV bracket," Aaron Strutt from the mortgage broker Trinity Financial told The Times. "If you are locking into a longer-term rate, a small capital repayment may mean that you could qualify for a much cheaper rate."

Know the true value of your house

You may not need to put your hand in your pocket to improve your LTV. Before you remortgage, get your house revalued. House prices have rocketed over the past year, with average growth of 9.7% in 2021, according to the Halifax House Price Index. The average UK home was worth £276,759 in January – up £24,500 from the same month last year and £37,500 higher than two years ago.

Rising prices mean your house could have increased in value without you lifting a finger. "If you have had work done, you may also be able to get your home revalued and get a cheaper rate," says Strutt.

Pocket money... the true value of 50p coins

● This week the Royal Mint is releasing a new 50p coin to mark the Queen's Platinum Jubilee, which will send many collectors on the hunt. But did you know the humble coin in your pocket could be worth as much as £26,000?

The 50p "has a particularly special place in many collectors' hearts," says Lauren Almeida in The Daily Telegraph. The most valuable is a Kew Gardens design released in 2009 – only 210,000 were put into circulation. One sold for £26,000 in 2009.

"The London 2012 Olympics started the nation's love affair with the 50p," says Rebecca Morgan, director of collector services at the Royal Mint. "There were a number of designs and it became a real frenzy across the UK to collect every sport." These coins are now worth up to £16, according to The Sun.

● A new scam involves fraudsters pretending to be members of your family and asking for money. It commonly occurs on WhatsApp with a message seemingly from a child turning into a request for money to help with bills as they can't access their online banking. The number of cases is ballooning and the average loss is £1,950, according to Lloyds Bank.

Scammers are aware that adding the "psychological element" into a scam works far better than previous scams such as phishing emails, Jake Moore, a cybersecurity adviser at internet security firm ESET, told The Guardian.

Lloyds warns people to be on alert when a message comes from a number not already in their contacts and to try getting in touch with the person with their original number to check if it is genuine.

● Thefts from outbuildings and office sheds increased by 43% last year, according to data from insurer LV=.

It is believed that many of these buildings are being targeted as they have been converted into home offices during the pandemic. However LV= also said many people are forgetting to lock windows and doors, or do not have secure enough locks.

This leaves high-value items such as laptops, mobile phones and gym equipment at risk of being stolen by thieves who do not have to worry about burglar alarms going off.

The crypto challenge

There are several things to consider when offering this new way to pay

David Prosser
Business columnist

There has been much speculation about the true value of bitcoin in recent months. This hasn't stopped a growing numbers of businesses from making more use of cryptocurrencies, giving customers more choice about how to pay their bills.

A survey by Visa revealed almost half of small and medium enterprises said they thought offering the option of cryptocurrency payments could be a source of competitive advantage. More than a third said customers had asked if they could pay in digital currency.

Reasons to sign up

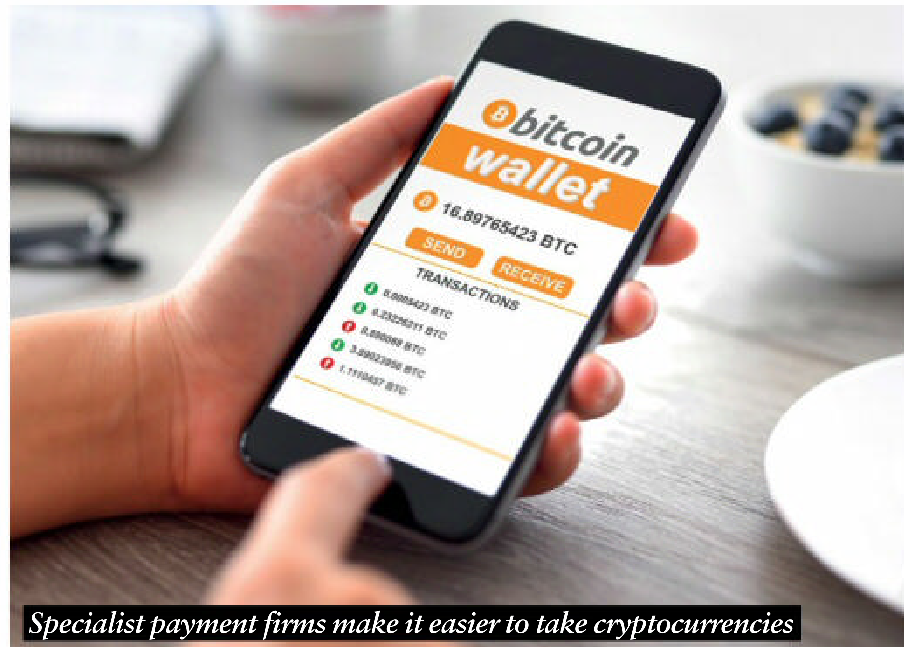
Offering a cryptocurrency payment option is simpler than you might imagine. A growing number of specialist technology companies will manage the process on your behalf – leaders in the field include BitPay, Coinbase and NOWPayments.

These providers embed their technology in your website or online payment facility, allowing you to quote customers a price in the cryptocurrencies you want to accept. Once the bill is paid, the provider converts the money into your currency of choice and deposits it into your bank account.

Small businesses that have signed up cite several drivers for doing so, among them a desire to appeal to a certain demographic. The option to pay with cryptocurrency can be part of the branding strategy for those targeting more technology-aware customers.

There are some practical advantages, too. If you're selling online to an international customer base, the fees that providers charge for processing cryptocurrency payments can often be cheaper than those levied by the traditional payments industry on fiat currency transactions, especially after exchange-rate charges.

Cryptocurrency transactions are also very rapid. The technology behind the conventional payments system does not always work smoothly. Digital currency systems are built for purpose and offer almost instantaneous processing. The money should be in your bank account much more quickly than you're used to, especially for international transactions. That could be a boost for your cash flow.



Specialist payment firms make it easier to take cryptocurrencies

©iStockphotos

Offering cryptocurrency payments may even bring in new customers. People in some parts of the world don't have easy access to conventional banking services and so struggle to buy from companies that want to be paid in the traditional way. Digital currency payment channels can bridge this gap.

Some things to consider

Dealing with cryptocurrencies brings new challenges. One issue is volatility – a price quoted in bitcoin today may be completely the wrong price tomorrow, once converted back into local currency. Some businesses steer round this problem by showing prices only in the currency they depend on; the customer is then quoted a cryptocurrency price at the point of payment. Their payment can be converted into fiat currency immediately, reducing the risk for the seller. But refunds can still cause difficulties, as rates may have changed by the time a customer asks for their cash back.

Another headache for some businesses is the sustainability issue. Amid growing anxiety about the carbon footprint of cryptocurrency mining, some businesses worry about the environmental impact of bitcoin – and the potential damage to their brand.

These are not trivial issues, and businesses will need to tread carefully. But ultimately, if more customers ask to pay using cryptocurrency, more businesses will feel obliged to offer this option.

Educating staff on cybercrime

Almost half of small businesses provide staff with no training at all on cybersecurity, new research shows. A survey from Software Advice found that while 62% of small and medium-sized enterprises have seen an increase in cyber attacks over the past two years, only 48% have conducted training to alert employees to this risk – and tell them how to mitigate the danger.

That's a real problem, cybersecurity experts say. While there is a perception that cyberattackers are highly sophisticated, deploying complex techniques to hack into businesses' systems, the reality is often more mundane. Many attacks depend on simple breaches of cybersecurity by employees. For example, staff could be asked to click on a link in an email that downloads malware. Many attacks exploit the failure of employees to use strong passwords, or to secure their devices in other ways.

Providing training can help small businesses to raise awareness of these issues – and to point out attackers' most common ploys. Businesses with limited budgets don't even have to pay for such training, with a number of organisations offering free resources. For example, the government-backed National Cyber Security Centre (ncsc.gov.uk) provides a number of free training modules that employers can download and work through with staff.

Be ready for the NI hike

● Will the government make a U-turn on its plans for a hike in national insurance contributions in April – including a 1.25% increase in what employers pay? The chancellor insists not, and there is growing concern that many smaller businesses have not planned for the increase. New data from the Federation of Small Businesses suggests small and medium-sized enterprises will face a £5.7bn bill under the current plans, potentially putting 50,000 jobs at risk as firms scramble to reduce their costs.

