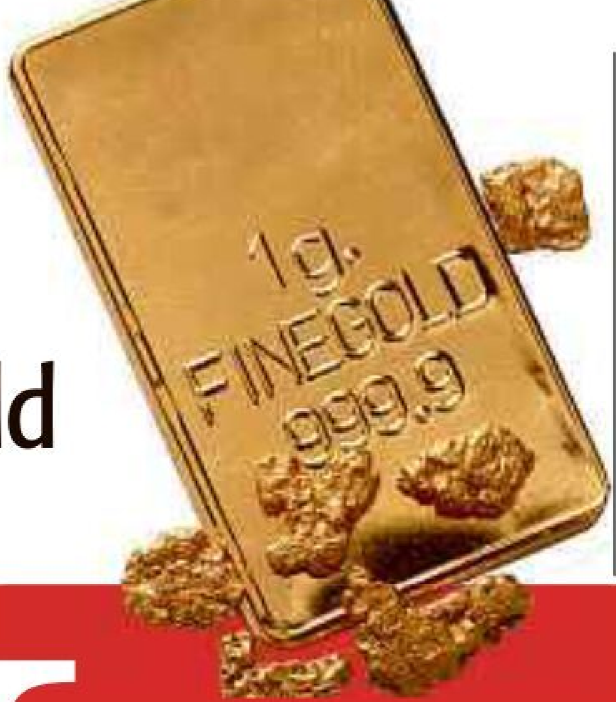
STRATEGY *P22*

Why you should own bitcoin and gold



ANALYSIS *P30*

Scientific instruments are worth playing

PLUS

Hermès handbags hit new heights

COLLECTABLES *P47*

MONEYWEEK

MAKE IT, KEEP IT, SPEND IT

26 MARCH 2021 | ISSUE 1044 | £4.50

Vaccine wars

Protectionism will harm us all

Page 18

9 771472 206115 12

MoneyWeek

26 March 2021 | Issue 1044

Britain's best-selling financial magazine

From the editor-in-chief...

If history bothers to remember big-name fund managers, two will stand out from the latest generation. The first is Neil Woodford, who will mostly be remembered for losing an awful lot of people an awful lot of money. Anyone who invested in his Woodford Equity Income fund at launch will have lost just over 20% of their money. Anyone unlucky enough to invest at its peak in 2017, when the fund was managing more than £10bn, will be down over 40%. Miserable.

©Baillie Gifford

James Anderson: a true visionary

"James Anderson has made an awful lot of people an awful lot of money"

The second is Baillie Gifford's James Anderson, who will mostly be remembered for making an awful lot of people an awful lot of money. In 2000, he took over management of the Scottish Mortgage investment trust. Since then it has returned 1,530%. The MSCI World has barely managed 270%. How? Anderson bet big on a better future – buying stakes in hugely innovative growth businesses, often long before they went public (the first was Alibaba in 2012) and doing so with conviction. The trust's top ten holdings tend to make up around 50% of its total assets. This worked – partly because he is an exceptional stock picker and partly because the low interest rate environment of recent decades has proved a tailwind for growth stocks (if you can't get much income elsewhere, the opportunity cost of holding shares in companies that use their cash to grow rather than pay dividends is low), as has the pandemic. The result? We love Anderson – Scottish Mortgage has been the main driver of the outperformance of MoneyWeek's investment trust portfolio. So does everybody else – he is "a true visionary" says the head of fund research at Interactive Investor.

If you were feeling uncommonly kind, you could say the difference between Woodford and Anderson has been as much a matter of style as anything else – the former made his reputation as a value investor, and value has long been nastily out of fashion. Anyone who had money with Woodford or who has followed his story is unlikely to feel that kind (the downfall of Woodford Investment Management was as much about terrible governance and style confusion as anything else). That said, style does matter. And now might be a good time to ask if Scottish Mortgage's high-conviction growth style is still one we want to own. Inflation is probably on the way. Bond yields have been rising. The prices of the kind of stocks Scottish Mortgage likes are very high – and tech has been struggling (see page 20). At one point this year, Scottish Mortgage was 28% off its peak. So, with the news that Anderson is soon to retire, do we keep it?

We do. Tom Slater – currently Anderson's co-manager – is very good. Baillie Gifford has a strong team offering support, and odds are that whatever the wobbles, the portfolio has enough brilliance in it to outperform long term. Analysts may not be lining up to call whoever is in charge in 13 years a "true visionary", but I'm pretty sure they won't be suing either (there are various Woodford-related court cases on the go)! All that the retirement might prompt you to do is to rebalance a bit. If you haven't sold any for a while it may now make up a large part of your portfolio. That's fantastic in some ways (you made money!). It's terrible in others (if it goes wrong you'll lose a lot of money!). So do diversify. Your investments are there to help you to improve your long-term quality of life. If any one of them keeps you up at night more than very occasionally, something has gone wrong.

Merryn Somerset Webb
editor@moneyweek.com

The high price of power

When **Donald Trump** stepped down as president he was about $700m worse off than when he took office, according to Bloomberg's Billionaire Index, reports Charlie Mitchell in The Times. While in office, Trump transferred his "real estate and branding empire" to his sons, Donald Jr and Eric, and continued to put business their way by regularly visiting his properties with his security team. Even so, Trump's net worth fell from $3bn to $2.3bn over his term. About 75% of his income comes from commercial property, where values have dropped as home working has surged, particularly in New York and San Francisco "where Trump has most of his stake". His property portfolio is now worth 26% less than in 2016.

Cover illustration: Howard McWilliam. Photos: ©Christie's Images Ltd. 2021; iStockphotos

Good week for:

Retired billionaire investor **Bill Gross** made around $10m for his charity earlier this year, betting that shares in games retailer and "meme" stock GameStop would fall, reports Bloomberg. Gross, who co-founded giant asset manager Pimco, initially lost heavily as GameStop surged by more than 1,700% in January, fuelled partly by users on social media site Reddit. But his bet paid off when the price slid in early February.

Vinyl sales proved more profitable for British record labels than YouTube last year, despite the platform's popularity, says Matthew Moore in The Times. Vinyl sales jumped by 30% to £86.5m in 2020, earning labels more money than at any point since 1989, "a remarkable achievement for a format once tipped for obsolesce". The re-release of classics such as Fleetwood Mac's *Rumours*, Amy Winehouse's *Back to Black* and *(What's the Story) Morning Glory?* by Oasis boosted interest.

©Getty Images

Bad week for:

Reports of scams where fraudsters hack into social media accounts and blackmail individuals and firms by threatening to expose personal material almost doubled in the last year, reports the City of London Police's National Fraud Intelligence Bureau. More than £4m was lost by **social media users**, with some individuals paying more than £2,000 to regain access.

Kylie Jenner (pictured) came under fire this week after asking fans to help her former makeup artist pay for surgery, says Natasha Jokic on Buzzfeed. Samuel Rauda's family set up a donation page to cover costs after Rauda was in a serious car accident. Jenner – net worth around $700m – donated $5,000 and shared a link to the fundraising website. Fans were quick to point out she could have easily paid for it all herself.

©Getty Images

Overlooked Europe is a solid bargain

Alex Rankine
Markets editor

President Biden's mammoth $1.9trn relief bill has left Europe's own stimulus efforts looking scrawny, says Johanna Treeck in Politico. Figures from the Organisation for Economic Co-operation and Development show that US pandemic stimulus measures amount to 13% of GDP, much higher than the 7% spent in the eurozone.

That partly reflects America's lack of a social safety-net, which forced Washington to step in with extra spending last year, Nicolas Goetzmann of asset manager Financière de la Cité told Aziliz Le Corre in Le Figaro. Nevertheless, there is now a "chasm" between US fiscal largesse and Europe's more cautious approach.

The recovery gap

The result? The European Central Bank projects that the euro area won't regain its pre-crisis GDP until the second quarter of 2022, a year behind the US. Europe's policymakers are reluctant to part with their "old economic totems" of budgetary discipline above everything else.

The stockmarket doesn't seem to mind, says Anna Hirtenstein in The Wall Street Journal. The Euro Stoxx 50 index is up by 7.5% for the year-to-date, compared with the S&P 500's 6.5% gain. Italy's FTSE MIB has returned more than 8%. The continent's bourses are profiting from the ongoing "rotation" from growth to value stocks.

European markets are heavily weighted towards value sectors such as financials, industrial and energy companies, which jointly comprise 38% of the pan-European Euro Stoxx 600 index. The recent uptick in yields (see below) has also boosted the region's unloved banks.

With brands including Louis Vuitton, the continent is a world leader in sectors such as luxury goods

Super Mario

Despite a "sometimes sclerotic image", Europe remains "a world leader" in sectors such as luxury goods (Louis Vuitton, Gucci), cars (Daimler) and "high-end engineering" (Siemens), notes Martin Sandbu in the Financial Times. An early push into green policies has helped renewable-energy businesses steal a march on the global competition.

Europe's growing technology scene is often overlooked, adds Stefan Wagstyl in the same paper. While lacking household names to rival Facebook or Apple, the continent specialises in the "nuts and bolts" of industrial and business-to-business tech; Dutch firm ASML plays a vital role in global chip production. Europe isn't perfect, but "it's a lot better than many investors think".

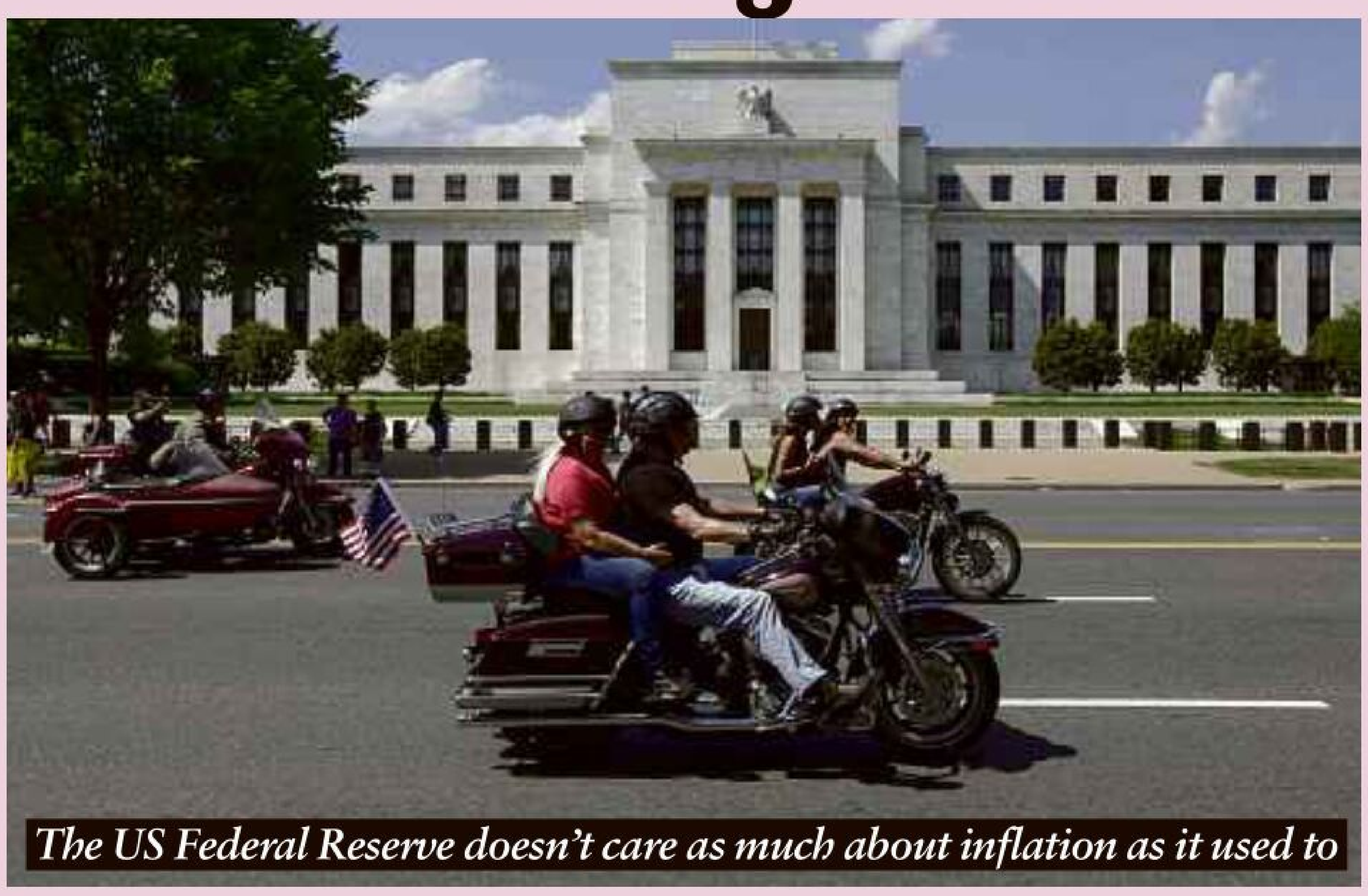
The news is also brightening on the political front, says The Economist. Recent Dutch election results could make one of the EU's most frugal members "a tad less parsimonious". New Italian prime minister Mario Draghi is rallying support for much-needed reforms to Italy's complicated tax code.

Mebane Faber of Cambria Investment Management notes that Italian shares started 2021 on a cyclically adjusted price/earnings (Cape) ratio of 19.8, a discount to Japan. On 18.7, German stocks are 50% cheaper than their US peers. Spain, on 13.6, is even cheaper than the FTSE 100. The lack of any US-style speculative exuberance in Europe, says The Economist, is a plus for investors seeking less GameStop-style drama and more "deep value".

Stocks and bonds are heading for an inflation scare

Markets are heading for an inflation scare, says James Mackintosh in The Wall Street Journal. Until recently the "dominant" assumption was that the US was on track for a short-term jump in inflation, but that the US Federal Reserve would step in with interest rate hikes if things got too heated. Yet a majority of central-bank policymakers say that they intend to keep interest rates pinned close to zero until 2024, even as the US economy begins to boom. The Fed just doesn't care as much about fighting inflation as it used to. When markets wake up, expect yields on long-dated Treasury bonds to spike.

Ten-year Treasury yields recently broke through the 1.7% mark, their highest level since the pandemic began. Still, that should be kept in perspective: the ten-year yield was trading above 3% as recently as 2018. Higher bond yields make stocks a less appealing investment. It's enough to make you nostalgic for the "bond vigilantes" of the 1980s, says Randall Forsyth in Barron's. Back in the days when "this band ruled the markets", they had investors and governments quaking in their boots. In October 1987 a sudden spike in long-dated Treasury yields "collided with a richly valued market", sending the Dow Jones plunging 22% in a single day.



The US Federal Reserve doesn't care as much about inflation as it used to

Fed chair Jerome Powell continues to insist that only a "disorderly" rise in Treasury yields would spur the Fed into action, says Cormac Mullen on Bloomberg.

Bond traders see that as a "green light to test his resolve" and now talk of the ten-year yield hitting 2%, which would probably be enough to threaten stock prices. This back and forth between the Fed and the bond market has the "ominous" feeling of a "car crash in slow motion".

Oil off the boil as virus lingers

Brent crude oil prices rocketed by 85% between the end of October and mid-March but have since retreated. Trading above $62 a barrel as of the middle of this week, crude is 10% off its recent highs.

Brent crude had its worst week since October last week, tumbling by 7%, say Emily Gosden and Tom Howard in The Times. Renewed virus restrictions in Europe are weighing on the short-term demand outlook. The fall shows "how premature" bullish talk of a return to $100 a barrel has been, says Bjornar Tonhaugen of Rystad Energy. Oil prices are still being "artificially" propped up by "Opec's reduced supply" deal.

The International Energy Agency recently cut its global crude-oil demand forecast for this year by 2.5 million barrels per day, reports Reuters. There are growing signs of excess supply in physical crude markets, with Nigeria and Angola cutting prices and reporting unsold cargoes.

That's partly because they have a new competitor: traders say that Iranian oil exports to China are on the rise, in defiance of US sanctions, report Myles McCormick and David Sheppard in the Financial Times. The price pullback shows that the recent rally had become "overextended". Still, many analysts think that global oil demand will still rebound sharply over the coming months. Goldman Sachs forecasts Brent crude prices of $80 a barrel come the summer.

Turkey heads for next crisis

Which building boasts the world's "fastest revolving doors"? asks The Economist. Turkey's central bank is surely a contender. Three governors have been fired in less than two years by capricious president Recep Tayyip Erdogan. Naci Agbal, the latest boss, was removed at the weekend after just four months in the job. That sent the Turkish lira plunging by 15% against the dollar. Turkish stocks tumbled by 9%.


©Getty Images

Former central bank governor Naci Agbal: fired for being economically literate

Agbal's sin was to have raised interest rates, a big no-no with Erdogan, who subscribes to the eccentric view that higher interest rates bring higher inflation (all economists and analysts believe the opposite). Turkish inflation hit 15.6% last month, prompting Agbal to raise interest rates two percentage points to 19%.

Turkey is not the only emerging market under pressure. Higher US Treasury bond yields (see page 4) have strengthened the dollar. That has prompted central banks from Brazil to Russia to hike interest rates in order to defend the value of their currencies. New Turkish central bank governor Sahap Kavcioglu, an Erdogan ally, looks poised to reverse Agbal's interest-rate hikes next month. That reduces the lira's appeal to investors, prompting them to sell it.

This affair is a reminder of the importance of independent central banks, says John Authers on Bloomberg. There are many leaders with odd economic views, but most leave monetary policy to the experts. Autocractic Erdogan cannot resist the urge to meddle.

A familiar script

The next steps are predictable, says Phoenix Kalen of Societe Generale. Kavcioglu will first try to use the central bank's dwindling currency reserves to defend the lira, "lose the currency battle with markets, and ultimately have to engage in emergency" interest-rate hikes, precisely what he wanted to avoid in the first place. Capital controls could also be in the pipeline. Expect "a vintage emerging markets crisis".

Trouble in one emerging market can quickly spread to others, notes Russ Mould of AJ Bell. When Malaysia imposed capital controls in 1998, global investors fled from other emerging markets for fear of similar measures. The turmoil rippled worldwide, sending the FTSE into a bear market.

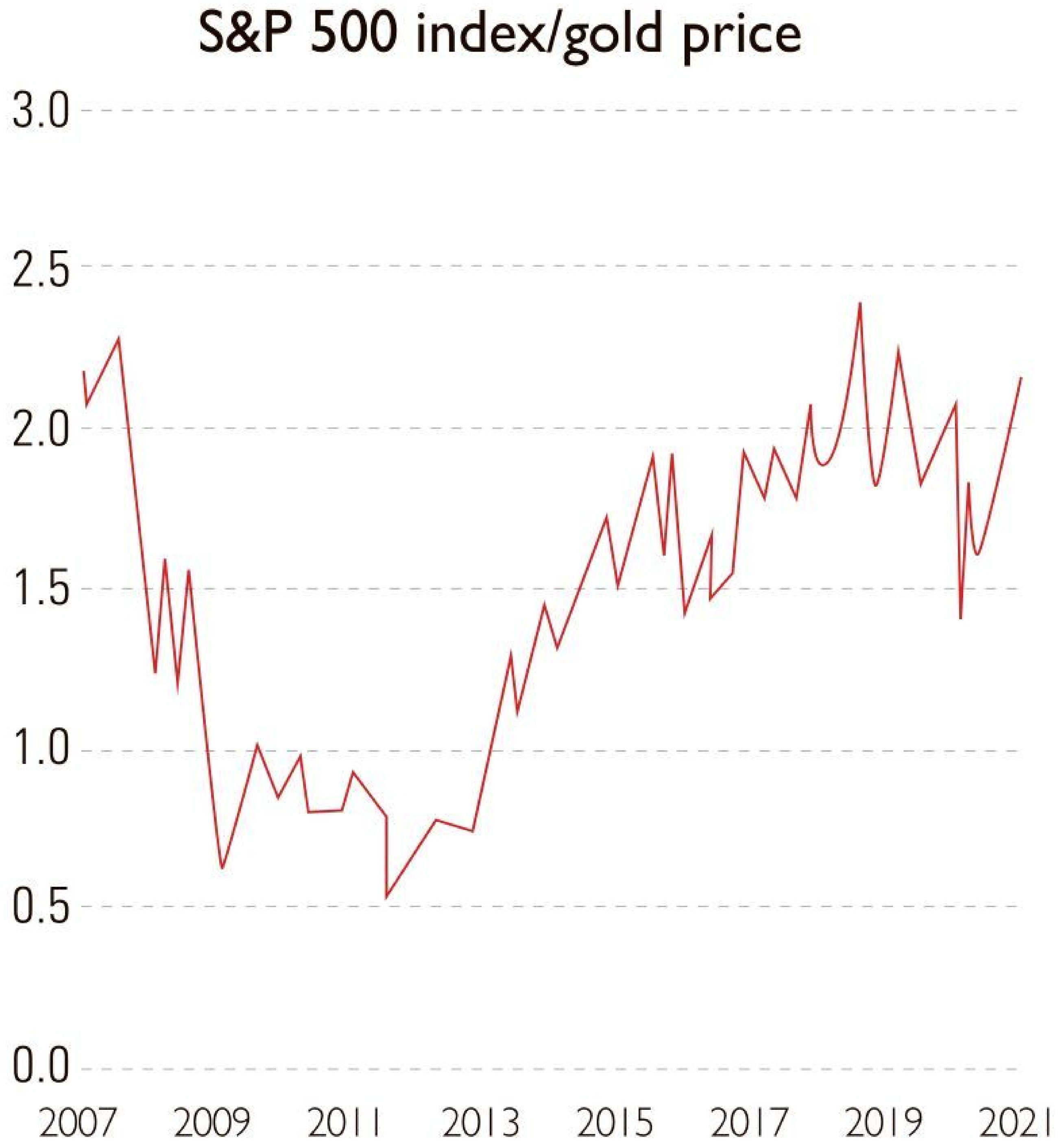
Other big emerging markets look better insulated this time, says William Jackson of Capital Economics. All appear to have the currency reserves they need to ward off a crisis, leaving Turkey as a struggling outlier. Foreign investors have also learnt their lesson from the 2018 lira crisis: non-resident holdings of Turkish assets have fallen by half in dollar terms since then. That reduces the odds that trouble in Turkey will spread beyond its borders. The latest bout of erratic policymaking is bad news for Turkey. A weaker lira will bring higher inflation; the banking sector looks to be in trouble. But it should have a "limited" impact further afield.