● Firms falling behind on Bounce Back loans may face a tougher approach from lenders, small business advisers warn, amid controversy about the way in which fraud has dogged the Covid-19 emergency loans scheme. Some 1.6 million Covid-19-affected businesses borrowed £47bn from the Bounce Back Loan Scheme, but accountant PwC has warned close to 10% of that figure may have been fraudulent. Banks are under pressure to minimise losses (which are underwritten by the government), a concern about the scheme. Small business groups fear struggling businesses may get less sympathy in this environment.

● The number of self-employed workers in the UK has fallen by almost a fifth during the Covid-19 pandemic, new data reveals. IPSE, the organisation that represents freelance workers, says the number of self-employed people has dropped from 5 million in 2020 to just 4.1 million today. IPSE says the pandemic is partly to blame for the decline, but also points to the introduction of new rules about how many self-employed people pay tax – the so-called IR35 regime – as a contributory factor.

Shorting Trump

The ex-president's would-be media empire looks like a promising target

Matthew Partridge
Shares editor

Imagine a technology company run by a 75-year old with a history of multiple bankruptcies, in sectors ranging from airlines to casinos. Let's also imagine that the individual in question is being investigated by various bodies across the US for everything from questionable tax reporting practices to opaque business dealings.

Let's add to the picture the fact that, far from focusing his mind on the day-to-day running of his business, he will also be spending most of the next two years in an attempt to run for president (again). To top it all off, his new company is entering the market not via a traditional initial public offering (IPO), but via a special purpose acquisition company (Spac), or cash shell – typically speculative financial vehicles set up to engineer instant stockmarket listings.

Viewed in this way, it's hard to see why anyone would invest in **Digital World Acquisition Corporation (Nasdaq: DWAC)**. Last October DWAC agreed a deal with former president Donald Trump to merge with his social-media company Trump Media & Technology Group, which plans to launch a social-media app, Truth Social, as well as other services, including streaming television. DWAC doesn't own any other assets, so you are effectively making a bet on Trump's media empire being a success. And so far, enough investors have bought in to this notion to give DWAC a sizeable market cap of $3.46bn (£2.55bn).

Trump's fans are hard to monetise

Trump does have a massive following, both on and off social media. Before his Twitter (see below), Facebook and Instagram accounts were suspended following the riots at the Capitol on 6 January last year, he had a combined 150 million followers – a huge lead over any other contender for the Republican nomination. However, turning his celebrity into hard cash is easier said than done. An attempt to monetise his audience through his

Donald Trump: still on the campaign trail

©Getty Images

own blog was a failure, as the site struggled to find advertisers, and closed after a month. Similarly, a more recent "history tour" with Bill O'Reilly resulted in plenty of unsold seats.

Trump's controversial legacy also makes it almost certain that his social network would find it impossible to attract anyone other than his strongest supporters and keenest fans. This would not only limit the pool of potential users, but it would also mean that it lacked the cut and thrust of debate that takes place on Twitter.

> *"Imagine buying a tech firm run by a 75-year-old with a history of bankruptcies"*

A final stumbling block is Trump's desire to run for president again in 2024. Time spent political campaigning would leave him little room to oversee the venture. In doing so, he will also have to engage heavily with the established media, including television stations and existing social networks, which will be direct competitors to his new company.

Given all of these problems, it's perhaps not surprising that after rising tenfold to $175, DWAC is now trading at less than half of that level, at $84. I still think this is far too high. So I would suggest shorting it at £17 per $1, covering your position if it rises above $142. This would give you a total downside risk of £986.

Trading techniques... tweeting tipsters

When Donald Trump was president, there was a big debate over whether his social-media communications – and his tweets specifically – contained useful trading signals or not. One 2020 study by Carl Ajjoub, Thomas Walker and Yunfei Zhao at the John Molson School of Business, Concordia University, found that any negative tweets Trump made about non-media companies did indeed cause their share prices to fall. Another study by Peder Gjerstada, Peter Filip Meyna, Peter, Molnár and Thomas Dowling Næss of the Norwegian University of Science and Technology found that his tweets, particularly those on trade, also generally pushed the S&P 500 lower, and boosted gold.

Trump was indefinitely banned from Twitter in the wake of last year's riots at Capitol Hill. But there are plenty of other controversial financial tweeters. By far the most prominent is Tesla's founder Elon Musk. Musk has had a few brushes with the US financial regulator, the Securities and Exchange Commission, over his habit of making announcements about Tesla over the social network, which ended up with him being fined $20m for tweeting in 2018 that he was thinking of taking Tesla private at $420 a share.

Musk doesn't just talk about Tesla. A tweet about GameStop last year was credited with sending its share price up to nearly $500, while his tweets on cryptocurrencies, including bitcoin and dogecoin, have also moved prices. Still, the long-term impact of his "views" is debatable: both bitcoin and GameStop are now well off their post-Musk peaks, while Tesla has fallen by more than 23% this year. In short, even if Twitter gives you the occasional idea, always do your own research.

How my tips have fared

The past two weeks have seen four of my five long tips fall in value. Asset manager Rathbones Group declined from 1,866p to 1,858p, supermarket J Sainsbury dipped from 285p to 283p, while telecoms firm Airtel Africa fell from 149p to 140p (see page 32). Transport firm National Express also fell from 264p to 254p. However, construction firm Morgan Sindall rose from 2,150p to 2,238p. Overall, my five long tips are making a profit of £2,497, down on two weeks ago, even after accounting for closing the DR Horton tip.

My short tips have been mixed. Two have moved in my favour, but the other two gained in value. Cinema chain AMC fell from $16.64 to $14.44 and Chinese real-estate broker KE Holdings fell from $21.74 to $19.11. However, remote medicine firm Teladoc increased from $73.18 to $75.28 and online sales firm Hubspot increased from $455 to $483. Overall, the gains from AMC and KE Holdings outweighed the losses from Teladoc and Hubspot, so my short tips are now making a total profit of £2,775 compared with £2,597 a fortnight ago.

My nine open tips are showing a combined profit of £5,272. I now have five long tips (Rathbones Group, J Sainsbury, Airtel Africa, National Express and Morgan Sindall) and five short tips (AMC, KE Holdings, Teladoc, Hubspot and Digital World Acquisition Corp), so my portfolio is now balanced.

However, I'm going to lock in some profits by suggesting you raise your stop loss on Morgan Sindall to 1,900p (from 1,850p); on Rathbones Group to 1,550p (from 1,500p); on J Sainsbury to 150p (from 144p); on Airtel Africa to 100p (from 95p) and National Express to 130p (from 123p). I'd also cut the price at which you cover the AMC short to $35 (from $40).

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Finding the hidden value in complicated businesses

A professional investor tells us where he'd put his money. This week: Edward Wielechowski, portfolio manager, Odyssean Investment Trust

All investors are looking for "value", but this can be far from easy to find. One approach is to look carefully at individual stocks. Often opportunity is hidden within a complex story where high-quality sections of a business are overlooked, leaving the shares trading below a "sum-of-the-parts" value. Combine this with a strong market position that will attract potential buyers and you can have confidence in finding value regardless of the market environment. Some of our investments at Odyssean excite us for exactly these reasons.

The value in cybersecurity

Chemring (LSE: CHG) is a leading provider of countermeasures, sensors and energetics products, used mainly by the defence industry. Chemring has a strong record, but we still see significant value in the group. A cybersecurity consultancy called Roke sits within its sensors unit. Roke has world-leading intellectual property and supports governments and companies in high-end cyber and electronic defence missions. Roke is delivering around £80m a year in revenues, is growing at double digits, and enjoys high profit margins. Based on cyber-focused peers, we believe Roke could be valued at four times its revenues (at least) were it a standalone company. This supports a significant portion of Chemring's current share price – excluding Roke, the rest of the group trades on less than 1.5 times sales. With significant interest in the sector, and recent deals done at two times sales or more, the market seems to be undervaluing the sum of Chemring's parts.

Covid-19 comeback story

Euromoney (LSE: ERM) is a leading business-to-business provider of data and events services. A complex group with a wide service range, it has significant recurring revenue and looks well placed to see a recovery in "in-person" events as post-Covid-19 reopening continues. We believe the market is overlooking the significant value of the group's Fastmarkets business, which provides unique pricing data on a variety of commodity markets. This is a high-recurring revenue, high-growth business unit in a market where strategic buyers and private equity are highly active. Informa's recently announced sale of its intelligence division will provide a relevant reference valuation point for Fastmarkets. Note also that historically, deals have been done at 20 times earnings before interest, tax, depreciation and amortisation (Ebitda) or more. Euromoney as a whole currently trades at around 11 times Ebitda, suggesting overlooked value.

> *"The market is overlooking the value of Euromoney's pricing-data business"*

Hidden value in training

Wilmington (LSE: WIL) provides training and information services focused on the governance, risk and compliance needs of various markets. The new management team is refocusing and improving the business, which is well placed to benefit from the Covid-19 reopening. It operates a number of business units and brands across a range of markets, with the risk that its complexity is obscuring the value here. For example, Wilmington recently sold its loss-making training business AMT for £23m to a strategic buyer who valued its unique content and market position. We believe similarly overlooked strategic value exists in some of the group's other business units. With a net cash balance sheet, high revenue visibility and strong cash flow, the sum-of-the-parts value of the group appears underappreciated.

If only you'd invested in...

Airtel Africa (LSE: AAF) is the second-largest telecoms group in Nigeria and is now the biggest company on the Nigerian stock exchange, with a market capitalisation of 5.4trn Nigerian naira (£9.6bn), says Nairametrics. The company, which has a presence in 14 African nations, is also listed in London and was promoted to the FTSE 100 index last month. Its subsidiary, Airtel Nigeria, recently received approval-in-principle to launch payment services in the country and also to act as a "super-agent", recruiting individuals to provide local banking services. Shares have risen by more than 70% in the past year.

Be glad you didn't buy...

Footwear and clothing brand **Dr. Martens (LSE: DOCS)** has seen its share price slide amid supply-chain issues and major investors selling out, says The Motley Fool. The price hit a record low of 266p after falling 4% last Thursday as weak sales figures dented investors' confidence. Group revenue grew by only 11% in the third quarter compared with a first-quarter rise of 52%, although up on quarter two's 1%. Revenue in the Asia Pacific region fell by 28% due to virus restrictions. It hasn't helped that former owner Permira sold a 6.5% stake, with further sales expected. All in all the stock is down 44% over the past year.

‘The coolest dictator in the world’

El Salvador’s president took power in a landslide in 2019, promising to clean up politics and end gang violence. He also has a taste for cryptocurrency and grandiose schemes. Jane Lewis reports

El Salvador made headlines in September when it became the first country to adopt bitcoin as legal tender. On the first day of the new regime, the crypto’s global price slumped by more than 10%, noted the Financial Times. Undeterred by that, or the botched implementation of his trailblazing experiment, president Nayib Bukele tweeted that the small central American nation had increased its holdings. “Buying the dip…” he wrote, adding a winking emoji.

©Alamy

“He earned plaudits by cutting homicide rates, cleaning up city centres and instigating social handouts”

“CEO of El Salvador”

Unimpressed bond traders rushed to sell off Salvadorian debt. But the jitters weren’t just finance-related. Since taking power in a landslide election in 2019, Bukele has staged a power grab, packing the Supreme Court with sympathisers who then changed the constitution to enable him to run again in 2024. Last year he marked a speech to the UN by describing himself on his ever-changing Twitter bio as “the coolest dictator in the world” (his current moniker is “CEO of El Salvador”), says The Observer. His approval rating is currently topping 80%.

There were certainly grounds for optimism when Bukele swept to power three years ago on an “anti-crime, anti-corruption” ticket – marketing himself brilliantly as “untainted” by the graft of the two main parties, says The Sunday Times. Born in 1981 into a well-heeled immigrant family of Palestinian and Greek heritage (his father converted to Islam later in life), Bukele was a law-school dropout who spent much of his 20s managing nightclubs in which his family had invested, says The Economist. He got his start in politics in 2012, when he was elected as the youthful mayor of Nuevo Cuscatlán – following that up three years later when he won the mayoralty of El Salvador’s capital, San Salvador. In both positions he earned plaudits for cutting homicide rates, cleaning up city centres and instigating social handouts. For many, he remains a man who has made life better and “gets things done”.

It was Bukele’s drive to clean up crime that provided the first warning of his autocratic tendencies. In February 2020, frustrated by delays in financing his security programme, he arrived in Parliament with gun-toting soldiers and sat in the speaker’s chair. Critics claim he has since used the pandemic to bolster his position, says The Observer – presenting an “apocalyptic scenario” in which the only solution was to give the president more power. And Bukele’s tendency to keep things in the family hasn’t added to his democratic credentials, says The Economist. His uncle is commerce secretary, his wife Gabriela “picked much of the cabinet”, and his “most influential associates are his brothers: Karim, Ibrajim and Yusef”. One economist argues that El Salvador’s government has become “a corporatist family project” – aided by the regime’s growing ties with China.

The world’s first bitcoin city

Meantime, Bukele is working on plans to build the world’s first bitcoin city at the base of the Conchagua volcano, which would use geothermal energy to power mining. But the cryptocurrency’s big fall in value may not be the only cloud on Bukele’s horizon, says The Wall Street Journal. Growing evidence that he has been “playing footsie with transnational criminal organisations” in an effort to quell local gangs and boost his stranglehold on power is unlikely to play well at home. Some Salvadorians took to the streets last September to protest. That trickle of discontent could turn into a flood.

The best trades in history… buy and HODL bitcoin

Twins Cameron and Tyler Winklevoss (pictured) were born in Southampton, New York, in 1981. After enrolling at Harvard in 2000, they set up social network Harvard Connect (later renamed ConnectU), with Divya Narendra, which went live in May 2004. It failed to make headway due to the success of rival network Facebook, which was set up by Mark Zuckerberg. The twins claimed Zuckerberg had initially agreed to help out with ConnectU and stolen their idea. In 2006 Facebook agreed to settle all claims against it for shares and cash worth $65m in 2008. The twins set up Winklevoss Capital Management (WCM) in 2012 to manage their money.

What was the trade?

Bitcoin is a digital currency developed in 2008 by a computer programmer going under the name of “Satoshi Nakamoto” that is claimed to be anonymous, secure and supposedly immune to central-bank manipulation. By 2010 people had started using it for commercial transactions and it became popular with criminals. In 2012 the Winklevoss twins started buying bitcoin, betting that once it had shed its unsavoury reputation, its advantages, including that of limited supply, would lead to it being adopted by mainstream firms and banks. In April 2013 WCM reported that it had amassed around 1% of the then available bitcoin for $11m.

What happened next?

Initially it looked like the twins had made a mistake as the price of bitcoin more than halved to $80 a few weeks later. It then bounced back, breaching $1,000 at the start of 2017. By late December it had reached a peak of $17,685, before falling so fast that it would reach a low of just over $3,000 towards the end of 2018. Its value would again recover – and then soar to a peak of $68,990 in October 2021. It’s estimated that the twins hold roughly 70,000 bitcoins, which would be worth around $3bn at current prices.

Lessons for investors

The decision to hang on for that wild ride is often cited by crypto enthusiasts as an

©Getty Images

illustration of the merits of HODL (or “holding on for dear life”). Their success was made possible, however, by the fact that they got in early at a low price, which greatly increased their chances of succeeding. They also had a widely diversified portfolio of investments (mainly in venture capital), ensuring they wouldn’t be wiped out if bitcoin failed.

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Six Tremendous Wines

I am thrilled to welcome a new merchant into our MoneyWeek Wine Club fold. Jeroboams is one of London's elite wine merchants. I have known wine buyer Peter Mitchell MW for nigh on two decades, and he has a finely-tuned palate with a global reach. With eight shops dotted around the smartest postcodes in the capital, this merchant has its fingers on the pulse of well-heeled wine connoisseurs, and so it is no surprise that this month's sextet is both outstanding and also completely different to any wines that have gone before. I am happy to introduce you to a wine supplier whose wines will become a constant source of wonder in your cellar.

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~~£13.95~~ £12.21

2020 Touraine-Oisly, Sauvignon Blanc, Coulée Galante, Domaine de Marcé, Loire, France

It is easy to skip over the word Oisly in this wine's name, dancing neatly as it does from Touraine to Sauvignon, but this would be a misstep. It is said that the wines from this sub-region of greater Touraine have more depth and impact, and this is certainly clear to see in this fresh, classy and prettily floral wine with a dry palate and creamy finish. There is a citrus purity here which is shocking, and it represents impeccable value for money, too.