Viewpoint

"Insider trading is going on in plain sight but… the company insiders involved are commended… That's because [it] involves gifts of company shares to charity. These are the findings of a new study… analysing all [US] charitable gifts of stock from companies' largest shareholders from 1986 to 2020, they found that the average gift was almost perfectly timed… [a] donated stock's price reaches its highest point, compared with a broad market index… on the date of the gift… The odds that this result could be due to the insiders simply being lucky are vanishingly small… You might think that manipulative giving by insiders is not that big a deal. [But] some of these insiders appear to be using privileged information to time when their gifts occur, thereby maximising their tax deductions… it erodes trust in [the notion of markets being] a level playing field."

Mark Hulbert, MarketWatch

■ US stocks-to-gold ratio is due a fall



Gold prices are up by 12% since the end of 2019, but that gain has been eclipsed by the "staggering rally" in US equities, says goldmoney.com. The S&P 500 has soared by 75% over the past year. That has brought a spike in the "equities-to-gold price ratio" (higher means equities are more expensive relative to gold). The US stockmarket is "clearly in a bubble". If the economy really does boom as markets are currently predicting then inflation is likely to follow, which would help gold. Alternatively, if stocks crash then the equity/gold ratio will come back down. In that scenario the Fed may well be inclined to intervene with more monetary support, which would also boost the yellow metal.

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

Three to buy

Team17
Investors' Chronicle
Video-game developer Team17 benefited from the "twin effects" of lockdown and major console launches in 2020. Profits surged by over a third to £30m. The company's own game launches generated around a fifth of its sales, while it also bodes well that the group has now completed the £12m acquisition of one of its partners. With at least 11 new titles in the pipeline for this year, Team17 should be able to build on last year's growth. *755p*

BBGI
The Mail on Sunday
The prime minister's pledge to spend £100bn on infrastructure in the next five years, along with similar initiatives worldwide, bodes well for global infrastructure businesses such as BBGI. It specialises in "essential assets" such as roads, hospitals and fire stations. The average contract is over 20 years long, guaranteeing long-term earnings. But the group is highly selective, only pursuing projects that conform to strict financial, operational and environmental criteria. The company has delivered consistent dividend and share-price growth since it floated in 2011. The stock is ideal for investors after "low-risk shares in an uncertain world". *166p*

Burberry
Shares
Luxury-goods group Burberry has announced that trading in the fourth quarter of the year to 27 March has exceeded expectations. The gradual reopening of the economy will boost fourth-quarter retail sales by around 30% year-on-year – impressive considering "free-spending Asian customers visiting other countries", one of its key demographics, have yet to come back due to travel restrictions. The recovery has further to go. *2,129p*

Three to sell

Rolls-Royce
Investors' Chronicle
Last year was "dire" for Rolls-Royce. The aircraft-engine maker plunged to a £4bn pre-tax loss from a £583m profit the year before. Engine deliveries halved in 2020 as Boeing and Airbus cut production and are expected to remain low for the next few years. The group's £1.4bn of net cash disappeared in 2020 and net debt will hit £4bn this year. Restructuring the aerospace business will be too little too late to compensate for a long downturn. *114p*

BH Global
The Daily Telegraph
Brevan Howard, which manages BH Global, gave the latter's board an "extraordinary ultimatum" in February, threatening to quit unless fees were doubled. With no sign of Brevan backing down, BH Global has offered investors an exit at 98% of net asset value (NAV) should the firm agree to the manager's demands. Investors should take the board up on that offer and sell the shares. "Investors are already paying enough for Brevan Howard's management." *1,900p*

IBM
Forbes
IBM's stock has dropped by a fifth in ten years compared with a 450% rise in the Nasdaq index. Sales have declined by 3% a year. IBM is "on the wrong side of the future of business strategy", attempting to sell each customer "a combination of hardware, software, consulting and the ability to finance it all". But clients' needs have moved past

that as technologies such as cloud storage are introduced. Until IBM comes up with products customers value more highly than those of faster-moving start-ups, it will not be a good investment. *$129*

...and the rest

The Times
GlaxoSmithKline is splitting its consumer brands from its pharmaceuticals. That should allow the drugs division to concentrate on research and development. But the company will have to "prove its pipeline can sustain a chunky dividend once it can no longer rely on toothpaste sales". Hold *(1, 298)*.

Investors' Chronicle
IT services provider **Computacenter's** results were "surprisingly robust" given falling demand from industrial customers: public-sector clients picked up the slack. The need to solve issues remotely meant it saved on billable hours for travel and employed fewer people. Overall, management reckons the pandemic had a net positive impact on profits of £30m. Buy *(2,348p)*. Engineering and services company **Wood Group** has recorded its biggest pre-tax loss in a decade. Most of the group's business relies on the "struggling" energy sector. It is also grappling with corruption investigations linked to a 2017 acquisition. Sell *(301p)*.

The Mail on Sunday
Mobile payments platform **Boku** allows users to buy music, games and films. Customers include Spotify, Netflix, and Apple. Since the pandemic began it has won new contracts. Last year saw $6.9bn of payments go through its system and growth is forecast for this year and beyond. Buy *(174p)*.

Shares
IP Group, an intellectual-property specialist that invests in high-growth businesses, has just produced an annual profit and unveiled a "maiden dividend". Net assets grew by 16% to £1.3bn in 2020. Buy *(123p)*. Shares in **Secure Income Reit** are on a "sizeable discount" to net asset value (NAV) of 11% owing to its large holdings in the hotel and leisure sectors. But these are primed to benefit from the economy's reopening, and the group should deliver then. Buy *(35p)*.

A German view

Germany's Jenoptik is one of the companies that facilitated Nasa's mission to Mars, notes WirtschaftsWoche. It is a specialist in photonics, the science of generating light, and it helped assemble the lenses in the cameras used by the rover. Clients using Jenoptik's optical technologies include semiconductor makers (ultraviolet light is required to make some components) and car makers, who need its laser systems. The public sector, meanwhile, has benefited from products that help monitor traffic. All this explains the company's resilience last year and bodes well for the future. A recent acquisition, meanwhile, has bolstered the company's presence in Asia.

IPO watch

The boom in retail investing has prompted Interactive Investor (II), the UK's second-largest fund supermarket, to consider an initial public offering (IPO) in London later this year, say Daniel Thomas and Madison Darbyshire in the Financial Times. The surge in trading activity among younger retail investors following the GameStop frenzy has fuelled growth, with over £200bn now under management by retail brokerages. II accounts for around a fifth of the UK market, but it is the only big competitor not listed. Hargreaves Lansdown, its larger rival, is worth £7.4bn. The company has grown from £3.5bn in assets under management in 2016 to £50bn this month.

City talk


©Getty Images

● Elon Musk (pictured) has crowned himself "technoking of Tesla", says Lex in the Financial Times. He seems to be amusing himself, but the joke might ultimately be on investors. A boss emboldened to embrace a "daft job description" may make "increasingly risky bets" such as Tesla's decision to invest \$1.5bn in the "notoriously volatile cryptocurrency bitcoin". Musk may feel that the stock's 660% surge last year has earned him the right to a "jokey name", but he should remember that AOL's shares fell 30% shortly after it appointed David Shing as a "digital prophet" in 2011.

● Saudi Aramco, valued at \$1.9trn, may sell "another chunk of shares" to "bolster" the country's sovereign wealth fund, says George Hay on Breakingviews. The state-owned Saudi Arabian oil giant boasts the sector's "lowest production costs... and more room to grab market share if Western majors retreat". But it is an "environmental, social and governance minefield" and its main shareholder has a "poor human rights record". Consider Total, which hasn't cut its dividend and yields 6%, instead.

● Selling "unloved nationalised businesses" back to the private sector is "anything but easy", says Patrick Hosking in the Times. The sale of Royal Bank of Scotland, now NatWest, is going more slowly than expected. Thirteen years after nationalising it the state still owns a 60% stake. What's more, each of the three share sales has been "at a lower price than the previous one" and the current price is below the price "at which the Treasury bought into RBS in 2008". Both NatWest and UK Government Investments will have to "step on the throttle" if the state is to keep to its schedule and get rid of all its shares by March 2026.

SoftBank's latest stumble

The Greensill imbroglio has derailed a rebound at the Japanese conglomerate and technology investor. Matthew Partridge reports

SoftBank Group is likely to sustain a "damaging loss" from the collapse of Greensill Capital, which provided supply-chain financing and related services, say Nabila Ahmed and Harry Brumpton on Bloomberg. The technology conglomerate and investor not only put \$1.5bn into the doomed company, but also invested "hundreds of millions of dollars" into funds Greensill ran with Credit Suisse. However, while founder Lex Greensill claimed that his company was valued at "roughly \$7bn" as late as October, Greensill declared bankruptcy earlier this month, which means that SoftBank's stake is now "worthless".

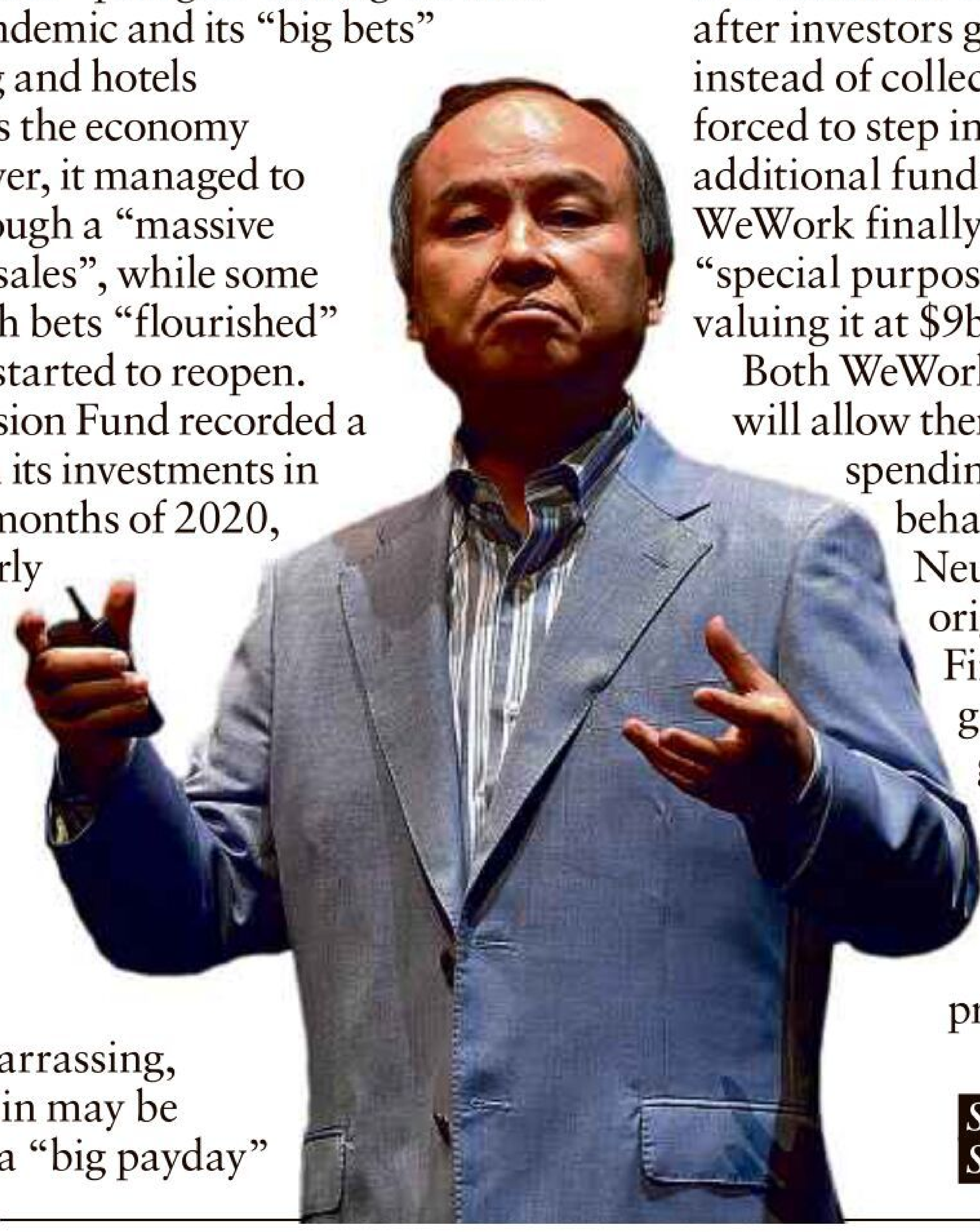
The Greensill stumble is not only a "setback" for SoftBank and its founder and CEO Masayoshi Son, says The Wall Street Journal, but it also spoils what, until now, has been a "dramatic comeback" over the past year, . SoftBank's shares "plunged" during the first part of the pandemic and its "big bets" on ride hailing and hotels "floundered as the economy froze". However, it managed to raise cash through a "massive series of asset sales", while some of its other tech bets "flourished" as economies started to reopen. SoftBank's Vision Fund recorded a \$13bn gain on its investments in the last three months of 2020, its best quarterly showing since its inception in 2017.

A big payday

While the collapse of Greensill is certainly embarrassing, SoftBank's pain may be cushioned by a "big payday" from one of its other investments, says Eric Savitz in Barron's. With China's economy bouncing back, ride-sharing company Didi Chuxing is reportedly accelerating its plans for an initial public offering (IPO) as soon as the second quarter of 2021, targeting a valuation "of more than \$62bn. If it manages to achieve this amount, SoftBank's 20% stake in Didi Chuxing would then be "worth about \$12bn". Meanwhile, real-estate firm Compass, another SoftBank investment, has already filed for a flotation.

And it looks as though SoftBank may even be able to salvage something from its notorious investment in WeWork, says Callum Jones in The Times. The property-rental company specialising in shared workplaces was valued at \$47bn at one stage. However, a planned IPO had to be scrapped in November 2019 after investors got cold feet, with the result that instead of collecting a payoff, SoftBank was forced to step in and bail out WeWork with additional funds. The latest plans would see WeWork finally list through a merger with a "special purpose acquisition company [SPAC]", valuing it at \$9bn.

Both WeWork and SoftBank may hope the deal will allow them to draw a line under the "lavish spending, record of losses and the erratic behaviour" of co-founder Adam Neumann, who was ousted when the original IPO fell through, says the Financial Times. But there is "no guarantee" that this new deal will go ahead. And if WeWork, which lost \$3.2bn last year, is to turn a profit, it will need to boost occupancy from 47% to 90% by the end of 2022, "well above" its pre-pandemic level.


©Getty Images

Softbank's CEO Masayoshi Son faces another setback

Deliveroo IPO could cause indigestion

Takeaway-delivery platform Deliveroo is set to be "the biggest London stockmarket debut since Glencore almost a decade ago", say Mark Sweney and Sarah Butler in The Guardian. It has priced its initial public offering (IPO) "at between £3.90 and £4.60 a share". This would value the company at up to £8.8bn, about £1bn more than initially expected. At the top end of the proposed price range, Deliveroo would be worth more than Premier Inn and Beefeater owner Whitbread (£6.6bn) and luxury goods group Burberry (£8.2bn).

Deliveroo's "lofty target" isn't bad for a company valued at only £5bn as recently as January, says Ben Marlow in The Daily Telegraph. But is a firm that has "wolfed down £1.3bn of private capital since 2013" without any sign of turning a profit – not even during the lockdown takeaway boom – worth investing in? In a few weeks' time when pubs and restaurants are full and takeaway orders are falling, the shares "might not seem so appetising".

Still, while prospective investors may get indigestion, those who previously invested in the company will do well, says Alistair Osborne in The Times. Of the £1.6bn the company will raise from the flotation, only £1bn will go to the firm itself.

Founder Will Shu will keep most of his shares, but is planning to "wolf down £28m straight away" with a sale, while hanging on to his class-B shares will give him 58% of the voting rights, thus "bullet-proofing Deliveroo from takeover and [himself] from the sack".


©Deliveroo

Founder Will Shu plans to sell £28m of shares after the listing

Flames lick at the roadmap

The vulnerable are vaccinated, the NHS is underwhelmed. Freedom is still out of reach. Emily Hohler reports

©Getty Images

Johnson's jocular comments were ill-advised

Britons had "high hopes of unfurling their beach towels" in Europe this summer, says the Lex column in the Financial Times. But Europe, which accounted for 78% of trips in 2019, is "not playing ball amid a fresh surge of Covid-19 cases" and low vaccination rates. While the UK has now vaccinated over half of the adult population, the EU rate is just 12%. There are supply issues, too, with the "UK and EU at odds over vaccine exports" (see page 18) – a spat not helped by Boris Johnson's "jocular" but ill-advised remark that "greed" and "capitalism" had enabled Britain to secure vaccine supplies ahead of other countries, adds Henry Zeffman in The Times.

Speaking at a Downing Street conference to mark the anniversary of lockdown, Johnson said that we were on the path to "freedom", "cautiously but irreversibly… jab by jab" and that there was "no reason to deviate" from his roadmap. At the same time, both he and Chris Whitty have said that the easing of restrictions will be accompanied by another surge of cases and Whitty added that there would inevitably be other problems, not least with variants and "stockouts of vaccines". Whitty and his deputy, Jonathan Van-Tam, have also been pushing for tougher border controls to stop variants coming into the UK, says The Daily Telegraph's Lizzie Frainier, expressing particular concern about France, which, along with Germany, is suffering a surge in cases. At present, 68% of people travelling from France aren't required to quarantine.

Vaccines have not ended the fear

The "red-letter" dates are 12 April, when we may be allowed to take a UK break, and 17 May, when foreign holidays may be allowed. Several countries, including Turkey, Greece and Spain, have already "declared that they want British holidaymakers", says Jim Pickard in the FT; Turkey is even talking of not requiring evidence of vaccination or a PCR test, notes Simon Calder in The Independent. The bigger issue is whether our government will release us, says Kate Andrews in The Spectator. Despite the vaccine rollout and positive data (infection and intensive-care admissions are down 95% from their peak; excess deaths are below zero), the government "has decided to crack down harder on travel than ever before". The "latest iteration" of the Coronavirus Act, which MPs vote on this Thursday, could make international travel "under most circumstances" illegal until 30 June. "From Monday, just showing up at an airport can land you with a £5,000 fine." This isn't just about holidays; one in four children have a foreign-born mother and can't see relatives. The whole point of the vaccine programme was to avoid "living in fear"; instead we are in danger of "laying the foundations of a modern security state".