CASE PRICE: £146.48

~~£11.95~~ £10.46

2020 Trajarinho, Vinho Verde, Adega de Monção, Portugal

This wine's unusual name is a contraction of the two white grape varieties from which it is made; Trajadura and Alvarinho. Modern, zesty, ever so slightly prickly and nerve-tinglingly refreshing, with notes of peach and apricot on the nose, this is a benchmark aperitif style with a clean and bright finish. Rather than kicking off a lunch or dinner with a sparkler, try an ice-cold glass of this beauty – it is a delightful, aromatherapeutic wake-up call for your senses.

CASE PRICE: £125.48

~~£18.95~~ £16.58

2019 Tenuta Castelfeder, Vom Stein Pinot Bianco, Alto Adige, Italy

Pinot Blanc, as a close cousin of Chardonnay, is regarded as a weightier white grape than might be expected. This is indeed true of Castelfeder's Vom Stein, which assumes a commanding presence on the palate with decent texture and weight. While the chilly Alto Adige climes lend this beauty cleansing acidity and freshness, this is certainly a thrilling candidate for full-bodied starters or lighter main courses, particularly if you are looking to avoid oak notes because Vom Stein has none.

CASE PRICE: £198.98

~~£16.50~~ £14.44

2019 Mont Rubí, Black, Garnacha, Penedès, Spain

I originally wrote up a white wine from this estate in my weekly MoneyWeek column three years ago, and so it was great to taste this incredible red before Christmas, not least because it jumped straight into this collection. Intensely purple coloured with bitter chocolate and black cherries cavorting in the glass, this dynamic Garnacha is as energetic and exciting as any young red gets and it is silky smooth and ready to go, too. It also sports one of the coolest wine labels of all time!

CASE PRICE: £173.25

~~£14.95~~ £13.08

2020 Mondeuse, Domaine Philippe et Sylvain Ravier, Savoie, France

By contrast to 'Black', if this wine was given a colour as a name it might reasonably be 'Heliotrope Purple'. Bright, expressive, violet-scented and lively, this is a super-clean, almost Beaujolais-shaped wine made from the rare Mondeuse grape. Dry, light and nimble on the palate it is a breath of fresh air in a world of heavy reds, and it is made by one of Savoie's leading wineries. Do not miss out on this exhilarating experience.

CASE PRICE: £156.98

~~£16.95~~ £14.83

2019 Nebbiolo d'Alba, Stërmà, La Bioca, Piemonte, Italy

This heroic Nebbiolo is the most serious and intellectually challenging red in this line-up. Every inch a Barolo in perfume and presence, this wine is made by a tiny estate just outside the Barolo boundary which Peter Mitchell has rightly championed for years. Ripe, bold, juicy and ever so classy, this is a superbly accurate slice of authentic Piemonte with more flair and approachability than one ever finds at this price. It is yet another unmissable wine from the great team at Jeroboams.

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Five romantic retreats for Valentine's

From a nature reserve on the Isle of Sheppey to a mansion on Long Island. Jasper Spires reports

A neo-Gothic masterpiece in Ireland

"Adare Manor, sprawling along the banks of the River Maigue in County Limerick, Ireland, invites guests to take a big bite of neo-Gothic romance," say Tabitha Joyce and Anya Meyerowitz in Condé Nast Traveller. The 19th-century masterpiece has 365 stained-glass windows, 52 ornate chimneys, and seven lobby pillars. It's a perfect spot for a romantic retreat – couples are free to meander within the exquisite architecture, explore the Woodland Walk treasure hunt trail and steal kisses in the parterre French gardens. For those looking for a bit of excitement during their stay, guests can engage in some playful competition racing retro Pashley bikes around the grounds and local village, or try their hand at archery, before indulging in a relaxing visit to the country's only 111SKIN spa, offering facial and body treatments. The hotel's classic rooms have all been arranged and styled in the spirit of 19th-century flamboyance. *Prices from £474, adaremanor.com*

©Jack Hardy/Adare Manor

A unique farm getaway

"The Isle of Sheppey's Elmley holds the distinction of being the only nature reserve in Britain where visitors are able to spend the night," says Hayley Maitland in Vogue. This unique farm getaway puts nature right on each guest's doorstep, accommodating couples in bespoke glass-fronted shepherds' huts overseeing Kent's famous marshlands. Wildlife abounds, but bird lovers in particular are well catered for – you should be able to spot rare peregrine falcons and short-eared owls (pictured), so take some binoculars. This is a retreat for couples who like to keep on their feet – after rising with the sun your days will be filled with walks on the 3,000 acres of land – but you will be well looked after in the evenings, with nourishing Kentish produce served by candlelight for supper, when you can enjoy seaweed butter for your toast and quince crumble for dessert. *Large shepherds' huts cost from £180 per night, see elmleynaturereserve.co.uk*

©Grantley Hall; iStockphotos

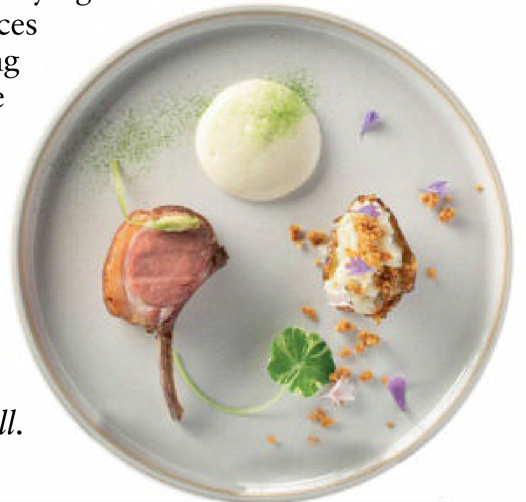
Extravagant luxury on Long Island

For a truly opulent romantic stay, debonair escapees should try Oheka Castle on Long Island in New York – it's the "ultimate way to make your loved one feel like a prince or princess", says Jordi Lippe-McGraw in Forbes. Built during the United States' famously lavish "Gilded Age" by financier and philanthropist Otto Hermann Kahn, this vibrant mansion is prepared to pamper its guests like they've never known it before – and may never experience again. The "Ultimate Romantic Evening Package for Two" offers patrons a luxury suite with couple's massage sessions, a private butler who will teach you to dance, a tectonic seven-course gourmet dinner and string quartet, round-trip limousine service to the door, and an extravagant two-hour photo shoot so that you'll never forget your stay. *Prices start from $15,000 for two, see oheka.com*

©Oheka Castle Hotel & Estate

A grand manor in the Yorkshire Dales

Grantley Hall in North Yorkshire is a grand, 17th-century manor that was "practically begging to be transformed into a luxury hotel – it has had a seriously huge amount of money lavished on it", says Caroline Lewis for Harper's Bazaar. Nestled on the edge of the Yorkshire Dales along the River Skell, this magnificent manor should satisfy any couple's love of grandeur. Equipped with no less than three restaurants, including the eponymous establishment of famed chef Shaun Rankin in a startling duck-egg-blue drawing room, guests are invited to experiment with their tastes and to indulge themselves on their weekend away. "Whether you want to be saints or sinners is up to you" – with the Valeria's after-dark nightclub serving champagne and cocktails into the night and the purifying Three Graces Spa offering one-to-one yoga and personal-training sessions. *Prices per night begin at £600, see grantleyhall.co.uk*



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See the Northern Lights from your yurt in Iceland

"With the long, dark nights still lingering in the upper reaches of the northern hemisphere, the first few months of the year are prime time for catching the Northern Lights in Arctic Europe," says Greg Dickinson in The Daily Telegraph. A four-night excursion to Iceland might sound a little chillier than your average amorous escape, but this package by Explore is perfect for those looking to leave their comfort zone. Guests stay in a cosy Mongolian-style yurt and explore the local waterfalls and landscape before hunkering down to watch the Northern Lights each evening. "What is more romantic than witnessing what is arguably the world's most spectacular natural phenomenon, followed by a cosy evening by a fire in your wood cabin with a mug of glögg?" *Prices from £1,145 per person, see explore.co.uk*

This week: houses with mountain views – from a Highland lodge overlooking Ben Lawers, Perthshire, to a

Great Campston, Llanvihangel Crucorney, Monmouthshire, Wales. A Georgian house on a small estate with views towards the Black Mountains. It has a library with French doors leading onto the garden. 8 beds, 6 baths, 2 receps, 2-bed cottage, 3-bed bungalow, outbuildings, 275.53 acres. £4.5m+ Knight Frank 01173-171991.

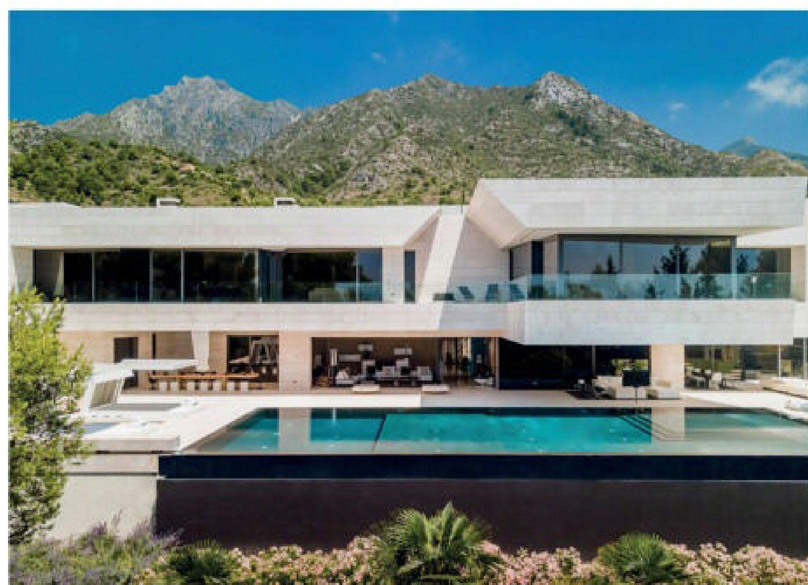
Rowling End and The Mouse House, Newlands, Keswick, Cumbria. A 17th-century farmhouse in the Lake District National Park with views towards Skiddaw. It has open fireplaces with wood-burning stoves and a country kitchen with an Aga. 4 beds, 3 baths, recep, study, 1-bed house, gardens, 27 acres. £1.3m PFK 01539-724555.

Brae Lodge, Ardeonaig, Killin, Perthshire. A Highland lodge set up as a residential outdoor activity centre overlooking Loch Tay and Ben Lawers. It comes with 0.5 acres of loch frontage and the grounds provide habitat for ospreys. 17 beds, 5 shower rooms, 3 receps, dining room, conservatory, 3 offices, sports hall, conference hall, 8.3 acres. Further accommodation is available in separate lots. £725,000+ Savills 0131-247 3738.

a custom-built manor house with views towards the Blue Ridge Mountains in Virginia, America

The Pen-y-Bont Hotel, Tal-Y-Llyn, Tywyn, Gwynedd, Wales. A restored, 16th-century coaching inn in the lee of Cadair Idris in the Snowdonia National Park. It has beamed ceilings, stone floors, large open fireplaces and a long barn that can accommodate up to 60 covers with additional seating in the games room. 8 beds, 6 baths, 2 receps, kitchens, laundry, workshop, annexe with bar, dining room and games room, gardens, lakeside seating area. £750,000 Knight Frank 0121-233 6400.

Timonthy Lane, Warrenton, Virginia, America. A custom-built manor house at the top of Prickly Pear Mountain overlooking the Blue Ridge Mountains. It has open fireplaces, marble floors, 9 beds, 11 baths, receps, ballroom, swimming pool, 2 helicopter landing sites, 85 acres. £10.48m Washington Fine Properties 001-703472 3686.



Villa, Cascada de Camoján, Málaga, Spain. A large modern villa in a gated community with mountains to the rear and sea views. It has floor-to-ceiling windows with sliding doors, a double-height reception, interior glass walls and landscaped gardens with an infinity pool. 8 beds, 8 baths, 2 receps, contemporary kitchen, office, media room, sauna, gym, wine cellar, swimming pool, tennis court, gardens. £18.49m Hamptons International 020-3151 6841.

Shotover, Braithwaite, Keswick, Cumbria. A house in an elevated position on the edge of a village with far-reaching views towards Skiddaw and Derwent Water. It has a full-height window in the sitting room, a wood-burning stove, a country kitchen with an Aga and an oak-framed conservatory with panoramic views. 4 beds, 3 baths, recep, office, gardens, 1.96 acres. £800,000 Finest Properties 015394-68400.

Mazouau, Hautes-Pyrenées, France. A renovated, detached, 18th-century stone house with mountain views on the outskirts of a town with a weekly Sunday market. It has beamed ceilings, tiled and wood floors, large open fireplaces with wood-burning stoves, a country kitchen and a range of traditional outbuildings and barns offering potential for development. 4 beds, 3 baths, 2 receps, swimming pool, gardens, gazebo. £392,000 Hamptons International 020-3151 6841.

BMW's family-friendly hot rod

This M-series saloon is perfect both for the shopping trip and weekend fun runs. Jasper Spires reports

"The BMW 4 Series Gran Coupé is practical, stylish and fun to drive," says What Car. The hatchback tailgate makes loading and unloading a breeze and the extra space will be alluring to those who want a coupé, but don't want the accompanying sacrifices. The hot-rod version of the car, the M440i, also gives you "explosive performance", a flamboyant design, and a thrilling car for speeding about at weekends.

The engine is "phenomenal", says Alex Ingram in Auto Express. The twin-turbo 3.0-litre straight six pumps out 369bhp to all four wheels, delivering a 0-62mph sprint time of just 4.7 seconds, and topping out at a limited 155mph. "There's always a surge of power ready when tipping into the throttle, and the eight-speed automatic transmission always selects the right gear with quick downshifts," says Sean Szymkowski for Road Show. "May I add, the sounds the transmission makes when upshifting provide earfuls of delight as gears blip by in an instant." With a fuel economy of 35 miles per gallon, it won't break the bank to keep the thrills coming either. A hybrid electrical system will even shut the engine off at lower speeds and allow for some carbon-reduced coasting.

It looks the part too, with a swooping roofline, a shorter trunk, and a futuristic-looking front grill, says Humphrey Bwayo on Auto Evolution.

BMW has not, however, forgotten that this remains a family car, and the interiors are decked out to make everyone at home. "All the models come with a large 10.3-inch infotainment screen and a 12.3-inch digital gauge display. You also get Apple CarPlay, and Android Auto standard across all variants with wireless connectivity, in-dash navigation, Wi-Fi hotspot, and SiriusXM radio included." It also comes with a ten-speaker stereo system as standard. In short, this high-intensity rocket confidently balances the rip-roaring mayhem of a high-speed motor with the practicalities of a workaday saloon.

Prices start from £41,650

> *"The sounds from the engine provide earfuls of delight as gears blip by in an instant"*

Wine of the week: a sublime and engaging grenache gris

2016 Boulevard Napoléon, Le Pal Grenache Gris, Vin de Pays de l'Hérault, France

£28, stjohnrestaurant.com, St John outlets in Neal's Yard Bakery, Seven Dials; Bakery Arch, Druid Street; Borough Corner, Borough High Street; St John Street, Smithfield; and Bread and Wine, Commercial Street, as well as many more fine-wine merchants dotted around the country

Matthew Jukes
Wine columnist

I tasted more than 350 wines the other day at one of the country's most important wine importer events, and a cluster of wines from Boulevard Napoléon stayed in my mind for days afterwards. Around the same time, the government announced that we would all go back to our desks at work and leave our sofas behind. While we were at it, we needed to eat as much food in as many restaurants as possible to help them to recover from the devastation wreaked by the pandemic. This week's theme was born!