A damaging culture of caution

Worryingly, in Europe, "curfews are being reimposed, stay-at-home orders reissued and economies shutting down once more", says Philip Johnston in The Daily Telegraph. Have prosperous Westerners become "so cushioned from adversity that we have forgotten how to deal with it", or are lockdowns continuing unopposed because, although they carry "colossal costs" to the country's finances and our health, they haven't led to "dreadful privation" as they would in the past? During the year to March, 20% of the 640,000 deaths were attributed to Covid-19. "Had there not been a pandemic many would still be alive today though it is impossible to say who because, given the average of 82, they might have died of something else." Doubtless Johnson, like the rest of us, wants this to be over soon, "but caution in the face of increased risk is now so embedded in the political and popular culture that it will be hard to abandon".

Sturgeon: her cause is damaged

©Getty Images

No. 10 prepares for battle over Scotland

The political survival of Scotland's pro-independence first minister, Nicola Sturgeon, "could yet have long-term implications for the future of the UK", says the Financial Times. This week, after an independent investigation cleared her of any breach of the Scottish ministerial code in her handling of sexual assault charges against her predecessor, Alex Salmond, "her job is safe" and the Scottish National Party (SNP) is "no longer in danger of a spectacular implosion" before the Holyrood election in six weeks' time. Nevertheless, the "party and its central cause" have been "dented".

Sturgeon and her government have been "severely criticised" for their handling of the complaints against Salmond – which have cost taxpayers a lot of money – and for a flawed harassment policy. "The case for Scottish independence has long rested on the claim that Scotland could run its affairs better." Sturgeon's victory has "come at a price", says Kenny Farquharson in The Times. The SNP is "divided and mutinous" – an angry Salmond is unlikely to let up – and opinion polls show that public support for the SNP, independence and Sturgeon is slipping.

Even if the SNP falls short of a majority, with the Greens the pro-independence lobby is likely to have the numbers to demand a second referendum, says Katy Balls in The Guardian. Work is already under way in Westminster on "how to counter the threat". This time, Vote Leave's "scorched-earth approach" to the Scottish government is set to be replaced with "love-bombing". The government is likely to point to the bad timing, amid a pandemic, rather than ruling a referendum out. There is also a "new appetite to engage with the questions that independence raises" (eg, the currency) and work is being done on finding ways to "strengthen emotional attachments" to the UK. Whatever the election brings, "No. 10 is getting battle ready".

Positively radical

Investment and impact go hand in hand for the Keystone Positive Change Trust. New to Baillie Gifford, the trust broadens its investment mandate under the watchful eyes of investment managers, Kate Fox and Lee Qian.

The value of your investment and any income from it is not guaranteed and may go down as well as up and as a result your capital may be at risk.

In February 2021, Baillie Gifford officially took over as the investment manager for what was the Keystone Investment Trust plc. In doing so, the trust expanded its UK equity mandate to a global remit and applied a dual investment objective. Renamed the Keystone Positive Change Investment Trust, the trust has two equally important objectives: to generate attractive investment returns over the long run *and* to contribute towards a more sustainable and inclusive world.

Its managers, Kate Fox and Lee Qian, have been running the Baillie Gifford Positive Change Fund for the past four years. However, the investment trust has the added advantages of being able to borrow money to invest (gearing) and invest in smaller cap and private companies. These capabilities fit well with the trust's investment philosophy that capital thoughtfully and responsibly deployed can be a powerful mechanism for change, and the managers anticipate many exciting opportunities to do so.

Making a difference

Both Fox and Qian strongly believe that inclusive capitalism is part of the solution to addressing the numerous environmental and social challenges that our world is facing. Rather than simply excluding companies that cause harm from the portfolio, they are proactively seeking exceptional companies whose core business activities address global challenges and have the potential to significantly improve lives. These companies should enjoy rising demand for their products and services. However, only a select few – between 30 and 60 companies – that can demonstrate the potential to double over the next five years, with significant growth opportunities thereafter, will be considered for the trust.

With so many ways in which businesses can support the transition to a more sustainable world, four impact themes will measure the trust's impact. Latin America's largest ecommerce platform, MercadoLibre, is also a leader in the region's financial technology industry and sits in our 'social inclusion and education' theme. By making it easier and cheaper for businesses to trade, its services help to reduce some of the barriers to socio-economic development in Latin America. Coming under the 'environment and resource needs' theme, Deere uses innovative precision agriculture technology to help farmers lessen their environmental impact, while still increasing the amount of food they produce for the world's population. Within the 'healthcare and quality of life' theme, Dexcom's innovative continuous glucose monitoring systems enable over 650,000 diabetics to manage their condition more effectively. The 'base of the pyramid theme' refers to people on the bottom growth rung of the global wealth ladder. Within this category, Safaricom's M-Pesa mobile money system has over 22 million monthly users and is driving financial inclusion in Kenya.

The search for growth

The Positive Change Team has an integrated approach to considering the investment and impact potential of every company, with both investment managers and impact analysts carrying out the proprietary research. They are supported in this endeavour by over 100 investors and a well-resourced Governance and Sustainability Team from across the wider firm.

As an independent investment partnership, Baillie Gifford can afford to be resolutely long term in its investment horizon: five to 10 years. This is particularly relevant for Positive Change, where the scale and complexity of the societal and environmental challenges being addressed demands patient and engaged investors.

Positive Change is unlike its benchmark and, as a result, those who invest in it can expect this to drive significantly different performance. The portfolio is truly active: the aim is to hold a small number of exceptional businesses in meaningful sizes that reflect the team's convictions.

The trust is focused on growth and on finding exceptional, high-quality businesses. These will be run by committed management teams whose visions extend to years, not quarters, and where there appears to be a strong competitive advantage over the long term. Where purpose complements profit.

Companies can play a significant role in providing innovative solutions to support our evolving world. Baillie Gifford's depth of research, it's long-term horizon and focus on identifying companies with substantial growth potential means that investors can have a positive impact with their capital as well as generating attractive returns.

Keystone Positive Change Investment Trust has embraced a radical change of direction. Perhaps, the world also requires a radical change of direction to secure a safe and healthy future for all?

Brought to you by BAILLIE GIFFORD

Important information – The trust invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up. The trust can borrow money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the trust, the value of the investments may not be enough to cover the borrowing and interest costs, and the trust will make a loss. If the trust's investments fall in value, any invested borrowings will increase the amount of this loss. Investment in smaller companies is generally considered higher risk as changes in their share prices may be greater and the shares may be harder to sell. Smaller companies may do less well in periods of unfavourable economic conditions. The trust's risk could be increased by its investment in private companies. These assets may be more difficult to sell, so changes in their prices may be greater. The trust's risk is increased as it holds fewer investments than a typical investment trust and the effect of this, together with its long-term approach to investment, could result in large movements in the share price.

This article does not constitute, and is not subject to the protections afforded to, independent research. Baillie Gifford and its staff may have dealt in the investments concerned. The views expressed are not statements of fact and should not be considered as advice or a recommendation to buy, sell or hold a particular investment.

Baillie Gifford & Co and Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority (FCA). The investments trusts managed by Baillie Gifford & Co Limited are listed UK companies and are not authorised and regulated by the Financial Conduct Authority.

A Key Information Document is available at **bailliegifford.com**

US-China relations remain chilly

Talks between the two powers have been tense. Matthew Partridge reports

Blinken: US will "push back" against China

Tensions between Washington and Beijing "remain high" as the Biden administration's first face-to-face encounter with Chinese officials last week turned into a "very undiplomatic war of words", say Nick Allen and Sophia Yan in The Daily Telegraph. During nearly an hour of "heated exchanges" in front of TV cameras, Antony Blinken, the US secretary of state, said that America would "push back" against China's "increasing authoritarianism and assertiveness abroad". China's top diplomat Yang Jiechi responded by accusing the US of "condescension", of "inciting some countries to attack China" and "hypocrisy" over human rights.

More than just rhetoric

Much of the "blustery rhetoric" would have been familiar to anyone who reads the press in either country, says The Economist. And it's possible the "blow-up" was more "a display for domestic audiences", with "more constructive diplomacy" taking place in private. However, the "highly unusual" direct public confrontation suggests that an "antagonistic relationship" between the two power is likely to continue, with "no thaw" in US-China relations following the "deep freeze" they were in under Donald Trump. With both sides placing the blame solely on the other's actions, the world's "most important bilateral relationship" will continue to be one of the "most contentious".

The tensions between the two sides are real, says The Wall Street Journal: sources have indicated that the "private exchanges from the Chinese side were as tough as the public remarks". The Biden administration deserves credit for its strong rhetoric, but it will need to maintain this stance, as China will be alert to any sign of weakness. Indeed, Beijing is counting on Biden returning to Obama's policy of "accommodation" in relation to China's "global advances" and of turning a blind eye to its "cyber and intellectual property theft", its aggression towards Taiwan, and its repression in Hong Kong and against the Uighurs in Xinjiang.

Standing tough

There's no risk of Biden backing down, says The Washington Post. His "tough opening moves" contrast with Trump's "confused and often contradictory treatment of China". Indeed, the US government has already sanctioned two-dozen officials involved in the Hong Kong repression. It's also working with Britain, Canada, Australia and New Zealand on adopting new sanctions, in parallel with the EU, against those involved in the "genocidal campaign" against Xinjiang's Uighurs.

Still, convincing Europe to stick with the US may be difficult, say Demetri Sevastopulo and Michael Peel in the Financial Times, as Brussels is trying to "avoid being perceived as part of a global anti-China alliance". Many in Brussels are "worried" about being seen to be too close to the US, especially after China retaliated against the Xinjiang measures by "imposing its own sanctions on EU institutions, lawmakers [and] think-tanks". In the Trump era, the EU pushed for a joint effort to take on China. Will it now be ready to "take yes for an answer"?

A "profound failure" for Israel's PM

Netanyahu: back where he started

With most votes now counted in the latest Israeli election, the fourth in two years, it looks (at the time of writing) as though Israel is heading for another "protracted period of deal-making" before a new government is formed, say Felicia Schwartz and Dov Lieber in The Wall Street Journal.
The bloc led by the current prime minister, Benjamin Netanyahu, has a "slight edge" and projections as MoneyWeek went to press indicated there would be no clear winner. Netanyahu seemed likely to get around 53 seats in the 120-seat Parliament, leaving him "scrambling for support" from smaller parties.

The situation is complicated by the fact that the two parties expected to hold the balance of power represent opposite political and demographic constituencies, say Oliver Holmes and Quique Kierszenbaum in The Guardian. Netanyahu will have to "perform political acrobatics" to bring together hardliners on the right, some of whom have called for Arabs to be expelled from Israel, with Ra'am, a small Islamist party that supports a two-state solution. Opposition leader Yair Lapid will probably have to forge even more "tricky alliances" if he wants to challenge Likud, Netanyahu's party.

The numbers are "astonishingly close" and the result remains in the balance, says Haviv Rettig Gur in The Times of Israel. But given that Israel's economy has just reopened thanks to a "world-leading vaccination drive" and Netanyahu has negotiated four "dramatic normalisation" agreements with "previously hostile" Arab states, the fact that he has effectively "ended up right where he started" represents a "profound failure".

Betting on politics

One of Europe's biggest political survivors is Angela Merkel (pictured), who has been Germany's chancellor since 2005. Until the start of this year, her initially strong handling of the Covid-19 epidemic won her plaudits and seemed to have secured her legacy. Now, with Germany's vaccination strategy in tatters, she has gone from hero to pariah. This has had a knock-on effect on the polling figures of her Christian Democratic (CDU) party, as shown by its poor performance in recent regional elections.

Still, punters remain confident that the CDU will remain in a strong position after the September elections, although not quite as confident as they once were. Indeed, with £5,139 matched on Betfair, the CDU and the CSU, its Bavarian sister party, are favourites to win the greatest number of seats

at 1.08 (92.5%), with the Greens in second place at six. Those on Betfair also think the next chancellor will come from the ranks of the CDU/CSU at odds of 1.21 (83%), with the FDP in second place at six.

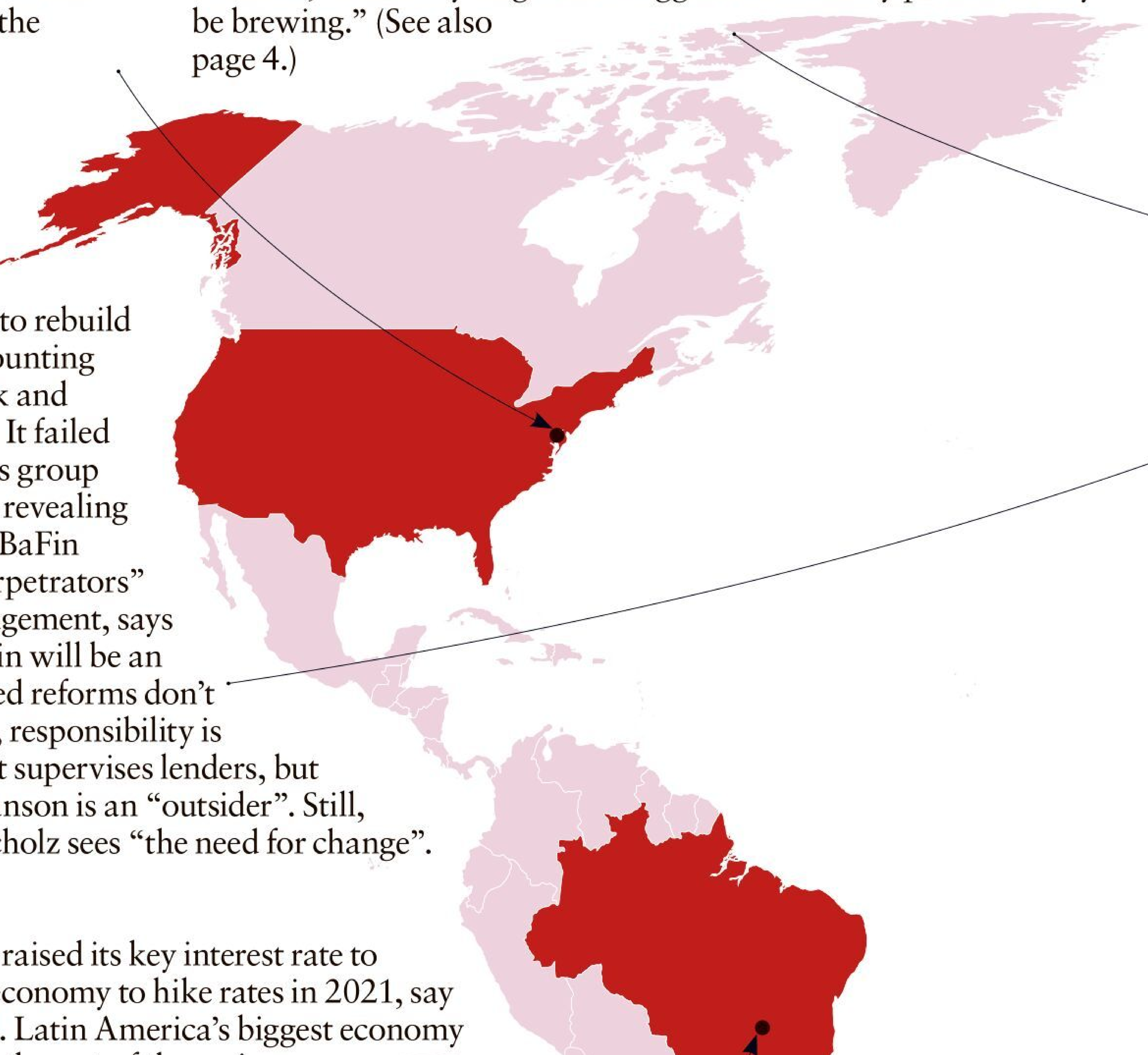
The odds on the CDU/CSU getting most seats are too short for us to recommend, at least for now. However, I would definitely recommend that you bet on the next chancellor coming from the CDU/CSU. While Germany, like most of Europe, has messed up the vaccine rollout, most Germans should still have received the jab before the end of the summer, which should lead to a recovery in the CDU's numbers. Even if the figures stay the same they should be able to scrape enough seats to head any coalition.

Washington DC

More spending in the pipeline: President Biden's administration is "crafting a plan" for another economic stimulus package "that could cost as much as $3trn", say Ken Thomas and Andrew Duehren in The Wall Street Journal. The extra spending would focus on infrastructure projects and environmental initiatives as well as education. The package would also extend the newly expanded child tax-credit scheme set to expire at the end of the year. However, the package could "face a difficult path through the narrowly divided Congress, and Democrats aren't all in agreement on how [to proceed] with their spending... proposals". Federal Reserve chairman Jerome Powell insisted on Tuesday that "the effect on inflation" from the current $1.9trn stimulus package "will be neither particularly large nor persistent". Meanwhile, sales of new homes fell by 18.2% in February to an annualised rate of 775,000 from 948,000 in January. That is a nine-month low and the sharpest decline since July 2013, notes Olivia Rockeman on Bloomberg. High prices and severe winter weather were the chief culprits.

London

Businesses gain confidence: Tuesday marked a year since the start of the first lockdown. "The cumulative number of deaths from coronavirus was 938 [then]," says Patrick Kidd in The Times. "It is now more than 126,000." Over 28 million people, half the adult population, have since received at least a first dose of a vaccine, while 2.3 million have had a second dose. The successful vaccination programme has lifted business confidence to its highest level since 2018, according to the Santander Trade Barometer. Six of the 14 sectors monitored by the Lloyds Bank UK Recovery Tracker reported increased output last month, up from three in January. In the 12 weeks to that month, the unemployment rate fell to 5% from December's 5.1% high. Meanwhile, the headline annual rate of consumer price inflation (CPI) slipped to 0.4% in February from 0.7% in January, thanks to lower prices for clothes, second-hand cars and toys. Still, says AJ Bell's Danni Hewson, "February's figures ... suggest inflationary pressures may be brewing." (See also page 4.)



Frankfurt

BaFin's new boss: Mark Branson (pictured), head of Swiss finance watchdog Finma, has been appointed president of BaFin as the German financial regulator "looks to rebuild its reputation" after the "worst accounting fraud" since 1945, say Olaf Storbeck and Guy Chazan in The Financial Times. It failed to spot wrongdoing at digital-payments group Wirecard, which collapsed last year after revealing that €1.9bn was "missing" from its accounts. BaFin targeted journalists and short-sellers rather than the "perpetrators" of the fraud. Branson has a "solid history" of crisis management, says Liam Proud on Breakingviews. Nevertheless, fixing BaFin will be an "uphill struggle". Finance minister Olaf Scholz's proposed reforms don't deal with BaFin's structure and remit. In other countries, responsibility is split between a markets regulator and a central bank that supervises lenders, but in Germany BaFin oversees the lot. And British-born Branson is an "outsider". Still, appointing an "international heavy hitter" shows that Scholz sees "the need for change".

Brasília

Brazil forced to raise interest rates: Brazil's central bank raised its key interest rate to 2.75% from a record low of 2%, becoming the first big economy to hike rates in 2021, say Jeffrey Lewis and Ryan Dube in The Wall Street Journal. Latin America's biggest economy shrank by 4.1% in 2020, "a far smaller downturn" than the rest of the region, after President Jair Bolsonaro (pictured) deployed "one of the developing world's biggest stimulus packages". But Brazil's currency has slumped. The US's strong recovery is sending long-term bond yields up, which is luring investors away from traditionally risky assets such as emerging markets and towards the dollar. As capital flows out of Brazil, the economic recovery will slow. The falling currency, moreover, is stoking inflation. Rising oil prices have already increased Brazil's fuel costs: annual inflation reached 5.2% in February. Other developing countries, notably Turkey, are also likely to have to raise the cost of borrowing to temper inflation and capital outflows (see page 6).