BN wines are sold in various outlets around the City of London. Their spiritual home is St John, one of the most famous, influential and utterly delicious restaurants in the capital, not least because it is restaurateur

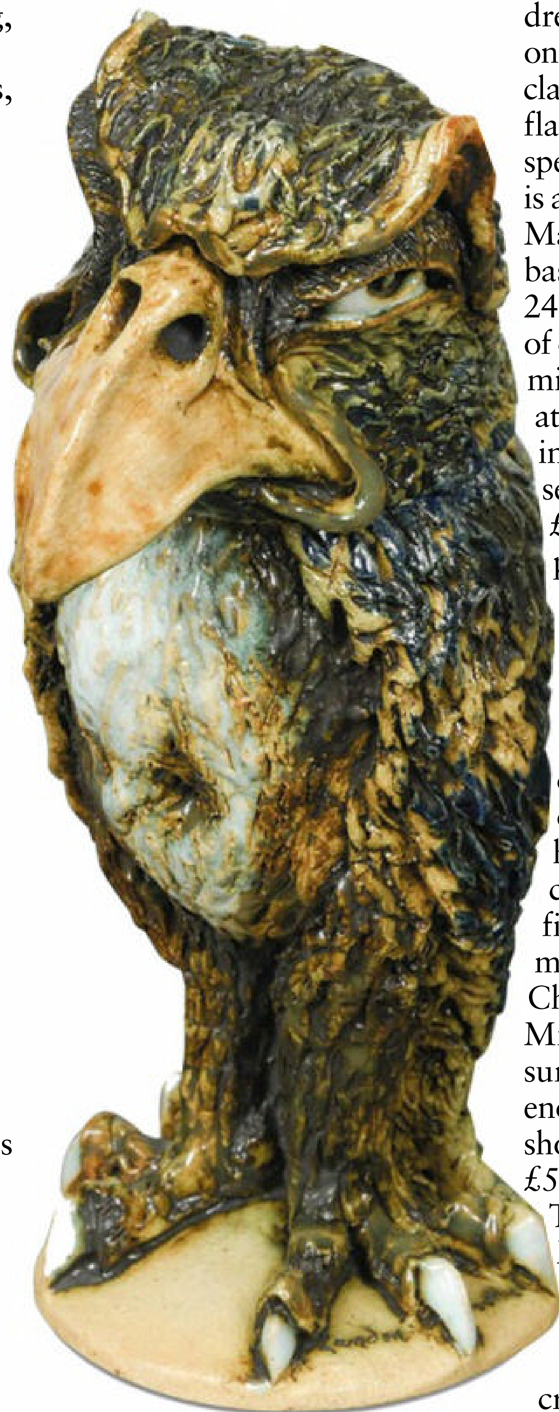
Trevor Gulliver and his team who are responsible for their creation. Based in the heart of Minervois, the wines all need age to sing, and so the current releases for this estate wear similar vintages to museum wines from lesser producers. Perfumed, layered, wistful, and engaging, these wines are all works of art. They come from the people who care deeply about wine and food. My chosen grenache gris is sublime, with honeysuckle and quince notes over a long, refined core of spine-tingling acidity. The reds, a carignan, a grenache and a cinsault, are equally enthralling – gamey, grand, irreverent and uniquely toothsome.

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

Grotesque birds soar in value

The market in "Martinware" is booming. Chris Carter reports

Squinting, grinning, gurning, hunched over with gaping maws, splayed paws and claws, hooked bills and monstrous features, the creatures that emerged from the studio of Victorian potters the Martin Brothers are anything but beautiful. These stoneware pots, jugs and sculptures, known as "Martinware", are grotesque. So it was with no small irony that, in 2019, the government slapped an export ban on a smirking crab from 1880, citing its "outstanding aesthetic importance". Then again, there is beauty in the bizarre and this whimsical early example had featured in the Pall Mall Gazette in 1890. In 2020, this toothsome crustacean was saved for the nation, when the Box museum, in Plymouth, raised the £217,250 required to give the crab a permanent home on these shores.



Dreaming in clay

The story of Martinware begins in Fulham, west London, in 1873. Here, not far from the Thames, Robert Wallace, a trained sculptor, and his younger brothers, Walter, Charles and Edwin, began working on their Gothic creations in their own studio. Perhaps the most famous of these are the "Wally birds". These "bird pots" lampooned the traditional owl jugs of Staffordshire and take their name from an old English word for ceramic. They recall the colourful characters of Lewis Carroll and Edward Lear. According to the Wiener Museum of Decorative Arts in Florida, "it was once said that Lear, Carroll and [Robert Wallace] Martin dreamed similar dreams only Wallace dreamt them in clay and baptised them with flame". One particularly fine specimen from 1889 (pictured) is appearing as part of a sale of Martinware with Cambridge-based auctioneers Cheffins on 24 February. Glazed in shades of ochre, blue and green, its miffed expression can be attributed to the bullet hole in its belly. It is expected to sell for between £10,000 and £15,000. Another item, a pair of stoneware andirons in the form of grotesque amphibians, carries a high pre-sale estimate of £80,000.

The brothers, however, were never rich. They could only afford to fire the kiln once or twice a year and they had no money for protective containers for the pots during firing, which meant that many were damaged, notes Cheffins's director Martin Millard. Robert Wallace survived until 1923, long enough to have apparently been shocked when a pot sold for £50 (£2,600 today) in 1921.

The valuations placed on Martinware pieces these days would, no doubt, have left Robert Wallace looking as astonished as some of his creations. Last September, a Wally bird fetched £30,000 with Christie's, while another, a caricature of prime minister Benjamin Disraeli, sold for $233,000 with Phillips in 2015. But, says Millard, collectors can find simpler pieces selling for just a few hundred pounds.

Auctions

Going... An "extremely rare and important" Edward III leopard gold coin, from 1344, that was found by a metal detectorist in 2019, and declared treasure by a Norfolk coroner, is heading for auction with Dix Noonan Webb (DNW) in London on 8 and 9 March. The 23-carat coins were hammered at the Tower of London in January 1344, but withdrawn soon after on the advice of Florentine bankers, the foreign-exchange dealers of the time, says Nigel Mills of DNW on BBC News. The coin, depicting a leopard and royal banner, is expected to fetch up to £140,000.

Gone... Michael Leigh-Mallory was a lapsed metal detectorist, who returned to his hobby with his children only to find a "fine example" of England's oldest gold coin – a gold penny from the reign of Henry III, says The Guardian. The coin (pictured), one of 52,000, was struck in around 1257 with precious metal imported from north Africa. Most were melted down when it became apparent that the value of the coin was less than the weight of its gold. Eight examples are known to have survived. The coin sold with auctioneers Spink in London for £648,000, with the proceeds split between Leigh-Mallory and the owner of the farmland on which it was found in Devon.

©Anderson & Garland; Cheffins; Spink & Son

Banksy's stable

A miniature model of a stable daubed in red graffiti, made by anonymous street artist Banksy, has sold for £1m, including fees, with Anderson & Garland Auctioneers in Newcastle. The thatched building, complete with a tiny horse, and the words "Go big or go home", first appeared last summer at Merrivale Model Village in Great Yarmouth, as part of Banksy's series, the "Great British Spraycation". It sat there unnoticed among the other models for two days before a visitor pointed it out to the attraction's owners, Frank and Frances Newsome. Pest Control, Banksy's authentication service, claimed it as one of its own.

Pest Control is not always so obliging with its authentications, says Anny Shaw in The Art Newspaper. Nevertheless, Dutch auctioneer Richard Hessink is set to publish the first *catalogue raisonné* (comprehensive list) of the artist's works in early April.

The unauthorised catalogue will feature almost 1,000 murals painted over 25 years, which Pest Control says are "not intended for resale". Hessink estimates that around three-quarters have been destroyed.

Pop singer Robbie Williams is selling three certified Banksy paintings with Sotheby's in London on 2 March. *Vandalised Oil (Choppers)* (2006), depicting a pair of Apache helicopters flying over a pastoral scene, and *Kissing Coppers* (2005) of two policemen embracing, come with high pre-sale estimates of £3.5m. The third is *Girl With Balloon* (2006), a partially shredded version of which sold for £18.5m last year. However, the current version, with a valuation of up to £3m, is on metal. Even Banksy may have a hard time shredding that one.

The Pasta Prince who would be king

The deposed Savoys of Italy want the Crown Jewels back. And they wouldn't say no to the throne too

Just over 350 years ago, one Colonel Thomas Blood strolled into the Tower of London and walked out with the Crown Jewels under his arm. When brought before the King, Blood was unrepentant and swaggering. The King couldn't help but like the cut of his jib and handed him a full pardon. That might seem to have set a worrying precedent, but there has been no attempt on the Crown Jewels since. A Crown Jewel heist currently ongoing in Italy, on the other hand, is complicated by the fact that those who would head off with them are themselves former royals, who argue that they, not the Italian state, are their rightful owners. The House of Savoy is campaigning to reclaim the jewels, which they lost in 1946 when the monarchy was abolished and Italy was declared a republic, says Nick Squires in The Daily Telegraph.

Emanuele Filiberto wants his €300m jewels back

©Nicola Marfisi/Agf/Shutterstock

> *"In total, the collection comprises nearly 7,000 precious stones and roughly 2,000 pearls"*

It's not hard to see the appeal of the prize for the Savoys. The jewels, which have been worn by Italian princesses and queens, feature pink diamonds mounted on brooches, long strands of pearls and jewel-encrusted tiaras. In total, the collection comprises nearly 7,000 precious stones and roughly 2,000 pearls. Estimates suggest they could be worth up to €300m in total. The Savoys, however, say they are only interested in the "historical and sentimental value that they have for the family".

The family may have a decent legal case, says Angela Giuffrida in The Guardian. The jewels are said to have been the only part of the royal estate that were not confiscated by the Italian state after the monarchy was scrapped and were temporarily entrusted to the Bank of Italy for safekeeping. The Italian state's claim to them as public property is undermined by the fact that they were originally given as gifts to various royals or were personal purchases.

Hopes for a restoration

Still, the decision to go after the jewels represents something of an about-face for the family, which previously refused to take any formal action to repossess them "over fears they might fuel a wave of resentment", says Giuffrida. Indeed, in 2003, Vittorio Emanuele, the son of the last king of Italy, and father of Emanuele Filiberto of Savoy, who is making the claim, insisted that "he would not lay claim to the Crown Jewels" because he believed "they are no longer ours". He hoped that instead they "would be put on public display".

Thus in 2006, Italy's current prime minister, Mario Draghi, "began discussing the prospect of putting the jewels on display in his role as the head of the Bank of Italy", says Erin Vanderhoof in Vanity Fair. But his proposal came to nothing and any sort of settlement looks far off. Still, whatever happens, we probably haven't heard the last from Emanuele Filiberto, a television personality who is known as the "Pasta Prince" for his career running food trucks in LA. Indeed, the Savoys haven't even given up hope of a restoration, despite scant support for the idea in Italy. As he told The Daily Telegraph last year, "It's true that the monarchy does not exist in Italy anymore, but never say never. Look at what happened in Spain, when the king was restored after the Franco dictatorship. You never know".

Quintus Slide

Tabloid money... "the property market has me rattled"

● **Music-streaming service Spotify must be quaking in its boots, says Clemmie Moodie in The Sun. The Sussexes, Harry and Meghan (pictured), have leapt "atop the Covid-19 concern bandwagon" after music legends Neil Young and Joni Mitchell announced they were boycotting Spotify for offering anti-vaxxer material to its listeners. The Sussexes' spokesman says the couple, who 13 months ago agreed their own £18m deal to produce a series of podcasts for Spotify, have been expressing their concerns since last April, but will nevertheless gamely plough on. So far, they have produced 33 minutes of content, which works out at £545,454 per minute. But if Harry and Meghan have been expressing their concerns since April, that means Spotify has been routinely ignoring them, only bucking into action once the singers complained. "Still, it's the thought that counts."**

● It's outrageous self-employed people aren't eligible for statutory adoption pay, says Saira Khan in the Sunday Mirror. One adopter has started an online petition to right this injustice. When she and her partner decided to adopt, she assumed she would be able to claim the same support as self-employed mothers having a biological child. "She was wrong." When her paid adoption leave came to an end, she realised she couldn't return to her job as she needed to be around her newly adopted son, who would scream and cry whenever she left the room. The government expects her to step away from her only independent means and do it all on one household income. "Let's end this awful and unfair discrimination now."

● "OK, I confess, the property market has me rattled," says Victoria Bischoff in the Daily Mail. House prices were relatively stable "when I bought my first flat six years ago... But as I now look to take a second step on the property ladder, I'm overwhelmed". Everybody seems to be hunting for a property with outdoor space, a little further out from the city. Yes, interest rates are still low. But after factoring in utility bills, tax rises, higher interest rates and commuting costs, a loan feels like a recipe for bankruptcy, And that's before any future childcare costs. Still, competition is fierce and every day, house prices edge higher. "The thought of being pressured to offer thousands over the asking price after seeing a house once is enough to bring me out in hives."

©Getty Images

Bridge by Andrew Robson

East errs

On today's deal, declarer survived a misdefence to make his thin Four Spade game.

Dealer East | East-West vulnerable

North
♠ J97
♥ Q753
♦ 8
♣ Q8732

West
♠ 64
♥ K109
♦ AQ76432
♣ 6

East
♠ K2
♥ J864
♦ K105
♣ AJ105

South
♠ AQ10853
♥ A2
♦ J9
♣ K94

The bidding

South	West	North	East
			1NT
2♠	3♦*	3♠	pass
4♠	pass	pass	pass

* As a purely competitive (ie, non-forcing) bid, I'd say this is a trifle cowardly. Punt Three Notrumps instead, and West may steal the pot. Although the Three Notrump bid is made partly defensively, in fact the contract declared by East (with the King of Spades protected) cannot be defeated.

West led the six of Clubs and, not reading the lead as a singleton, East inserted the ten. This was to prove fatal: to defeat the contract, East needs to win the Ace, return a low Club as a suit preference signal for Diamonds, receive a low Diamond away from the Ace to his King, and return a third Club for another ruff. One down.

Declarer won trick one with the King of Clubs and led a Diamond himself. Unable to give his partner two Club ruffs any longer, East allowed West to win the Queen, West switching to a Spade. East let dummy's nine win, and declarer now sought to set up dummy's King of Hearts, leading to his Ace and back to dummy's Queen. West rose with the King, and led a second Spade to the King and Ace, but declarer could ruff his second Diamond, discard a Club on the promoted Queen of Hearts, and merely lose one Club at the end. Ten tricks and game made.

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

Sudoku 1090

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

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.

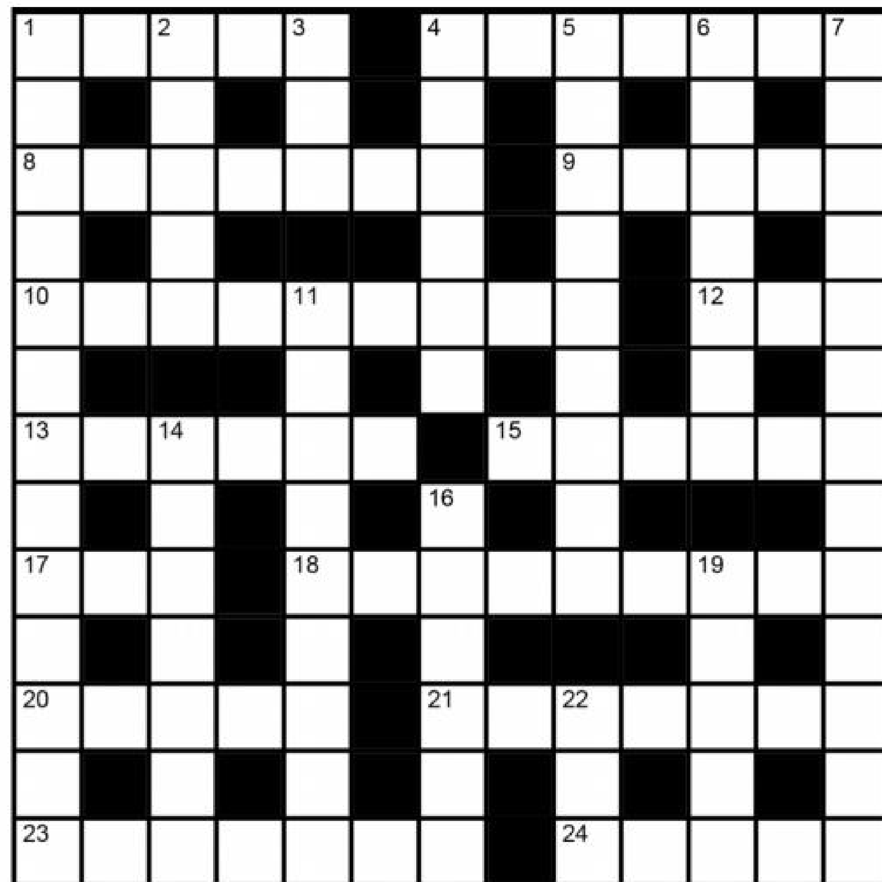
7	2	1	3	9	4	5	8	6
3	8	9	6	2	5	1	4	7
6	5	4	1	7	8	9	3	2
2	1	5	4	6	3	7	9	8
4	3	7	8	5	9	2	6	1
9	6	8	7	1	2	3	5	4
1	4	2	9	3	6	8	7	5
5	9	6	2	8	7	4	1	3
8	7	3	5	4	1	6	2	9