The way we live now: the horse-milk health craze

A litre a day keeps the doctor away, apparently

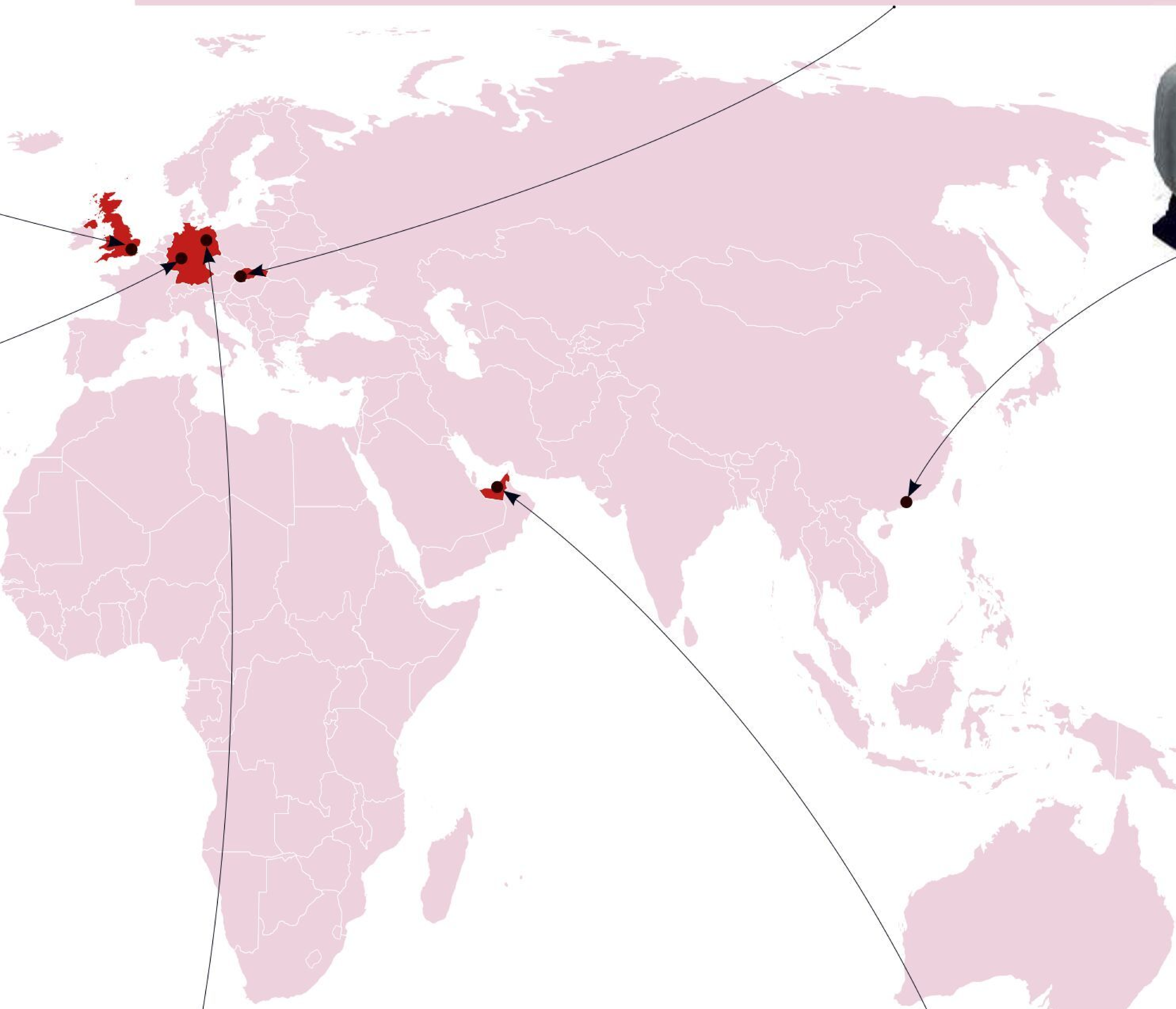
©Bournemouth News/Shutterstock

Leo Tolstoy and Anton Chekhov swore by the curative powers of horse milk. Now Frank Shellard (pictured) hopes to bring it into the 21st century, says Will Humphries in The Times. Shellard, who runs the stables at the private members' club Soho Farmhouse in the Cotswolds, "admits he has a job to do changing people's minds". But his 150 customers are already buying into it, paying £6.50 for a £250ml bottle. Interest has soared over the past year as people become more conscious of their health. Shellard, who drinks a litre of the milk every day, is "evangelical" about the benefits: it's high in vitamin C and iron, but low in fat, with levels of lactose and casein closer to human breast milk than to that from a cow. Studies suggest that mare's milk could combat eczema and improve "immune responsiveness". But the small number of horse-milk producers don't have the means to fund scientific studies to prove their points: these would cost over £300,000. The trend is taking off in Europe too, with 30 farms in Germany and some in Belgium, France, and Italy producing it.

Prime Minister Igor Matovic has bought two million doses of the Russian vaccine

Bratislava

Coalition heads for collapse: Slovakia's ruling four-party coalition is threatening to fall apart after economy minister Richard Sulík's resignation, says James Shotter in the Financial Times. The coalition has been "racked by infighting" since Prime Minister Igor Matovic announced a deal earlier this month to buy two million doses of Russia's Sputnik vaccine, which has yet to be approved by Europe's medicines watchdog, without coalition members' consent. It was the last straw after months of "simmering tensions" between members of the government, who have "clashed over everything from his leadership style to his management of the pandemic". Although Slovakia managed to escape the first wave of Covid-19 "unscathed", case numbers have been on the rise since last autumn. With 349,270 cases, and 9,104 deaths among a population of 5.5 million, the country has one of the worst death rates per capita. Slovakia is set to receive around €6bn from the European Recovery Fund to help fuel its economy after the pandemic, says Michal Hudec on Euractiv.



Hong Kong

China's YouTube floats: Chinese video-streaming platform Bilibili, considered to be the Middle Kingdom's YouTube equivalent, became the third US-listed Chinese company to float in Hong Kong this year, raising HK$20.2bn (£1.9bn), says Julia Fioretti on Bloomberg. The firm sold 25 million shares in the Hong Kong offering at HK$808 per share and joined a group of "overseas-traded Chinese firms" selling stock in Hong Kong, enticed by the increasing demand for new listings. The trend began last year, with around $17bn raised from second listings by companies such as e-commerce giant JD.com. Investors are supposed to be moving away from "so-called pandemic winners", but the year is set to be a busy one for offerings by internet companies. In the first quarter of 2021 Asian technology, media and telecoms firms have sold a record $21.5bn of shares. Bilibili, which began streaming Japanese animation to younger viewers in 2009, has benefited from people staying at home during the pandemic. It has expanded its offering to other shows, comics, and mobile video games, generating revenue from advertising and premium memberships.

Berlin

An embarrassing U-turn: Germany is extending its lockdown to 18 April. However, the government was forced to reverse its plans to tighten restrictions even further over Easter. Angela Merkel apologised for "the mistake... her first such apology in her 16 years as chancellor", say Erika Solomon and Guy Chazan in the Financial Times. "The U-turn… reflects deepening public frustration at the government's handling of the pandemic." Confirmed cases rose by 7,709 on Monday to 2.7 million, while the seven-day "incidence rate" (new infections per 100,000 people) stood at 107, "above the 100 threshold at which hospitals often become overwhelmed", says Deutsche Welle. Still, the IHS Markit composite purchasing managers' index, which includes manufacturing and services activity, rose to 56.8 in March from 51.1 the previous month (above 50 indicates growth). For the wider eurozone, the index rose to 52.5 from 48.8, the first return to growth in six months. The bounce won't last, says Jessica Hinds of Capital Economics. The second quarter will be "very poor... as restrictions are extended [and] the vaccine rollout remains sluggish".

Abu Dhabi

A post-Brexit boost from the UAE: The United Arab Emirates and the UK agreed on a multibillion-pound deal that will see Abu Dhabi invest in British health, technology, clean energy and infrastructure, say Andrew England and George Parker in the Financial Times. The deal will deliver a "significant post-Brexit boost". The £170bn Mubadala fund, Abu Dhabi's second-largest sovereign-wealth fund, will pump £800m into the life-sciences sector (which encompasses pharmaceuticals, animal health, medical technology and biotechnology) over five years – along with £200m from a British government fund. There are three other investments of a similar or larger scale expected through to 2026, implying a total commitment of up to £5bn. Mubadala, set up in 1984, manages a global portfolio and has a long record of investing in Britain. It typically invests between $50m and $500m in life-sciences companies . The pandemic has reaffirmed the sector as a "very attractive investment" for the fund, and it also sees the UK as a "very important market globally". It currently holds stakes in the London Array, Hywind and Dudgeon wind farms.

Vaccine wars will harm us all

Grabbing and hoarding vaccine supplies, or even manufacturing one's own, might seem to make sense for a state in an emergency. But the damage done to trust and prosperity will be huge. Simon Wilson reports

What's happened?

The threat of an all-out vaccine war between Britain and the EU appeared to recede this week, with both Boris Johnson and German leader Angela Merkel trying to calm tensions and remember "international interdependencies". But the spectre of "vaccine nationalism" is still haunting Europe, following Ursula von der Leyen's threat last week of emergency EU controls on vaccine production and distribution to meet the "crisis of the century". The European Commission president suggested halting exports to countries that did not reciprocate in allowing jabs to flow to the EU, and even activating Article 122 of the EU's treaty, which authorises emergency measures (in times of war or civil emergency) to control the distribution of essential goods. The British foreign secretary, Dominic Raab, hit back, condemning the "brinkmanship". But the story is far from over, and this week the EU said "all options remain on the table".

©Shutterstock

Ursula von der Leyen: all options remain on the table

Is this just about Europe?

No, it's a global issue. In America, vaccine makers must honour their US official contracts first before exporting. Until last week there was an absolute US ban on all Covid-19 vaccine exports, and on the equipment and ingredients needed to produce the jabs. "Only grudgingly has it agreed to start exporting batches to Canada, which had pre-ordered more jabs per head than anywhere in the world but has struggled to get delivery," says Jeremy Warner in The Daily Telegraph. India is also cutting back on its contracted exports to the UK in the face of a resurgence in Covid-19 cases there. The pandemic is a "shared global catastrophe", says Warner – and the vaccines that offer solutions are "the product of deeply integrated and extensive global supply chains". How ironic, then – and yet how dispiritingly predictable – that the challenge is "driving nations further apart in an every-man-for-himself scramble".

How international are the supply chains?

Britain relies on Covid-19 vaccine exports from the EU; ten million doses between 30 January and 16 March alone. But within the EU alone, more than 30 plants from Sweden to Spain are involved in producing the vaccines. AstraZeneca alone has manufacturing capacity in 25 sites across 15 countries. The US firm Moderna produces vaccine ingredients in Switzerland, fills and finishes the doses in Spain, and ships from there to all buyers outside the US. Pfizer, too, has all non-US production situated inside the EU. But one of the vital ingredients of the Pfizer vaccine arrives from a Croda International plant in South Yorkshire. All this explains the growing fears over a slide towards protectionism, and a rejection of comparative advantage as the governing idea of international trade. It's often said there are no winners in a trade war, says Ross Clark in The Spectator. "But in this case there would be a very clear winner": the virus that causes Covid-19.

What is comparative advantage?

It's the ability of a country (or a firm, or other economic actor) to produce a particular good or service at a lower opportunity cost than its trading partners. Two centuries ago, economist David Ricardo posited comparative advantage to show how all countries benefit if each one focuses on what they are "comparatively" good at, provided they are free to trade with each other. But although comparative advantage is one of the building blocks of modern economics, it is counter-intuitive and not easy to grasp. In the context of Covid-19, building up global vaccine capacity makes obvious sense, so one might assume all countries should try to get good at it to protect their national interests. But economic theory tells us that would be inefficient and counter-productive, and deliver worse results.

> *"There are no local fixes; those first over the line will not escape global consequences"*

But states want to go it alone anyway?

Very possibly. The lesson the British government is taking from this crisis is the importance of domestic production, says James Forsyth in The Times. If, in a crisis, you "can't be certain that even fellow free-market democracies will honour contracts", then you "have to make sure that essential medical supplies are manufactured here". The havoc wrought by coronavirus has concentrated minds on "unexpected shocks and the national vulnerabilities created by complex global supply chains", says Philip Stephens in the Financial Times. Where once governments prized "agility" – and just-in-time delivery across borders promised ever greater prosperity – today all the talk is of "resilience" and "sovereignty". As such, the virus has accelerated an existing trend, in play since at least the 2008 financial crisis. That's understandable: the virus may be global, but all politics is local, and "rising populism has left governments in a defensive crouch". But it's also dangerous if it drives the world towards protectionism, and nations towards the economic cul-de-sac of "self-sufficiency". There are no local fixes for this virus, and nations first over the vaccine finish line will not escape the economic consequences of failing to vaccinate developing nations.

What consequences?

Various economists have attempted guesstimates. One startling recent study commissioned by the International Chamber of Commerce projected that "the global economy stands to lose as much as $9.2trn [global GDP in 2019 was $88trn] if governments fail to ensure developing economy access to Covid-19 vaccines" – and that as much as half of that hit would fall on advanced economies. Reports by Rand Europe and the Eurasia Group offered similar conclusions. Such figures are necessarily speculative, but suggest the scale of the issue. The most grave damage done by this crisis will be to the "global ecosystem" based on co-operation and trust that is essential for prosperity and progress, says William Hague in The Daily Telegraph. If we can't rise above the temptations of vaccine nationalism, we will be paying a "very high" price for decades to come.

The empires strike back

Established industry giants are taking the fight to tech upstarts. They will have second-mover advantage

Matthew Lynn
City columnist

Its shares are soaring as it unveils a range of snazzy new electric vehicles. Tesla? Er, no, Volkswagen. The German car maker has unveiled plans for more than 30 electric vehicles across its VW, Audi, Porsche, Seat and Skoda brands. That is going to be quite a line-up for anyone in the market for a new battery-powered car, and investors are, quite rightly, starting to wonder if it won't look a lot stronger than Tesla's. Or how about the stock soaring as customers sign up to its streaming service in record numbers. Netflix? No, Disney. Its streaming service has been a huge hit, signing up 100 million pay subscribers in a little over a year. It took Netflix a decade to reach that milestone.

It can pay to come in second

Over the last decade a lot has been made of the advantages of getting there first. And while that is often true, there are also benefits to being the second company to come into a market, especially if you have plenty of money, and a long history. In electric vehicles, for example, VW has the advantage of huge production capacity, a collection of trusted brands covering different parts of the market and a powerful distribution network. An electric Golf already has a feel of reliability and familiarity about it that will appeal to many customers making the switch from petrol-driven vehicles for the first time and VW has the factories ready to meet demand right away. If it can add in extra technology – an extended battery life or super-fast charging – it could easily overtake Tesla.

Likewise in streaming. Disney+ has raced past 100 million subscribers in a tenth of the time it took Netflix and the revenue generated from all those sign-ups has more than compensated for the closure of its theme parks and the cinemas (and the leisure business may well be even stronger when it finally returns – lots of us will be itching to go on a Mandalorian ride). When Disney+ was launched, it was widely dismissed as "too little too late", yet Disney has deployed the *Star Wars*, Marvel and Pixar brands, along with its own huge library of films and cartoons, to lethal effect. One thing is for sure: Netflix no longer has the TV streaming market to itself and Disney could yet be its dominant player.

The empire has unfinished business

©Alamy

Second movers have two big strengths. They can learn from the pioneer and not repeat its mistakes, and can imitate what it gets right. Tesla has shown that electric-car customers care about design and battery life as well as the environment. Netflix showed you need blockbuster new content with lots of buzz around it. VW and Disney now know that. The second point is that second-movers typically have deep pockets; they can often spend whatever it takes to break into the market. Volkswagen and Disney are the most extreme examples of that at the moment. But very soon it may be happening across lots of industries from retail to financial services to food delivery.

Old dogs can learn new tricks

The stockmarket has assumed for a long time that the tech start-ups will always win. The disruptors will always walk away with the market, secure the loyalty of customers, and reap the rewards of that. Sometimes, they might. It is hard to see any rival dislodging Amazon in online retailing, for example. Likewise, it seems unlikely anyone will dislodge Apple in premium mobile phones. Both companies look too far ahead (although we might have said that of Netflix a few months ago). Sometimes, though, all the pioneers do is demonstrate new business models, which some of the old giants then perfect. And as that becomes clear, investor sentiment is going to change dramatically. Plenty of the high-tech stars will come crashing down to earth – and some very old companies will suddenly reinvent themselves.

Over the last decade, investors have focused on the tech disruptors turning industries upside down and establishing a permanent competitive advantage. And yet, over the last few months something more interesting, and potentially significant, has been happening. Some very old companies have been doing a lot better than the new ones. The empires are striking back.

Who's getting what

● It's been a good couple of years for video-games maker Activision Blizzard, says Metro. That's allowed CEO **Bobby Kotick** (pictured) to collect his performance bonus of almost $200m after the company's share price, aided by lockdowns, doubled from when Kotick's incentive plan first went into effect. The scheme grants Kotick payouts for years, even if a particular annual target is missed. Advocacy group CtW advised shareholders to vote against the pay plan.

©Getty Images

● **Thomas Rutledge**, CEO and chairman of US cable and internet giant Charter Communications, received $38.8m in pay last year, "a big jump from $8.7m in 2019", says The Hollywood Reporter. Stock options made up the bulk of the pay at $30m. Charter's president, **John Bickham**, earned $36.5m in total, up from just over $5m in 2019, while vice-president **David Ellen** received $10.8m, up from $3.3m the previous year. Charter has cashed in on rising uptake of its internet offering as customers switch to streaming services.

● Starbucks's shareholders rejected the firm's executive compensation proposal in a rare rebuke to a major US company, says The Wall Street Journal. The non-binding vote dismissed a one-time bonus award to CEO **Kevin Johnson** of almost $1.9m for last year. Starbucks's board had also agreed in late 2019 to grant Johnson a three-year retention bonus of up to $50m if he helped to boost the company's stock and remained at the firm to the end of the 2022 fiscal year.

Nice work if you can get it

The House of Lords announced the candidates to be its next speaker this week, say Gabriel Pogrund and Tom Calver in The Sunday Times. "Change seems to be in the air." With around 800 sitting members, the upper chamber is the second-biggest legislative body in the world after China's National People's Congress. Departing speaker Lord Fowler, 83, is an outspoken advocate for reform, which could see future by-elections in which hereditary peers are "elected", abolished. That would, as Lib Dem peer Lord Alderdice put it, allow hereditary peers to "wither away". In the past five years, hereditaries claimed £144,000 on average, compared with £134,000 for life peers, and typically made 50 speeches against 82. In the past 20 years hereditary peers have claimed £47m in expenses. Had some peers saved all of their allowances over the past two decades, they would be millionaires.

Is inflation set to return?

As countries across the world roll out Covid-19 vaccines at varying rates, markets are grappling with the investment implications arising from the gradual re-opening of the global economy, and a recovery from the drastic slump recorded in 2020. This will impact different sectors in different ways, but one of the biggest over-arching questions right now is this: will inflation return as an issue for investors to worry about, potentially in a way not seen in a generation?

These concerns are understandable. It's fair to say that we are certain about the prospect of recovery this year, but we lack all certainty about its magnitude. So far it looks as though activity in the first part of the year will continue to be subdued as governments remain cautious about re-opening, but the second half of the year could see a very significant recovery indeed. On top of the natural economic recovery we would expect after such a long period of suppressed demand, we then have loose monetary policy and increased government spending to contend with. Under the Joe Biden presidency, public spending in the US may go well beyond explicitly pandemic related stimulus, towards funding "green" infrastructure plans.

So there is a lot of fuel potentially being added to what should hopefully already be an economy that's ready to motor ahead. Another point to note is that, for this year at least, the key investment risk associated with rising inflation is that interest rate expectations may start to rise too. This could imply a downside risk to various asset classes, notably equities, particularly those whose valuations are stretched relative to history, such as in the US.

Deflationary forces remain strong

However, despite the extraordinary levels of government intervention in the economy, it's important to recognise that the same deflationary undercurrents that existed prior to Covid-19 are still with us. Disruption of existing industries, driven by relentless technological advances, has been a long-running trend, and it is one which may even have been accelerated by the pandemic. High and rising debt levels also tend to be associated with periods of lower growth over the longer run. Meanwhile, weakness in the labour market caused by the pandemic is another force that will likely act against inflationary pressures.

In all, we suspect that these factors will combine to prevent a meaningful, sustained pick-up in inflation.This suggests that the low-yield environment will continue and thus remain challenging for investors seeking yield, which in turn makes it supportive for equities in general, given that they still offer very attractive earnings yields compared to the income that can be gleaned from bond yields.

Of course, this does not mean that investors can relax and ignore the "big picture". One factor to be aware of, given the backdrop of high government spending and debt levels, is that governments will at some point in the future be looking to raise the money to pay down the debt. A prudent investor should consider this when looking both at market valuations (higher corporation taxes may be a risk) and their own personal finances (capital gains taxes and the like may well be options that cash-strapped governments consider in their future budget plans).

Investing in resilience and high quality

All of this represents another good reason to ensure that your investments are diversified globally, and invested in resilient companies with strong pricing power and sound balance sheets. The Martin Currie Global Portfolio Trust invests in a concentrated portfolio (around 25 to 40 holdings) of market leading companies with sustainable business models, carefully selected from stock markets around the world. We make sure that we only invest in companies that are well placed to take advantage of the long-term opportunities created by technological disruption, rather than fall victim to it. These areas include everything from the structural shift away from the use of fossil fuels, to the evolution and transformation of global payment systems.

Our focus on hunting for quality within sectors benefiting from long-term growth themes means we should be able to find companies that are generating high returns, which can be sustained over the long run. Such companies are well placed to ride out whatever the macroeconomic backdrop throws at them. Dominant companies with strong pricing power can cope with rising inflation better than price-takers. On the other hand, if the economic recovery disappoints or stimulus fails to materialise, their solid balance sheets and market leadership put them in the best position to compete and grow in a weak growth environment.

We also take an active approach to ESG (environmental, social and governance) issues. After all, if a company is to remain a market leader in its sector over the long-term, its management team must take into account the physical and political environment in which it operates, and how its actions have an impact on the wider world beyond its owners. It's not about "looking good" or paying lip service to headlines. Well-run, productive companies should have a positive impact on the world around them – it's simple business sense.

Own bitcoin and gold as inflation returns

They are both useful assets in this environment – Charlie Morris explains why

Charlie Morris
Investment columnist

An increasing number of investors believe that cryptocurrency bitcoin has become an institutional-grade asset class – I agree. Some even believe that bitcoin replaces gold's function in a portfolio. But with that, I disagree. Here's why I believe that investors should own both – particularly in an inflationary environment.

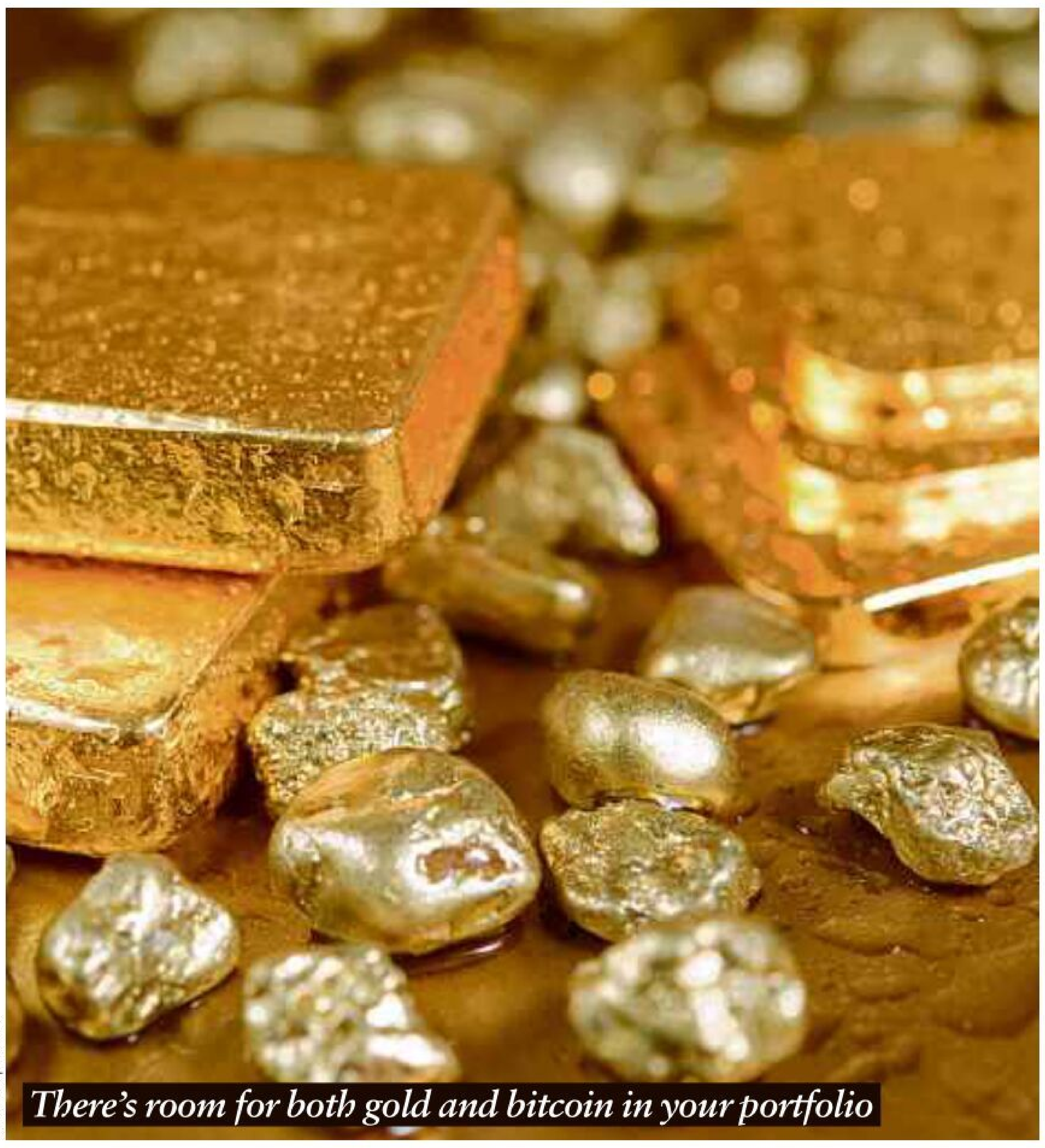
Bitcoin's recent strength reflects an exciting new digital financial world which isn't going away. By owning bitcoin, you are exposed to that growth, and own a digital "hard" asset. With ever-fewer bitcoins being created in the future (see the box below), bitcoin will become increasingly scarce. By the year 2032, a high bitcoin price will be nearly 90% cheaper to sustain than it would be today. The miners (the supercomputers that solve the very hard sums that both create new bitcoins and allow transactions to be processed and logged on the blockchain) are paid to support and maintain the network, but will receive ever fewer bitcoins over time, with the resulting "inflation" rate approaching zero within a decade.

Where bitcoin and gold differ

The new supply of gold is also on a downward slope. This commonality between the two assets has gained much attention. Both gold and bitcoin are deemed to protect investors from inflation, which is one reason why some investors see them as interchangeable – or bitcoin as "gold 2.0". But this is where they're wrong.

The main difference between the two is that bitcoin thrives during "risk-on" conditions, whereas gold prefers "risk-off". Risk-on occurs when the economy is growing, bond yields are rising (and so bond prices are falling), and animal spirits are in the air. In contrast, gold thrives when real interest rates (that is, bond yields minus inflation expectations) are declining. In other words, when inflation is rising yet bond yields are rising more quickly – which is what we've seen recently – that puts downward pressure on the gold price. By contrast, if inflation is rising more quickly than bond yields, you should expect gold to outperform bitcoin. In short, these two assets are not in competition – they are inherently different.

To see this in action, think back to the market panic in March 2020. When measured in pounds sterling, the gold price didn't budge, whereas bitcoin's price halved. A few months later, gold was all the rage as inflation expectations recovered while there remained doubts about the state of the economy, and thus bond yields remained low amid investor and central bank caution. This all came to an abrupt end when bond yields started to rise in August. That was the moment that the economy started to recover, and gold handed the baton to bitcoin. It was a macroeconomic shift. The next time the economy turns down, expect bitcoin to hand the baton back to gold.



©iStockphotos

There's room for both gold and bitcoin in your portfolio

So bitcoin is not replacing gold, and neither is it in competition – instead they serve completely different purposes.

> *"Bitcoin and gold are both inflation-sensitive assets but they thrive at different times"*

Both are inflation-sensitive assets that thrive at different times, and for different reasons. This makes them ideal partners, to be held sided by side. I believe this asset mix is unparalleled in protecting investors during an inflationary environment.

Bitcoin plus gold = BOLD

Owning both has its merits, but how much of each? That could reflect your personal conviction – but as always in finance, there is a better answer. From a risk management perspective, a combination between 80/20 and 70/30 (that is, the percentage split between gold and bitcoin within that part of your overall portfolio allocated to them) has delivered the best risk-adjusted returns in the past. That means the maximum return for the lowest level of volatility (ie, ups and downs) and drawdowns (periods where you're making a loss, on paper at least).

The key to success comes not just from the asset returns, but from rebalancing. Bitcoin is volatile whereas gold is relatively calm (note, relatively). Each time you rebalance – that is, review your exposure to each and return it to the original 80/20 or 70/30 starting point, you are effectively taking profits from one asset, and banking them in the other. Regular time intervals – say monthly – between rebalancing transactions is most effective, because sharp moves tend to be short-lived.

Clearly if bitcoin goes to $1m and gold stays put, you would be better off in bitcoin. But a truly lofty bitcoin price might not happen until 2032, and indeed, it might never happen at all. The remarkable quality of rebalancing is that if both assets end up at today's prices in five years' time, you will have made money, as the transactions will have captured value from rebalancing transactions along the way. In contrast, a fixed allocation, without rebalancing transactions, would have made no money at all. Add to that, if bitcoin drifts towards zero dollars, it will do so with even higher volatility than seen today. That will mean you own a modest position, which will see off the worst outcomes.

As we enter an inflationary world, the BOLD (bitcoin plus gold) concept is ideally placed to benefit. It works in both risk-on and risk-off environments, with the downside coming from a return to deflationary times. With the printing presses running red hot, how likely is that?

Charlie Morris is chief investment officer at ByteTree Asset Management. Follow him on Twitter: @AtlasPulse

What are bitcoin mining cycles?

Bitcoin (BTC) mining cycles occur roughly every four years – or more specifically, every 210,000 "blocks" mined – after which a "halving" occurs. The purpose is to slow the rate at which new BTC are mined, with an eventual cap of 21 million on the total number that can exist. The first halving in 2012 came after the network had created 10.5 million BTC (210,000 blocks with 50 BTC per block). The 50 BTC per block reward has halved every four years since. It is now down to 6.25 BTC, and will be below one BTC by 2032 (bear in mind that although the reward has fallen in terms of BTC, the value of BTC in other currencies has soared during that period). After that, new BTC supply will become far less significant than it is today, and at some point around 2140, the last of the 21 million BTC will be mined.

Learning to live with China

Editorial
The Economist

The recent sell-off in Chinese shares revealed how interwoven with global finance China's capital markets have become, says The Economist. The decline mirrored the Nasdaq's fall, which was triggered by fears of inflation in the US. A resulting jump in American bond yields sparked global jitters, prompting foreign investors and big domestic fund managers to "pare their holdings" in China. However, the calm that returned to Chinese markets on 9 March was also a reminder of "the idiosyncrasies of finance in a state-dominated economy". Around 2016, China began to unwind its shadow-banking industry and pressed banks to launch formal wealth-management subsidiaries, rather like Western asset-management groups. Its capital markets also opened to foreign investors and, though concerns remain, thanks to attractive rates and the potential for growth, money is pouring in. Foreign institutions are increasing their onshore presence, too. For now, China welcomes the competition and expertise, but the power of the state cannot be ignored: aside from its "heavy-handed regulatory actions", there are other "more subtle points of influence". Living with this is something foreign investors increasingly think they can and need to do.

The return of the trade unions

Joe Nocera
Bloomberg

Organised labour is finally back on the agenda, says Joe Nocera. Joe Biden is the first "full-throated, pro-union president since Harry Truman" and a "drive to unionise" Amazon warehouse workers in Alabama may herald a broader effort. Earlier this month, the House passed the "most sweeping pro-union piece of legislation in nearly a century", the Protecting the Right to Organise Act. This moment is long overdue. "Union density" reached a peak of 28% in 1954 and has declined ever since due to the Taft-Hartley Act, which "returned the advantages to management". The message Ronald Reagan broadcast with his decision to sack striking air controllers in 1981 turned the unions' "slow decline into a rout". Globalisation made it easy to shift manufacturing abroad and US law makes industry-wide union drives in the low-paying service jobs that replaced them "extremely difficult". Today, just 10.8% of the workforce is unionised; rising income inequality is the result. No unions equals no pressure to pay a decent wage. No wonder 65% of Americans (up from 48% in 2009) say they approve of them. The time is ripe, but workers "won't get representation without a fight". Unions need to organise drives, and "they need everyone's support".

Gupta's steel plants face a bleak future

Oliver Shah
The Sunday Times

The future of the steelworks at Rotherham and Stocksbridge (owned by Speciality Steel UK, the main subsidiary of Liberty Speciality Steels) looks "bleak", says Oliver Shah. Sanjeev Gupta, a "chancer-turned-industrialist" who bought the steelworks in 2017, faces the "likely collapse" of his global empire, the GFG Alliance, after the demise of its main funder, Greensill Capital – 5,000 UK jobs are at stake. Sanjeev has created a "messy monster", making it hard to save. GFG is "leveraged to the hilt", with many assets pledged as security to lenders. The most recent accounts for the year to March 2019 showed £5m profits on £378m sales; after the past year it is almost "certainly in the red". The problem with insolvency is that since Greensill's failure, Gupta has been withholding cash owed to it. If GFG goes under, the situation could "descend into a legal battle", complicating any state intervention. Gupta may also have been selling UK plants' carbon credits in his "scramble for cash"; any buyer – if one can be "flushed out" – may have to repurchase them. If no buyer emerges, nationalisation should not be on the cards. If the business is not viable, taxpayers' money would be better spent in "developing technologies of the future".

Idealists should go into business

Janan Ganesh
Financial Times

The "spurt in public-sector job applications" is reportedly motivated by graduates' desire to make a difference, says Janan Ganesh. I can think of another reason why the private sector has "lost some sheen" over the past year; nevertheless, it is here that idealists should be job-hunting. In the last century, a young person "with an itch to change the world" had to join some branch of government… The state drove history". But within the past generation, a reversal has taken place. Elon Musk "creeps ever closer to the grail of space rockets that are as reusable as aeroplanes". Even in a pandemic, "the hour of government", the breakthroughs in vaccination and remote labour are "of private coinage". In the "second cold war", the players that matter are likely to be a robotics firm or social-media app. My advice isn't "universal". In China, the state "pervades business like an ambient noise". Nor is it so relevant for the "middling performers"; many civil servants are "around" (if not doing) interesting things, while "the 38th most important person at Amazon will flounder for memoir material". But "even if the dream is exposure to events, not the making of them", business, not government "is the coming force".

Money talks

"We took a gamble on that stupid house. We only bought it because the bank lent us a stupid amount of money."
TV presenter Mel Giedroyc (pictured), quoted in The Sunday Telegraph. Her work dried up after she took on a huge mortgage and she and her husband had to sell the house

"I would rather weep in a Rolls-Royce than be happy on a bicycle."
Italian socialite Patrizia Reggiani, who used to spend €10,000 a month on orchids, quoted in The Times

"Fame is trauma. It doesn't matter if you wanted it. To dream of something is not having to deal with the reality. You're enjoying the meal and the bill hasn't come yet. The price of it is pretty high."
Sananda Maitreya, aka 1980s pop star Terence Trent D'Arby, quoted in The Times

"I would never have made it as a writer without my wife's support. She said: 'Look, you're selling short stories and you've sold a couple of paperback novels. You're not making a living at it, but I'll support you for five years, and if you can't make it in those five years, you'll never make it'. I tried to negotiate her up to seven, but she has the Sicilian blood. She wins every negotiation."
Author Dean Koontz, quoted in The Observer

"There was no lottery money when I was ski racing. I struggled to be able to afford to do it. The worst time was when I was 19 or 20. I remember going to a restaurant, starving hungry after a morning of training, and I didn't have enough money to buy lunch. I saw this German family get up and leave their table, having not eaten half of their food. So I sat down with a friend and finished their lunch off. That happened on a few occasions."
Olympic skier Graham Bell, in The Mail on Sunday

New trade deals are opening doors for British agriculture in markets like Canada
The UK Government can help businesses like yours unlock new opportunities around the world. Whether you're a new or current exporter, get free export advice for your business.
Visit gov.uk/growbyexporting
PLAN FOR JOBS
HM Government

A good time to rethink welfare


We spend 18 times more on social security than under Attlee

©Getty Images

capx.co

"No man is an island entire of itself; every man is a piece of the continent… And therefore never send to know for whom the bell tolls; it tolls for thee." There is "no more powerful articulation of mankind's universal vulnerability and of our necessary participation in bonds of mutual obligation" than John Donne's *Meditation XVII*, says Gavin Rice. It's the moral instinct behind the creation of Britain's welfare state. Yet as life expectancy rises and the relative size of working-age populations shrinks, we are forced to ask: what is this "continent" that supports us?

Unfinished revolution

Despite Margaret Thatcher's revolution and David Cameron's unrealised ideal of the Big Society, Britain's answer to this question has since World War II been "the state". Since that time, welfare spending has ballooned: the outlay is 18 times more than under Clement Attlee's supposedly socialist government. As a share of national income, spending has risen from around 4% in 1947 to more than 10% by 2019 – and it's projected to keep rising.

This cannot go on without massive tax rises – the Office for Budget Responsibility has estimated that taxes need to rise by a third to stabilise debt, and that's without any increase in welfare per person, which in cash terms in Britain is not high.

The main driver of this "social-security time-bomb" is demographic – a minority of working adults are sustaining a majority of economically inactive citizens. Another is economic – poorly paid work, weak wage growth and the cost of housing. But another "root cause" – the "elephant in the room" – is family breakdown.

There is very little attention paid to this on the left or right of the political spectrum, yet it's vitally important and a major cause of social problems. The breakdown of a marriage can push a financially self-sustaining household into two households each in need of state support. The family was once the welfare state of first resort. Now that role has "to a large degree been supplanted by the state". Welfare has eroded "non-state, natural structures of support" and "incentivised individualism". Another large contributing factor to Britain's large welfare bill is mental illness, something exacerbated by the breakdown in family and communal living.

The brute fact of unaffordability might force us into a rethink, and that is no bad thing. "It could be that smaller, localised communities of shared economic interest will ultimately provide a more effective forum for generosity and altruism than a giant, bureaucratic state ever can."

Don't load the dice against fun

iea.org.uk

Problem gambling can cause severe money troubles, destroy relationships and lead to a life of crime, says Emily Carver. But identifying a problem is not the same as believing that the "blunt tools" of the state provide the best solution. After the success of the campaign against fixed-odds betting terminals, pressure groups are now going for online gambling. New regulations have been proposed, including advertising bans, low stake limits and monthly spending caps. Yet for many gambling is "harmless fun" and the government should not be regulating how adults spend their money. That it is considering doing so is "troubling to those of us who value personal liberty" and undermines two key objectives of British gambling law: to protect the vulnerable and prevent crime. Prohibition tends to drive people to black markets and will send problem gamblers to unlicensed and unregulated alternatives. Instead, we should see new technology as the solution rather than the problem. It has already enabled many betting companies to identify and help possible addicts, thereby preventing harm. Problematic behaviour patterns trigger warning emails and phone calls, spending caps and account suspensions, for example. The government should seek to make these practices standard rather than pander to the killjoys.

Why we Brits love Henry

spectator.co.uk

Henry, the nation's favourite friendly faced vacuum cleaner, "spectacularly photobombed" the unveiling of the new Downing Street press room, says Joanna Rossiter. His appearance in the corridors of power "was the sort of bathos-filled moment the British relish".

Henry is still able to compete with the likes of Dyson 40 years after he was first created because he is "that rare thing in British culture – a domestic appliance that transcends class". As artist Grayson Perry has pointed out, the British like to "imbue ordinary household objects with all kinds of thinly veiled social codes". Patched-up clothes and clapped-out cars are the badge of the upper classes. Le Creuset dishes and Range Rovers are those of the aspirational middle classes. Henry joyfully rises above such "class-riddled social traps". Our stately homes are as likely to have a Henry in the broom cupboard as are our working-class estates.

Numatic International – the Somerset-based company that makes him – has "always been committed to keeping him affordable, despite his cult status, which is key to his durability. Like his name, he can be the property of both princes and plumbers. And therein lies his power".

©Numatic

Business revivals are a superpower

slate.com

In 1996, Marvel filed for bankruptcy, says Seth Stevenson. Its business was a "shambles" and many thought it would never make money from its "collection of silly characters in capes". Yet that was to underestimate its mastery of the business turnaround. After a slow start, Marvel made a big impact in the 1960s when Stan Lee spotted potential in the genre for better stories and deeper characters. It blossomed until comics went out of fashion, then staged another comeback when it saw the potential in films – its *X-Men* and *Spider-Man* series were smash hits.

Marvel then got bought by Disney for $4bn in 2009. At the time, that seemed like a lot of money. In retrospect, it was "chump change". Marvel has since become the most successful individual franchise in cinema history. To date, its films have grossed $22bn worldwide, outstripping the Harry Potter, James Bond and *Star Wars* films. Potential pitfalls lie ahead. Will cinemas reopen post-pandemic? Will we tire of superheroes? Perhaps, but it would be a mistake to bet against this firm's superpowers.