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

Tim Moorey's Quick Crossword No. 1090

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 21 February 2022. Answers to MoneyWeek's Quick Crossword No.1090, 121-141 Westbourne Terrace, Paddington, London W2 6JR

TAYLOR'S PORT



Across clues are mildly cryptic, down clues are straight

ACROSS

1 Composer in catalogue heard (5)
4 The Queen broadcasting in one month (7)
8 Scottish politician has no time for theatre worker (7)
9 Send back for clock (5)
10 Real tennis long forgotten being played seriously (2, 7)
12 Some broderie anglaise taken up? Not in Scotland (3)
13 Antelopes from Eastern states (6)
15 Pub has Eastern setting (6)
17 Unfinished opera gets support (3)
18 Soldiers in a welcome treaty (9)
20 A bulb may be this for variety of tulip (3, 2)
21 How you sit on a horse is shown by fast rider (7)
23 Expand sentence (7)
24 Wild spree for Lords (5)

DOWN

1 Long-running musical (3, 10)
2 Loose mountain rocks (5)
3 Equality of score in games (3)
4 Primate (6)
5 Out (3, 2, 4)
6 European republic (7)
7 Nonsense (13)
11 Strip of fabric for VIPs (3, 6)
14 One who certifies the accounts (7)
16 One of the Northern Ireland Six Counties (6)
19 Best of the best (5)
22 A restaurant gratuity (3)

Name ....

Address ....

Solutions to 1088

Across 7 Chukka *homophone* **8** Émigré *anagram* **9** Diet *two definitions* **10** Pelicans *anagram* **11** Potty-trained *anagram* **14** Finger buffet *deceptive definition* **17** Old flame *deceptive definition* **19** Scab *deceptive definition* **20** Unfair *anagram less f* **21** Teaser *hidden* **Down 1** Shrimp **2** Skit **3** Taxpayer **4** Fell **5** Mischief **6** Bronze **12** Tug-of-war **13** Roulette **15** Island **16** Thames **18** Acre **19** Sham.

The winner of MoneyWeek Quick Crossword No.1088 is: SL Hoffman of Wembley

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.

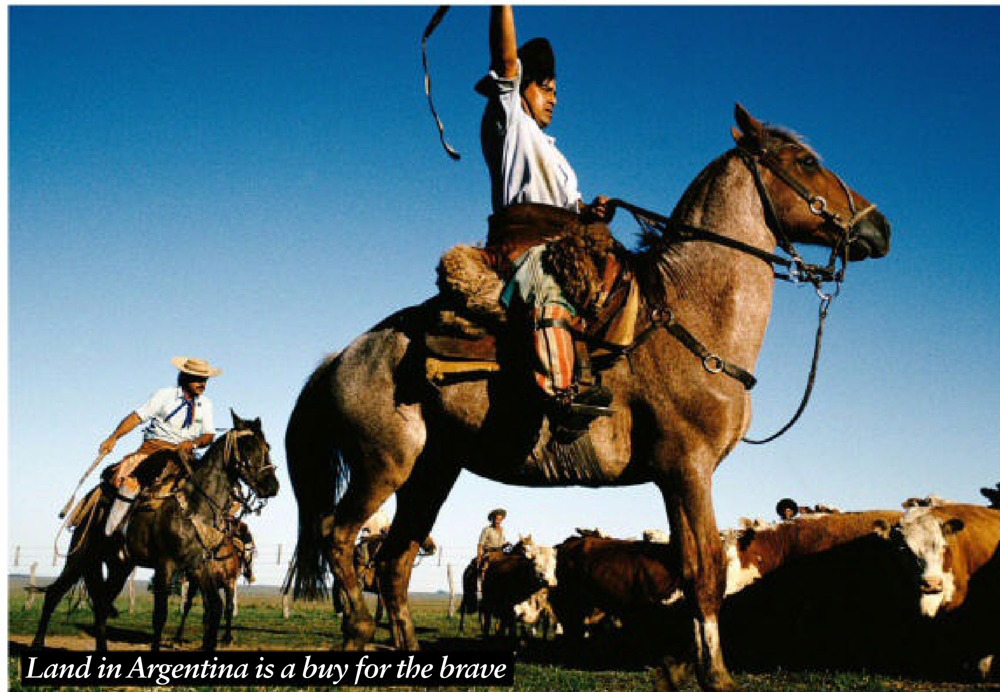
A contrarian buy for farmers

Argentina is in a strong position among low-cost producers

Bill Bonner
Columnist

A reader has noticed that your columnist owns a lot of non-performing real estate. He guesses, correctly, that they must cost us money, and asks whether we "think about the effects of negative cash flow". Our reader put it politely, but the gist of his question is: what kind of a fool are you?

Not everything we do is intended to make money. And we just like owning property – fixing up old houses and restoring old fields, fences and gardens. As our reader points out, these properties do produce "negative cash flow", so we have to be careful. But while we do own a lot of "non-performing" farmland, we are also buying performing farmland. And here is where our globetrotting gives us a broader perspective.



Land in Argentina is a buy for the brave

©Alamy

In France, in Poitou, land sells for only about $5,000 a hectare, or about $2,000 an acre. It was always poor land. Still is. And the rental income is running about $50 per acre/year – a rate of return of about 2.5%, not enough to cover the taxes and maintenance.

In the US, in the Upper Midwest, rental rates are running about $225 per acre. Iowa farmland is trading hands at about $7,000 an acre. So the return on investment is only a bit better than in France. Crop yields are heavy in the US. And prices are high. Farmers should be doing well. The trouble is, costs are rising sharply, too. Potash, nitrogen and phosphates approximately doubled last year. Costs for fuel, pesticides, herbicides and seeds are also going up. Farming is no clear winner in an era of rising inflation.

> *"Our goal is modest – to cover the losses on our other ventures"*

Meanwhile, down in Argentina, there may be a unique opportunity. A terrible drought has wreaked havoc. And whatever damage nature leaves undone, the Argentine government fills the gaps. Effectively, farmers cannot sell their land to foreigners – substantially lowering market demand. And even if they could buy, non-Argentines would find they couldn't repatriate their profits except at the "official rate", which would wipe out at least half the value of their earnings. Shortages of machinery, fuel and chemicals bedevil the hard-pressed gaucho.

It's rather amazing that there's any market at all for Argentinian farmland. But there is. And prime cereal land – good for wheat, soy, corn or other field crops – sells (up in Salta province) at about $1,200 per acre, an 80% discount from US prices. Crop yields are lower, but so is the dependence on fertilisers and pesticides. This leaves Argentines in a strong position among the world's low-cost producers. In recent years, returns to investors have been 5%-10% (not counting farmland capital appreciation). In any case, our goal is modest. We only seek to make enough to cover the losses on our other Argentine farming ventures. Then we can leave the farms to our children with a clear conscience.

Get Bill's newsletter at bonnerprivateresearch.substack.com

The bottom line

$295m The estimated value of the most expensive house in the US, called "The One" by film-producer-turned-property-developer Nile Niami. The property in Bel Air, Los Angeles, sits in eight acres of land and was bought for $28m in 2012. Niami valued it at $500m in 2015, but it is now being auctioned as part of bankruptcy proceedings.

£1.1m The average lifetime tax bill for the average household, earning an annual £60,194, in 2020, according to a Taxpayers' Alliance analysis of official data – equivalent to 18 years of work. The bottom quintile, earning £19,171, takes 24 years to pay almost £500,000 in tax, while the top quintile, with annual income of £138,000, takes 19 years to pay £2.6m.

$250,000 The price for a couple of VIP seats at Donald Trump's "Take Back Congress Forum" at his Mar-a-Lago resort, along with a private dinner and a photo with the former president. The funds will go to Trump's "Save America" organisation.

€7.2m The world's biggest-ever fine for eel smuggling, handed down by a judge in Spain, equivalent to the value of the environmental damage caused.

£8.7bn The amount spent on personal protective equipment (PPE) by the UK government during the Covid-19 pandemic in 2021 that has been written off due to items being unsuitable or having expired.

$160,000 How much a set of seven suits, worn by Korean boy band BTS (band member Jungkook is pictured) at the 2021 Grammy Awards in Los Angeles, California, sold for with Julien's Auctions – three times the $50,000 pre-sale estimate. Proceeds from the auction went to MusiCares, a non-profit organisation helping people in the music community.

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