Science for a better life
From difficult to treat to the threshold of a cure.
What if medicine could shift from relieving symptoms to eliminating the root cause of disease? That's the philosophy driving new cell and gene therapies and breakthrough possibilities of the Bio Revolution. It's one of the megatrends we're investing in to transform healthcare all the way down to the genetic level. To us, there's nothing more valuable.
Gain more insights that matter at
Bayer.com/megatrends
BAYER

Is uranium heading for a melt-up?

The supply squeeze in the market implies ample scope for price rises

David Stevenson
Investment columnist

©Getty Images

Mines can't keep up with global demand

When was the last time you heard about nuclear power and the demand for uranium? People used to debate the matter passionately, but it hasn't been a hot topic in the developed world for some time now. The Germans have gone off nuclear power and the UK has so far proved poor at building new reactors.

The real story, however, is outside Europe and America. China, India, Russia, Belarus, Korea, Slovakia and the United Arab Emirates are collectively adding over eight gigawatts (GW) of new capacity in 2021. (A GW is equal to one billion watts, while an incandescent lightbulb consumes around 60 to 100 watts.)

There are 53 nuclear reactors under construction worldwide and over 300 have been proposed for this decade. Many countries in the developing world think that nuclear power is one of the crucial building-blocks of a green-energy transition and are spending huge sums of money on new capacity.

Meanwhile, even previously nuclear-phobic countries such as Germany are restarting some of their plants while the Biden administration in the US is making positive noises about – at the very least – keeping its existing fleet of reactors and maybe even building some new ones.

> *"There are 53 nuclear reactors under construction"*

An illiquid market

Investing in uranium and gauging prices for uranium-based products can be tricky, however. The market is not like classic, liquid commodity markets where there are obvious supply and demand drivers and a panoply of financial-market prices and structures in tow.

Most utilities in need of uranium oxide (U3O8), the raw material used in nuclear reactors, do not tend to ring up a commodity trader and buy the product on the spot market, though that does happen. Instead, they sign long-term contracts with a few, strategically important suppliers from trusted countries, mainly Kazakhstan and Canada. They might also source supplies via the nuclear weapon-decommissioning programmes that have been operating for the last few decades. The demand from utilities for supplies is also not very price-elastic.

If utilities have enough raw material, they will stay away from the thinly-developed spot markets, which means that if one consumer – say Japan – suddenly stops buying, one can see sudden and prolonged drops in the price of U3O8. And that has certainly been true over the last decade. Even after recent increases, post-Fukushima prices are still 85% below their all-time high.

The Covid-19 supply squeeze

But the inelasticity of demand and supply can also result in sharp bounces. Utilities will have a steady need for supplies and if those long-term contracts start to finish, they might find themselves scrambling for more, especially if traditional sources of supply go offline.

And that has been the case during the pandemic. Cameco in Canada, the world's second-largest producer, has shut every one of its uranium mines in Canada. Output at Kazatomprom, the world's biggest producer, is at a multi-year low. The US produced a negligible amount of uranium in 2020. This sort of backdrop can trigger sudden surges: in 2007 prices increased fivefold in one year to $140 a pound (lb) as utilities panicked about scarcity of supply after a mine called Cigar Lake was flooded and another, Ranger, was damaged by a cyclone.

More bullish news

There is one other issue worth mentioning. The increasing cost of supply has not necessarily been reflected in spot market prices. A recent panel of experts at an event hosted by investment bank Canaccord Genuity (CG) argued that marginal costs are well above current spot prices.

According to a report on this event, the panellists think that "the presence of long-term contracts has masked the discord between spot prices and production costs; however this is expected to change as utilities re-enter the market in 2021 to re-contract".

"With significant supply having already been removed from the market, and a slow ability to respond by producers, this is expected to be a tighter environment than what we have seen over the last decade… a straw poll saw average long-term price expectation among the speakers averaging $50/lb, compared to current levels of $30/lb ."

The Uranium Energy Corporation estimates that in 2021 global demand for uranium was 175 million lbs, while production reached 128 million, implying a gap of 47 million lbs of U3O8 for 2021 alone.

The options in London

The simplest way of playing any possible upwards move in spot prices is through a London-listed holding company called **Yellow Cake (Aim: YCA)**, which owns a big reserve of U3O8. In recent weeks this unique vehicle has raised $140m via new ordinary shares to fund the purchase of additional U3O8.

The initial plan was to muster $110m, but owing to strong demand the raise was increased by $30m. The funds will be used to purchase 3.5 million lbs of U3O8 for $28.95/lb under the company's existing contract with Kazatomprom. Additionally, Yellow Cake has agreed to purchase a further 440,000lbs of U3O8 at a price of $27.34/lb for total consideration of $12m.

According to calculations by Nick Lawson from alternative investments specialist adviser Ocean Wall, at the mid-March point Yellow Cake's net asset value (NAV) is around 216p (based on a spot market mid-price of $27.51 for uranium) compared with a share price of 261p. So, Yellow Cake is not cheap in NAV terms; it is trading at a near-20% premium.

But if uranium prices do move upwards sharply, as I think is distinctly possible, then Yellow Cake's share price could tick even higher. It is also worth mentioning that there are some more mainstream equity alternatives such as **Cameco (Toronto: CCO; NYSE: CCJ)**, a giant miner listed in the US and Canada.

Investment fund **Geiger Counter (LSE: GCL)** owns a handful of mid to small-cap players in the uranium sector. Big diversified miners BHP (which owns the copper-uranium Olympic Dam project) and Rio Tinto, the operator of Namibia's Rössing uranium mine, also provide some exposure.

Scientific instruments are worth playing

Companies delivering products to measure and analyse our world are crucial to sectors ranging from telecommunications to pharmaceuticals. Dr Mike Tubbs picks his favourite stocks

The scientific and technical-instrument subsector provides essential analytical and measuring tools to a wide array of industries – from biotechnology research and development (R&D) to the testing of equipment for 5G mobile-network communications and sub-micrometre metrology for precision manufacturing. This breadth helps insulate the instrument sector from cyclical downturns in any one of the areas it serves.

Take Britain's Judges Scientific, for instance. Worth £400m, it is an interesting UK example of a broadly based instrument company. Judges' product range covers university engineering laboratories, electron-microscopy accessories, fire-testing equipment, textile-testing instruments, computer-controlled testing of soils and rocks, and optical-fibre testing. The stock has quintupled since September 2016 – an example of several excellent investments in this area.

The global success stories

The global leader in this field is Thermo Fisher Scientific, whose market value is around $175bn, marking a threefold increase since 2016. Thermo Fisher Scientific's products include analytical instruments, biotech equipment and consumables (items used up in medical testing, such as antibodies), drug-development services and general laboratory equipment.

Agilent, an analytical-instruments group spun out of Hewlett-Packard, is the second-biggest with a market capitalisation of $37bn; its value has also almost tripled in the past five years.

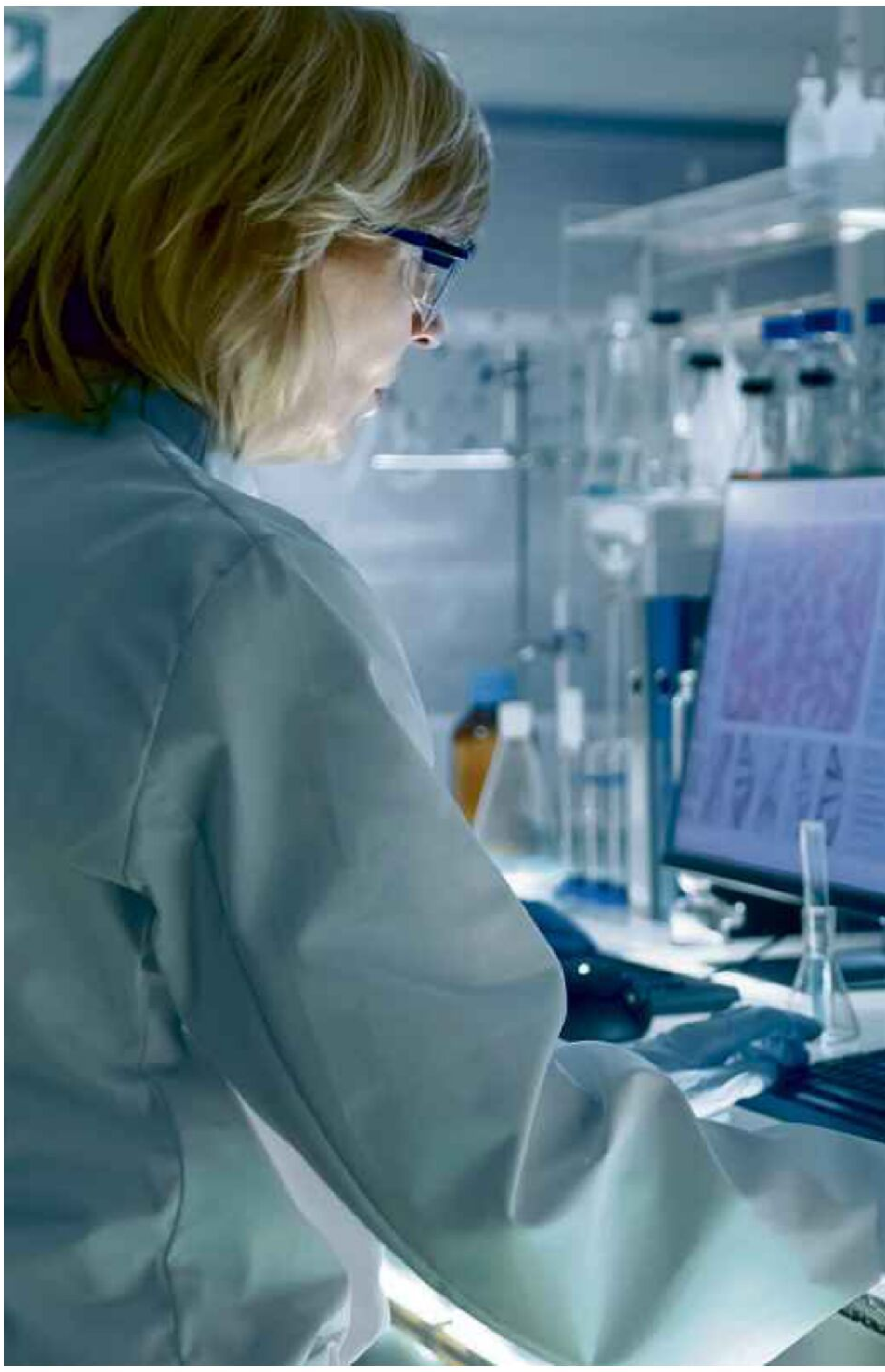
Other successful global brands include Shimadzu, a £7.5bn market-value Japanese company with a product range covering analytical and measuring equipment, medical systems and instruments for optical, hydraulic, vacuum and aircraft applications.

PerkinElmer is a $14bn US company supplying instruments, consumables and software for sectors ranging from biopharma and food safety to animal health and mining. Shimadzu's shares are up 2.6 times since September 2016 ; PerkinElmer's nearly 2.5 times.

Then there is Illumina, the world leader in genetic sequencing. The Covid-19 epidemic has shown how important that is for identifying different strains of virus. Illumina dominates the high-end sequencing market where machines can cost up to $1m. Another US firm dominating a niche is Intuitive Surgical. Intuitive makes robotic-surgery systems and instruments. A surgeon sits at a screen using controls to carry out keyhole surgery.

Intuitive has installed over 5,500 of its da Vinci robotic-surgery systems in hospitals worldwide and its machines have been approved for a range of different operations. Many surgeons have been trained on da Vinci machines and this, along with the large installed base, prevents potential rivals gaining a foothold in the market.

"Intuitive Surgical's robotic systems allow a surgeon to sit at a screen performing keyhole surgery"



Laboratory-equipment makers have a bright future

Our home-grown stars

In Britain there are three main classes of instrument company. Firstly, we have the well-established larger instrument companies with substantial overseas sales. They are typically in the FTSE 250 mid-cap index and tend to expand mainly through new products, but also make occasional acquisitions.

Secondly, we have smaller companies of this type with lower overseas sales and market caps below £500m and, thirdly, smaller companies that mainly grow by making several small acquisitions to expand their product range and market reach. The smaller ones are listed on Aim, the junior market of the London Stock Exchange.

Oxford Instruments, with a market cap of £1bn, Renishaw (£4.2bn), Spectris (£3.8bn) and Spirent Communications (£1.5bn) are good examples of FTSE-250 companies in the first category. In the second category we have EKF Diagnostics (£307m) and Kromek (£70m), with Judges Scientific (£400m) and SDI Group (£172m) in the third category.

Oxford Instruments provides tools to analyse and manipulate materials down to the atomic level; one application for its products is electron spectroscopy, a process helpful for identifying environmental contamination.

Renishaw is a world leader in high-precision metrology for manufacturing industries and healthcare, while it also specialises in three-dimensional metal-printing technology. Spectris provides instruments, test equipment and software for a wide range of industries.

Spirent specialises in the testing and security of wireless networks and infrastructure; it is crucial to the roll-out of 5G mobile-networks and devices.

©iStockphotos

> *"Thermo Fisher is becoming the Amazon of the instruments sector"*

EKF Diagnostics focuses on diagnostic instruments both for central laboratories (ranging from clinical chemistry to infectious disease tests) and for point-of-care testing (for conditions such as diabetes).

Kromek makes a wide range of personal and environmental radiation detectors for different types of nuclear radiation. SDI Group's products range from scientific digital cameras to electrochemical sensors for use in the food and beverage sectors.

So much for the pure plays. Beyond these shores there are several substantial listed companies with at least 50% of their total sales coming from instruments, notably Tecan of Switzerland (worth CHF4.7bn) and Mettler-Toledo International of the US ($26.7bn).

Mettler supplies the laboratory, industrial and food sectors with products ranging from microbalances (scales to weigh extremely small objects) to gas analysers. Tecan specialises in laboratory automation and molecular diagnostics.

Then there is JEOL of Japan, with a market cap of £1.3bn. It makes nearly 70% of its sales from scientific instruments. JEOL's products include electron microscopes and electron-beam lithography for semiconductor manufacture.

A sound investment strategy

"Core-and-satellite" investment is a useful approach for the instrument sector. The core consists of one or more large, diverse companies that should be less affected by problems in any one subsector.

The satellites will be smaller and often less diverse companies that may offer greater rewards at higher risk. The relative proportions in your portfolio will depend on your risk tolerance. Of the companies mentioned above, Thermo Fisher is clearly a core company since it has such a large and diverse product range that it is becoming a "one-stop-shop", or, perhaps, the "Amazon of research instruments and equipment". Other possibilities include Shimadzu, Agilent and PerkinElmer.

A selection of diverse satellite companies might be made from larger companies such as Intuitive Surgical, JEOL, Oxford Instruments and Tecan, medium-sized ones such as Renishaw and Spirent ,or smaller ones such as EKF Diagnostics, Judges Scientific and SDI Group.

Renishaw's share price rose by 19% to £69 in early March because the two founders, who together own 53% of the shares, have decided to sell. They say they will be careful about who they sell to because they want to maintain Renishaw's culture, focus on R&D and commitment to staff and to the local community.

They may therefore decide to accept an offer from a suitable company that is not the highest and could be significantly below £69. Given this uncertainty, the shares have dropped back to £59 and, although Renishaw is an excellent company, it is difficult to value at present.

The top picks for your portfolio

We have narrowed down the options to 11 companies that should offer something for everyone. They have a wide choice of price/earnings (p/e) ratios, dividend yields and recent growth rates – the past four years – at varying degrees of risk, so most investors should find several of interest for their portfolios.

We will briefly review valuations and prospects for 11 of these companies – three core and eight satellite. In each case we give the price-to-earnings (p/e) ratio, dividend yield and revenue growth covering the whole four-year period between 2016 and 2020, which in many cases represents a combination of organic growth and acquisitions.

Thermo Fisher (NYSE: TMO) is the leading core option with a 2021 p/e of 20 and a current yield of 0.23% at a recent price of $446; revenue grew by 76% from 2016 to 2020. **Agilent Technologies(NYSE: A)** has a p/e of 31.5 and yield of 0.62% with five-year sales growth of 27%.

PerkinElmer (NYSE: PKI) has a yield of 0.22% and growth of 79% with a 2021 p/e of only 14. The figure has been skewed by the pandemic. This year's earnings estimates were unusually high owing to strong demand for its coronavirus tests; the p/e for 2022, when less testing is expected, climbs to 20.

Among the larger satellite options, **Intuitive Surgical (Nasdaq: ISRG)** has a 2021 p/e of 56 with no dividend, but the p/e slips to 39.5 for 2023; four-year revenue growth totalled 61%. **JEOL (Tokyo: 6951)** has a 2021 p/e of 43 and yields 0.6%. The p/e falls to 25.5 for 2022; sales growth from 2016 to 2020 was 9%.

Tecan (Zurich: TECN) has a p/e of 40 at a recent price of CHF86, a yield of 0.6% and 2016-2020 revenue growth of 44%, while **Mettler-Toledo (NYSE: MTD)** has a price of $1,100 and a 2021 p/e of 37, pays no dividend and achieved growth of 23%.

Spirent Communications (LSE: SPT) is on a 2021 p/e of 16 at a recent price of 239p, while it yields 1.9%. Its five-year sales growth is 14%. Finally, there are three smaller instrument companies worth considering. **EKF Diagnostics (Aim: EKF)** is on a p/e of 33 for 2021 at a recent price of 67p, a yield of 1.5% and growth of 36%.

Then there is **Judges Scientific (Aim: JDG)** on a 2019 p/e of 40 at a recent price of 6,300p, a yield of 0.82% and revenue growth of 47% between 2015 and 2019. Finally, **SDI Group (Aim: SDI)** is trading on a 2021 p/e of 32 at a recent price of 175p, pays no dividend at present and recorded 2016-2020 sales growth of 189%.

Avoid costly car insurance

It's important to shop around for a better post-lockdown package

Ruth Jackson-Kirby
Money columnist

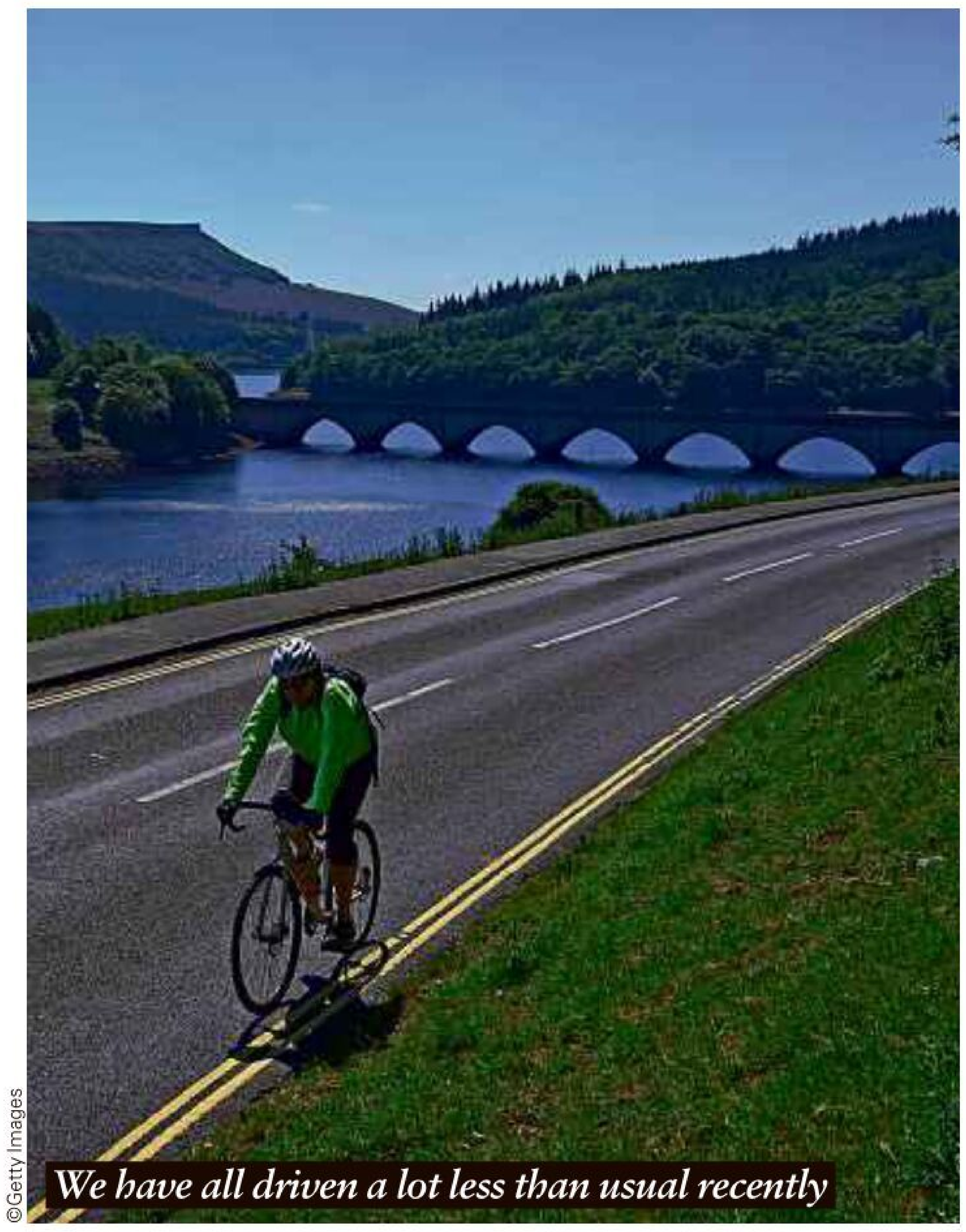
Car insurers continue "to punish loyal customers with price hikes despite a massive drop in the number of road accidents" in lockdown, says Will Kirkman in The Daily Telegraph. Four in ten customers who stuck with the same provider saw their annual bills rise by an average of £49 a year in the last three months of 2020, says comparison site Confused.

The so-called "loyalty penalty" is expected to be banned from July but until then insurers can raise your premiums when you renew. So, what can you do to cut your bills? Shop around when it is time to renew. "We know from our research that insurers are still putting up renewal prices for some drivers," Louise O'Shea from Confused told The Telegraph. "Even if the increase is small, please don't settle for this as there will be an insurer out there willing to offer a better price."

When you are looking for a new car-insurance policy make sure you think carefully about the details you give for your driving habits. We have all driven a lot less over the last 12 months, and it is unlikely your mileage will hit the same level in 2021 as in 2019. So think about cutting your estimated annual mileage. Just don't get carried away: underestimate it and you could face problems if you make a claim.

Charging by the mile

If you aren't driving far, consider switching to a policy that charges you per mile. RAC is offering this type of policy to those who estimate their annual mileage at under 6,000 miles a year. You pay an activation fee of £50, then a mileage premium of at least 4p a mile, plus a premium for



We have all driven a lot less than usual recently

when your car is parked, starting at £14 a month. This policy won't track how you drive, only how far. You stick a tag in your windscreen and pair it with an app on your phone.

"Someone who paid a £50 set-up fee, plus a £16 a month parked premium and was charged 8p a mile for their RAC Pay by Mile insurance policy would end up with a bill of £522 for the year if they covered 3,500 miles," says David Byers in The Times. That is below the average premium of £603, says Compare the Market.

But assess your mileage as accurately as you can before you sign up: someone covering 6,000 miles a year on the same payments as above would rack up an annual premium of £722 – well above the average. RAC is only the second insurer to offer pay-as-you-drive coverage; By Miles is the other. You may also be able to ask your insurer for a partial refund if you haven't gone as far as you estimated when you signed up. Direct Line offers Mileage MoneyBack of 2% of your premium for every 1,000 miles you didn't drive. Aviva and Sheilas' Wheels also offer refunds. You have nothing to lose by asking your insurer if they will give you some of your money back.

How to keep saving in 2021

Saving can be a difficult habit to get into. But 2020 made it easy, says Rachel Rickard Straus in The Mail on Sunday. "For many who have kept hold of their incomes... surplus cash [has] been effortlessly piling up with fewer outlets for spending available." Households have saved an extra £180bn in a year. But how do you keep saving as lockdown eases? "Everybody needs a budget" says Claer Barrett in the Financial Times. "Not budgeting puts us at risk of spending too much, while saving and investing too little."

Include the whole family when you create your budget. Children benefit from seeing good money habits in their parents. The UK's Money and Pensions Service says most people's attitudes to money are formed by the age of seven.

Once you've got figures for how much money you have coming in look at expenditure. Digital banking will help you split your spending into categories so you can see how much goes on necessities and how much on frivolities. Then "set targets for saving and 'guilt-free' spending," says Barratt. She advocates moving spending money onto a digital bank card so there is a "natural limit."

Pocket money... Help to Buy becomes less helpful

■ "Tens of thousands of new homes will become ineligible for the Help to Buy scheme once new price caps take effect next month," says Rachel Mortimer in The Daily Telegraph.

From April the equity-loan element of Help to Buy will only be available to first-time buyers. It will also be restricted to new builds costing less than the average house price in that region.

"Strong recent house price growth means 5,000 fewer new home sales will now be eligible under the scheme than previously thought."

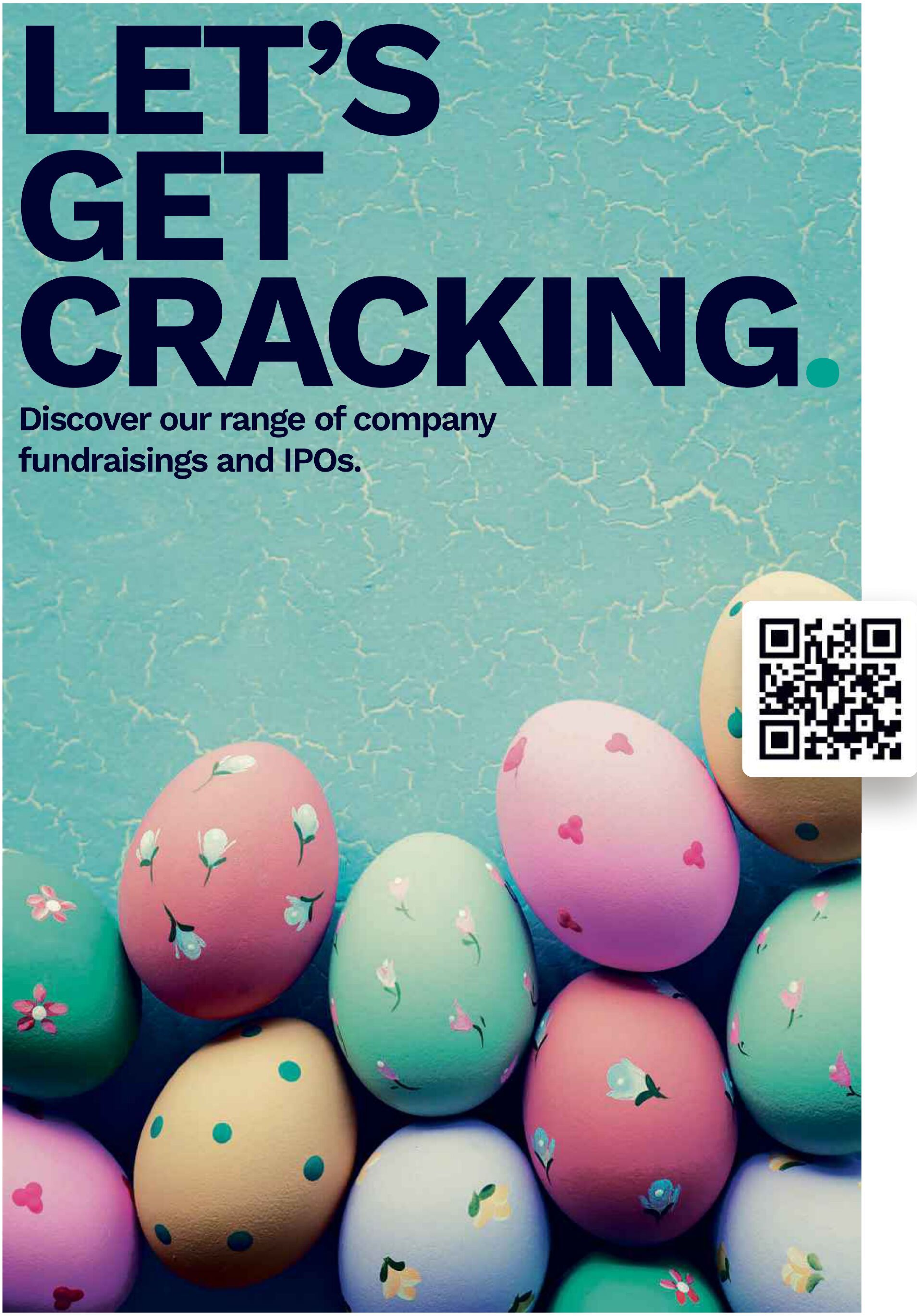
■ Several big banks are being slow to bring in new fraud protection, according to Rupert Jones in The Guardian. Last year confirmation of payee (CoP) was introduced by the banking industry. This means when you try to transfer money into an account your bank will check the bank account and bank account holder's name match before the transfer can take place.

Many banks have introduced the feature. However, several have yet to do so, and "some don't seem to be able to say precisely when or even if their customers will enjoy the protection it offers", Jones points out. Those that have yet to start using the new system include Metro Bank, Tesco Bank, Virgin Money, TSB and The Co-operative Bank.

■ Broadband is now the fourth household utility after water, electricity and gas, says James Coney in The Sunday Times. So "we need a robust regulator and rules to protect" consumers. The problem is Ofcom regulates the wholesale infrastructure of broadband as well as the retail side. This means it wants to help customers but without getting "on the bad side of firms spending billions connecting up different bits of the country".

The upshot is that companies that are supposed to compensate consumers automatically when the service fails often don't, as the continual headlines about Virgin Media show. Ofcom recently introduced measures to make it easier for households to switch broadband provider and is encouraging BT to roll out full-fibre broadband infrastructure faster. But without "tougher regulation and greater choice" (a third of homes cannot switch to a rival) it won't make much difference.

■ Scammers are trying to cash in on the census by "posing as officials and demanding fines", says Hollie Borland in The Sun. Anyone who missed the deadline of 21 March could be fined up to £1,000. Fraudsters have been sending phishing emails, cold-calling and appearing at people's front doors demanding money.



PrimaryBid Limited is authorised and regulated by the Financial Conduct Authority (FRN 779021).

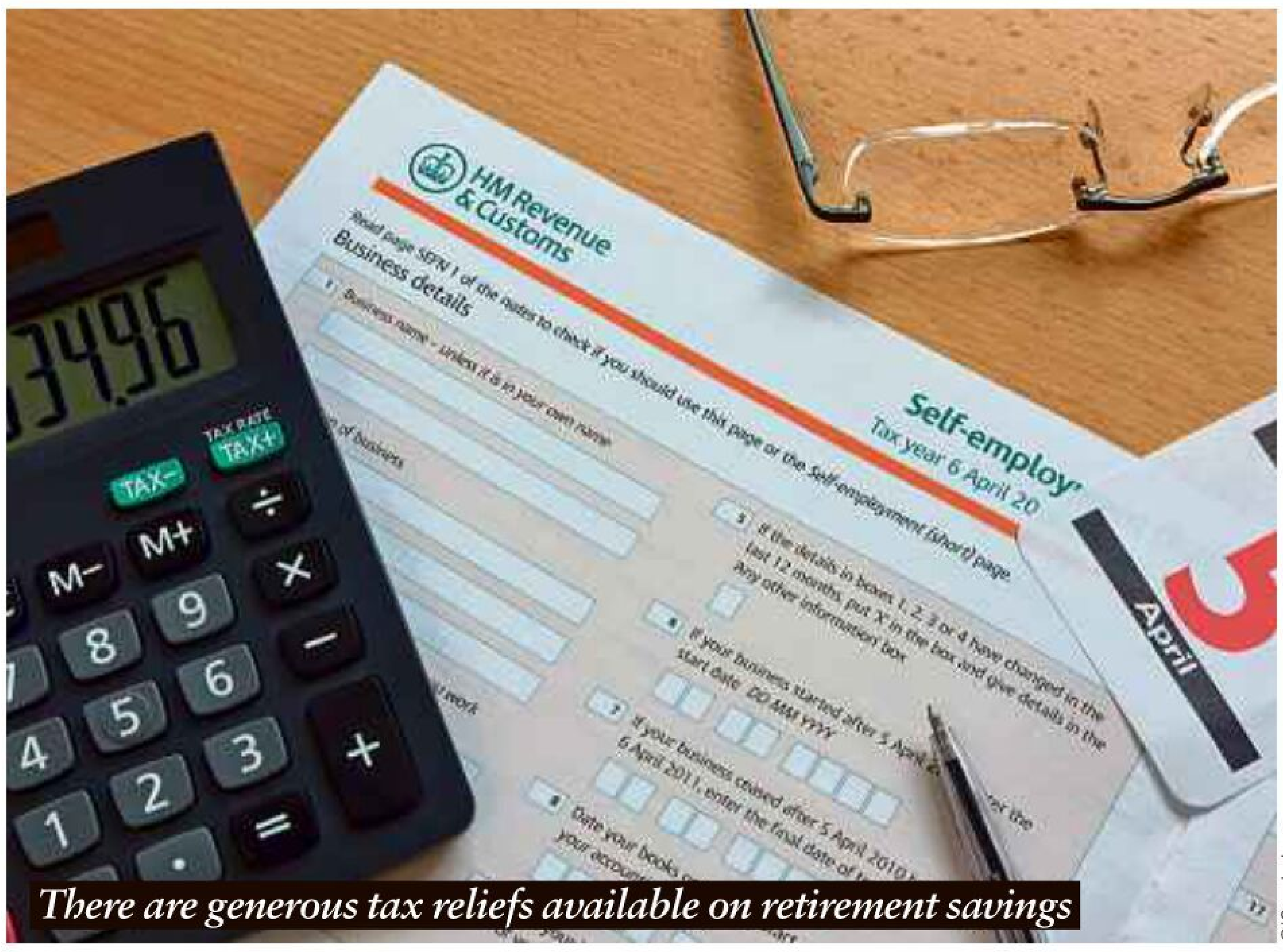
Capital at risk

Join our community PrimaryBid.com

The final push for pensions

Savers should ensure that they have used up all their allowances before the tax year ends

David Prosser
Business columnist



There are generous tax reliefs available on retirement savings

With the end of the tax year on 5 April fast approaching, have you made maximum use of your private-pension contribution allowance? Given the generous tax reliefs available, it makes sense for most people to save as much as they can afford.

Contributions to private pensions attract tax relief at your highest marginal rate of income tax. So, if you're a basic-rate taxpayer, contributing £1,000 to a pension costs you £800. If you pay the higher rate, the cost of the same contribution falls to £600; this falls to £550 if you're an additional-rate payer.

Remember the annual limit

However, the amount you may contribute each tax year is limited by your annual allowance. If you exceed this threshold you will have to pay a tax charge. For most people, the annual allowance is worth £40,000 or 100% of their annual earnings, whichever is the lower of these two figures. However, even very low and non-earners get an annual allowance, worth £3,600 a year.

This allowance covers everything going into your pension, including any contributions from an employer and the value of the tax relief you receive. If you're earning £40,000 a year and contributing 4% of your salary, you'll be paying in £1,600 of your own money and then receiving a further £400 in tax relief. If you're also getting a 5% contribution from your employer, this will be worth another £2,000. Altogether, you will have used up £4,000 of your £40,000 annual allowance.

This is how you calculate your annual allowance usage for all defined-contribution pension schemes, whether they are at work or individual arrangements such as a personal or stakeholder pensions. More complex rules apply to defined-benefit plans such as final-salary pension schemes, but if you're a member of one of these, your employer should be able to tell you how much of your allowance you have used up over the year. Remember that the annual allowance applies across all your pension plans if you have more than one. So, if you're contributing to a plan at work but are also paying into a plan of your own independently, you need to add up the total value of all your contributions.

Also note that special rules apply to those with high earnings. Once your income goes above £240,000, your annual allowance begins to taper downwards, by £1 for each £2 of income you earn above this limit. So someone with earnings of £270,000 sees their annual allowance decline to £25,000. The tapering continues until your earnings hit £312,000, by which time your annual allowance is just £4,000.

In practice, most people don't get anywhere near using their annual allowance each year, but if you do have a potential problem – or you're determined to wring every last bit of value from your allowance – the carry-forward rules may help.

These let you carry forward any unused allowance left over from the last three tax years to add to this year's allowance. The only caveat is that you still can't contribute more than you earn over the course of the year. You must also have been a member of a private pension scheme in the year from which you are carrying forward any unused allowance.

Look to Isas and VCTs too

Another option for savers at risk of breaching the annual allowance is to look at alternative homes for long-term cash. Individual savings accounts (Isas) and venture-capital trusts (VCTs) are popular options since they offer tax incentives of their own, but even savings and investments with no tax breaks attached can be worth considering.

Finally, note that once you begin withdrawing money from your pension schemes later in life, you are still allowed to continue making contributions to top it up. But in these cases, a special "money purchase annual allowance" of just £4,000 a year usually applies.

Correction: last week, we noted Alliance Trust Savings (ATS) as a potential Sipp provider. This was an error – ATS is now owned by Interactive Investor. Apologies for any confusion caused.

Trustees to block defined-benefit pension transfers

● Savers with final-salary pension schemes could soon be banned from transferring their benefits to another type of arrangement. While regulators warn against such transfers in most cases, since it is impossible to replicate the value of a guaranteed pension elsewhere, there are some circumstances in which switching makes sense. But MPs on the Department for Work and Pensions Select Committee are so concerned by the high number of people transferring inappropriately that they want to give pension-scheme trustees the power to turn requests down.

● While state pensions can be a useful foundation on which to build your retirement finances, too few people know what they are actually owed, new research from consumers' group Which warns. In particular, three in ten people overestimate the value of their state pension, putting them at risk of being worse off in retirement than they are currently planning for. Which says that anyone can get a free state-pension forecast by applying online at Gov.uk/check-state-pension.

● The state pension will increase by 2.5% on 5 April, taking the weekly value of the benefit to £179.60. But pensioners could be in for an even larger rise in 12 months' time. Forecasts just published by the government's Office for Budget Responsibility (OBR) show officials are expecting a 4.6% increase in 2022, which would take the pension to almost £188 a week. That reflects the government's "triple-lock" promise to raise pensions each year by the highest of inflation, average earnings increases or 2.5%. The OBR thinks earnings are set to spike sharply higher during the post-Covid-19 recovery.

©iStockphotos

A bet on the future of technology

Graphics-chip specialist Nvidia will profit from big trends ranging from artificial intelligence to robotics

Stephen Connolly
Investment columnist

Most people will have missed the news that the world is struggling with a major microchip shortage. Big deal, you might think, but with more of the devices we use daily needing them, problems start to mount. No chips means no products, with a slowdown in the manufacture of everything from mobile phones and games consoles to televisions and laptops. Even cars – increasingly smartphones on wheels – have seen production drop.

Lockdowns have triggered the shortages. Sharp slowdowns in industries such as automobiles, for example, put the brakes on car-chip sales. As orders tanked, manufacturers switched to making more sophisticated chips, for which demand soared more than expected on the back of all that gadgetry for working and schooling at home, and they couldn't keep up. In the meantime the car industry – and its need for chips – rebounded faster than anticipated and yet more demand went unmatched.

The obvious winners are the chipmakers, of course, as they race to keep up with orders. The MVIS US Listed Semiconductor 25 index, which tracks the global leaders, has gained 10% in 2021, almost twice overall global equities' return. However, its bounce masks high short-term volatility and mixed individual showings: semis were up by 15% for the year in mid-February but then down by 3% in early March.

The group's chips are crucial to videogame production
©Nvidia

Neglecting the big picture

These sharp divergences from different microchip stocks are creating opportunities. Key among them is graphics-chip specialist **Nvidia (Nasdaq: NVDA)**. The former stockmarket darling has moved sideways for a year.

Investors have focused on the very short term and lost sight of the broader picture. I've consistently cited Nvidia's long-term strengths, last highlighting it here 12 months ago at $271, just before it doubled. I'm still upbeat.

Investors are allowing their judgement to be swayed. Firstly, the chip-demand trend is making them turn their noses up at any stock that doesn't deliver massive short-term, quarter-on-quarter profit growth, and Nvidia hasn't owing to one-off factors. But it's delivering strong year-on-year numbers (annual sales are up by more than 50%), and this is what I'm buying into.

Secondly, broader market fears about inflation are cooling sentiment towards big technology stocks. Yet this overlooks the fact that expectations are for Nvidia to grow earnings by anywhere between 32% and 80% next year and by double digits again in each of the following two years. Nvidia is not an overvalued tech stock – it's relatively cheap and has been getting cheaper.

Strong long-term demand

More broadly, everyone is becoming a videogamer and every mobile phone is becoming a games platform. There will be a never-ending cycle of billions of mobile phones (just think China) needing chips from Nvidia: graphics, image rendering and the creation of captivating, life-like worlds are the future of our interaction with technology.

It's this complexity in graphics that also means Nvidia's processors can generate the necessary computing power crucial for all the big trends that are going to change the world over decades in transportation, robotics, smart cities, healthcare, logistics and retailing. All of this requires huge power, which Nvidia offers. Its chips are also suitable for mining bitcoin.

All of this is huge and Nvidia will be too. It works at the cutting-edge of artificial intelligence, cloud processing and data storage, the fundamental elements of the huge transformational revolution in how we will soon live. It cannot happen without Nvidia.

Stephen Connolly heads a family investment office, and has worked in investment banking and asset management for over 25 years (sc@plainmoney.co.uk)

A 44-fold return in 22 years – and Nvidia is just getting started

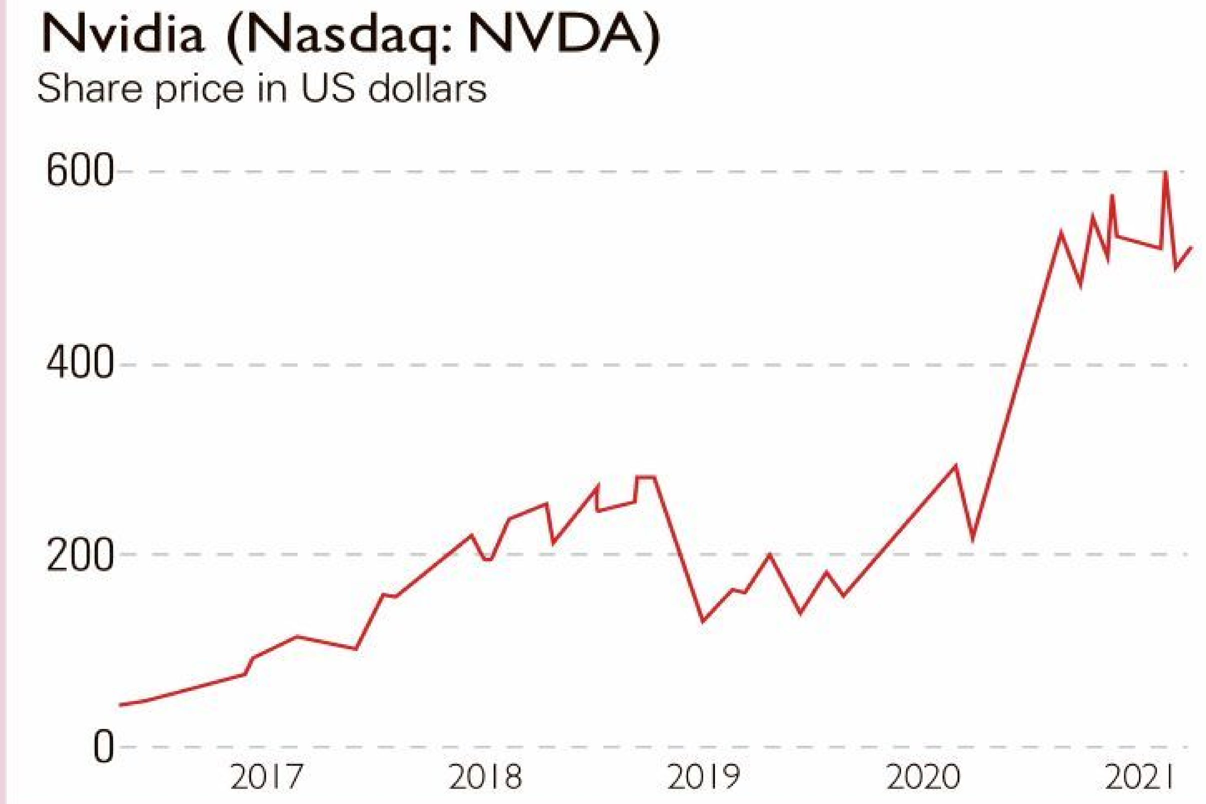
It's still typical to think of technology companies as new, forgetting that some have been around for quite some time. Nvidia, for example, was formed in 1993 and floated on the stockmarket six years later at $12, giving early investors a 44-fold return – and that's before dividends.

Built on graphics processing, an area in which it has repeatedly revolutionised technology, Nvidia's chips are now also fuelling high-performance computing. They are used in artificial intelligence, machine learning and virtual reality, all of which are key to how technologies will develop to serve and interact with us. The advance of technology is reliant on Nvidia as its chips are key to supporting innovation.

The chips are also used heavily in smartphones, the devices that everyone will have and use to connect to the virtual world in a never-ending cycle of upgrading and replacing.

Last year Nvidia announced that it would buy British chip designer Arm from the Japanese technology conglomerate and investor Softbank for $40bn. The deal is strategically sound as Arm chips are used heavily in smartphones. The tie-up is not yet concluded, however, and competition rulings are expected.

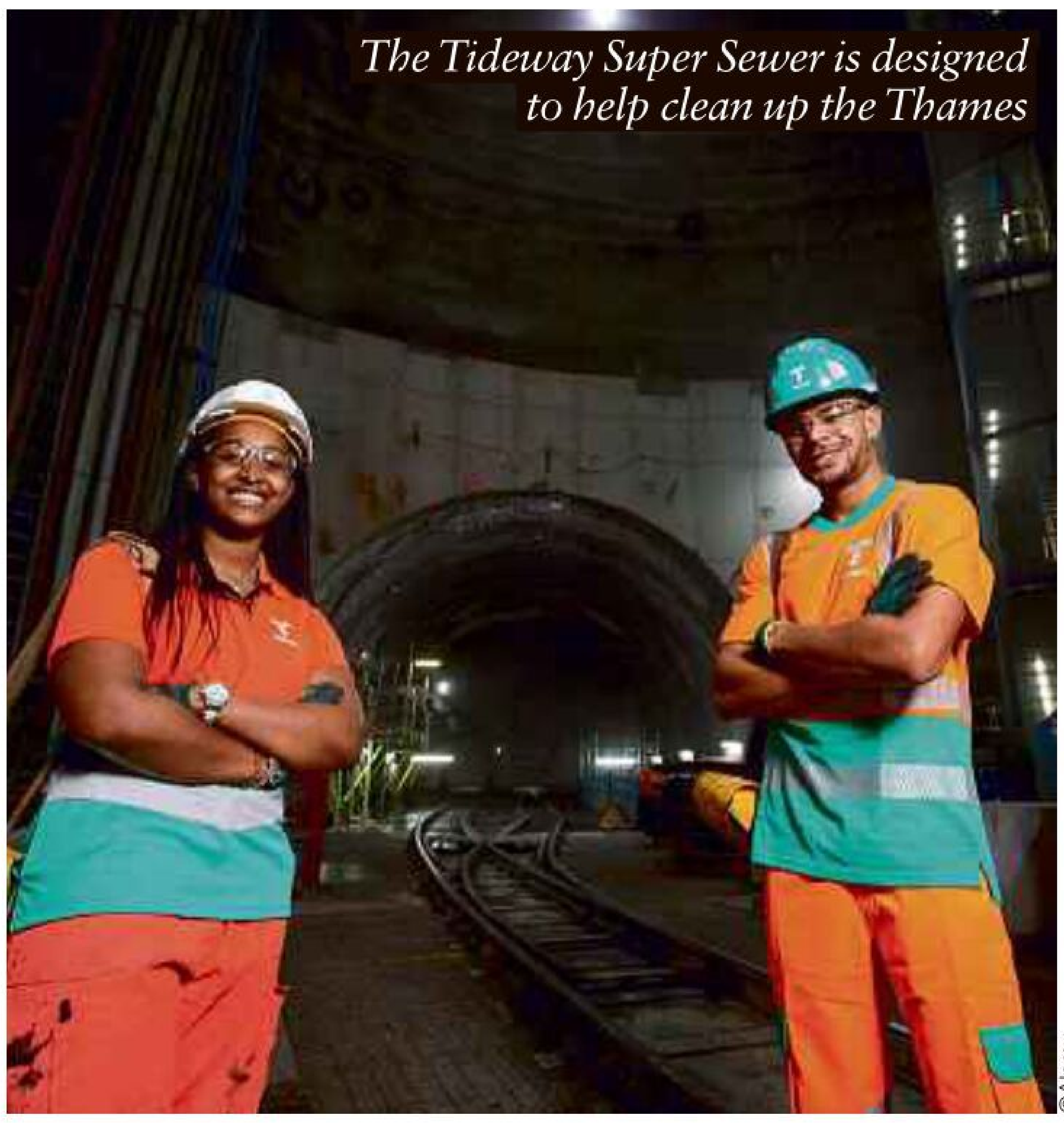
Analysts are forecasting a bright future with very strong earnings growth. The broader outlook for technology, together with Nvidia's role in it, suggest further upside. The sideways move in the share price over recent months, in which it has lagged other microchip stocks, is an opportunity for investors keen to back the cutting-edge of technology over the long term.



Building back better

Morgan Sindall will profit from higher infrastructure spending

Matthew Partridge
Senior writer



The Tideway Super Sewer is designed to help clean up the Thames

Over the next few months, most – if not all – of the restrictions imposed to deal with Covid-19 are due to be lifted. However, this leaves the question of how we are going to repair the economic damage; GDP slumped by almost a tenth in 2020. Part of this recovery will take place naturally thanks than to pent-up economic demand and people spending the money saved during lockdown.

But with the Office for National Statistics estimating that the unemployment rate will rise to 7.5%, there will be a need for additional measures, such as infrastructure spending, to stimulate the economy. Late last year Boris Johnson said the government planned to allocate £100bn to roads, bridges and other projects over the next five years.

This is good news for FTSE-350 member **Morgan Sindall Group (LSE: MGNS)**. Morgan Sindall makes its money from construction and regeneration projects in the UK. Its construction division involves projects in areas including motorways, rail, aviation, energy, water and nuclear energy. They include the Tideway Super Sewer, which aims to help clean up the Thames by taking the waste that would otherwise flow from city sewers directly into the river and sending it to wastewater plants to be treated. Recent road projects include improvements to the A451 in Milton Keynes and M5 in Sandwell.

Swimming with the tide

Morgan Sindall also stands to benefit from another key trend: the conversion of offices into flats and other amenities. Already many companies are deciding to cut back on office space, while many large retail chains are also looking to reduce their floor space – witness Marks & Spencer's decision to demolish its flagship Marble Arch store. As a result, many councils and local authorities are trying to use the vacant space to help solve the housing shortage, which is good news for Morgan Sindall given its involvement in regeneration projects in King's Lynn and Brixton.

The group's business has been doing well recently, with revenue increasing by around 5% per year between 2015 and 2020 and a similar rate of growth expected in the next few years. A return on capital (an important measure of profitability) of about 15% has also enabled it to double its dividend from 29p to 61p over the same period; payouts are also expected to increase. Despite this strong performance the stock trades 10% below its peak of February 2020, just before the market plunged. As a result, it sells for a very reasonable 9.6 times 2022 earnings and offers an attractive dividend yield of just under 4%.

"The group should also benefit from the conversion of offices into flats"

Morgan Sindall's share price seems to have momentum as well as strong fundamentals behind it, having risen above both its 50 and 200-day moving averages. I suggest that you go long on Morgan Sindall at the current price of 1,686p at £2 per 1p. Put a stop loss at 1,200p, which would give you a total downside of £972.

Trading techniques... trailing stop-losses

Most traders use some form of stop-loss to limit their potential losses, especially if the share or asset they are trading is very volatile, or they are using leverage (punting with borrowed money). However, a more advanced technique is to adjust stop-losses if the position goes in your favour, giving you a so-called trailing stop-loss. If you buy a share at 100p with a stop-loss of 80p and it then rises to 150p, you might increase the stop-loss to 120p.

The big advantage of a trailing stop-loss, compared with a regular stop-loss, is that it enables you to lock in profits while still keeping the position open. It also minimises potential losses if there is a nasty reversal of an uptrend. In essence, the technique is a compromise between taking all of your profit immediately by selling the stock (which gives up the opportunity from profiting from further price rises), and sticking with the old stop-loss (which could see the profits disappear if the trend reverses).Trailing stop-losses can also get you out of shares that initially go in your favour, only to lose momentum over time. However, increasing the stop-loss also increases the chances that you'll have to close your position, as it now has to fall by a much smaller amount than before. This can lead to more frequent buying and selling, inflating trading costs.

Overall, the evidence suggests that while a stop-loss strategy can outperform a traditional buy-and-hold one, after taking into account the amount of risk, a trailing stop-loss strategy can boost returns further. For example, a 2008 study by Garib Yusupov and Bergsveinn Snorrason of Lund University found that a trailing stop-loss strategy produced the best results for those investing in the OMX Stockholm 30 index between January 1998 and April 2009, although it didn't take into account trading costs.

How my tips have fared

The past two weeks have been mixed for my four long positions, with two increasing but two falling. Media group ITV went up from 119p to 122p, while American homebuilder DR Horton rose from $80.51 to $84.49.

The bad news, however, is that transport group National Express declined from 301p to 297p, while cruise-ship operator Norwegian Cruise Line slipped from $29.31 to $28.65. Overall, all of my long tips are making money, with total net profits of £4,531, up slightly from £4,368 a fortnight ago.

Sadly, my short tips haven't done that well, with four out of the five moving against me by appreciating.

Online insurance broker eHealth went up from $51.03 to $68.09, electric-lorry manufacturer Nikola increased from $14.62 to $15.55 and online grocer Ocado climbed from 2,062p to 2,068p.

Cloud-computing firm Snowflake also advanced from $213 to $221. The only positive performance from a short-selling perspective was electric-vehicle maker Plug Power, which declined from $40.75 to $38.91. Still, all of the short tips are making money, with a total net profit of £2,691.

Counting Morgan Sindall, I now have five long tips (Morgan Sindall, ITV, DR Horton, National Express and Norwegian Cruise Line) and five short (eHealth, Nikola, Ocado, Snowflake and Plug Power).

Since this is a good balance, I don't advocate closing any of them at present. However, I would increase the stop-loss on Norwegian Cruise Line to $21 (from $20), National Express to 287p (from 285p) and DR Horton to $60 (up from $58.50).

I would also suggest cutting the stop-losses on long-running short tips eHealth to $74 (from $75) and Nikola to $24 (from $25).

Stocks set to come back stronger after Covid-19

A professional investor tells us where he'd put his money. This week: Ed Wielechowski, Partner at Odyssean Capital, chooses three favourites

It is 12 months since equity markets hit their Covid-19 lows. Few at the time would have predicted the scale of the subsequent market rally, or the speed with which the market's focus has shifted from concern over companies surviving the pandemic to optimism about those positioned to benefit as economies emerge from lockdown.

We believe that this shift in sentiment has led many more cyclical, industrial, and consumer stocks to trade at generous multiples of fully recovered profits as a rebound becomes priced in. However, there remain compelling but less obvious opportunities that should benefit from a "normalisation" post-lockdown. We have been looking for companies where, on top of a near-term recovery, we may see the virus benefit their end markets and where management can improve their businesses. Here are three examples.

The changing healthcare market

Spire Healthcare (LSE: SPI) is a leading private-hospital operator in the UK. Private hospitals have had their capacity reserved during the pandemic, at cost, to support the NHS. Now activities are returning to normal and the healthcare landscape has fundamentally changed. Backlogs of both private and NHS procedures will take years to clear, with private-sector support needed to achieve this. Spire is well placed to benefit.

The pandemic has also shifted patients' willingness to engage with healthcare services digitally. Spire rolled out online tools in the crisis to enable digital pre-assessment. Customers enjoy improved convenience while Spire benefits from efficiency gains. We believe further such self-help opportunities exist. Spire shares have had a good run, but continue to trade below a freehold property-backed book value. At around nine times earnings before interest, taxes, depreciation and amortisation (Ebitda) they still offer great medium-term value.

Digitising data services

Wilmington (LSE: WIL) is a provider of data, training, and events to a variety of markets. Despite benefiting from significant recurring revenues, the portion of the business reliant on in-person events and training has inevitably been hit by Covid-19. Wilmington should now see these services bounce back, but more excitingly it has used the pandemic to accelerate its shift to enhanced digital delivery of its services.

Digitising its content allowed Wilmington to keep offering services to its customers through the pandemic, gaining share from competitors. This digital-ready content can now more easily be packaged into new products, served to new customers and accelerate growth. The shares are still 20% below their pre-pandemic level, despite the firm's improved prospects.

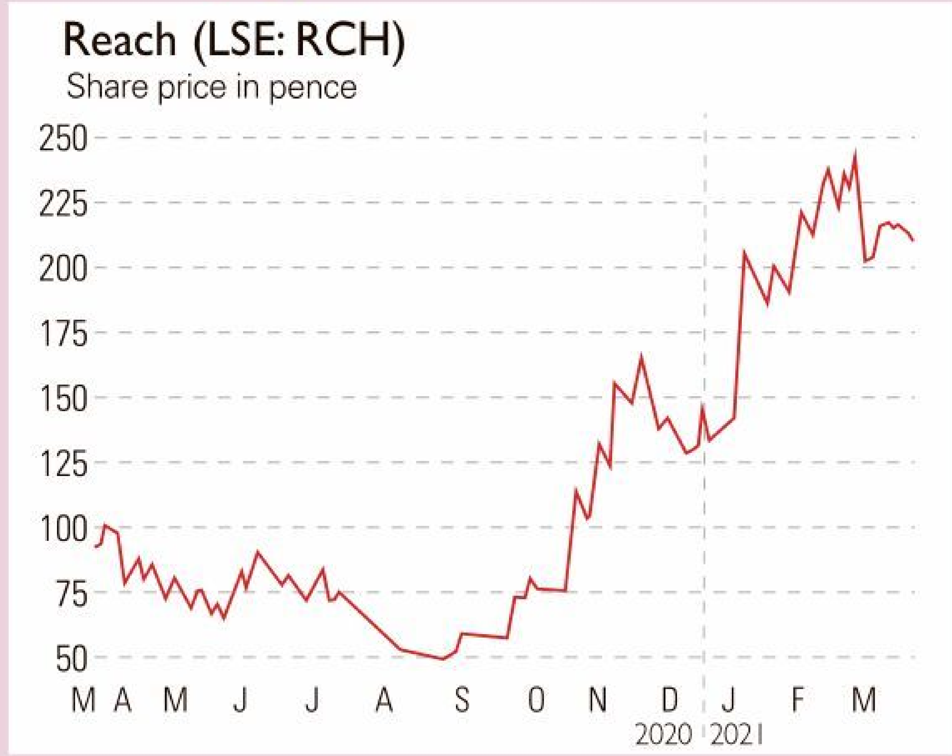
A hidden recovery

Clinigen (LSE: CLIN) provides hard-to-access medicines to healthcare professionals and clinical trials globally. Demand for its services dipped as hospital treatment and clinical trials slowed in lockdown. This demand is set to recover. Clinigen can also benefit from an increased focus on drug distribution as vaccines roll out; new product launches; and cost synergies from recent acquisitions.

"As Clinigen's leverage falls, the price/earnings ratio should rise from ten to 15"

Despite the recovery potential, the shares trade on a forward price/earnings (p/e) ratio of ten. While gearing is high, the company has strong underlying cashflow. As leverage falls the shares are likely to trade nearer the long-term average p/e of 15.

If only you'd invested in...



Reach (LSE: RCH) is the UK's largest regional news group. It has announced a dividend of 4.26p per share for 2020 despite falling profits and sales, "citing confidence in its online business", says Patricia Nilsson in the Financial Times. Sales fell by almost 15% to £600m last year, but digital revenue grew by a fifth to £118m. The firm also expects online sales to double over the medium term. The dividend is up by 5.2% compared with the 2019 payout. As a result Reach's share price has more than quadrupled since August, gaining 149% in the last 12 months.

Be glad you didn't buy...

Shares in oilfield-services provider **Petrofac (LSE: PFC)** began falling in 2013 as debt rose and revenue fell. But "the real problems" began in 2017 when the Serious Fraud Office announced an investigation into the firm, says The Motley Fool. In 2019 the former head of sales pleaded guilty to 11 counts of bribery and was found guilty of another three this January. The latest convictions prompted the Abu Dhabi National Oil Company to bar Petrofac from competing for any new contracts, shutting off one of its key growth markets. That was the latest blow to the stock, which is down by 47.3% in a year.

In the crossfire of the vaccine wars

AstraZeneca's boss Pascal Soriot was winning plaudits for his stewardship when the Covid-19 pandemic struck. Since then, he's been having a hard time of it. Jane Lewis reports


©Getty Images

"Soriot did a brilliant job saving AstraZeneca from the corporate scrapheap"

Back in 2016, shortly after Pascal Soriot had seen off a $100bn hostile takeover bid from US pharmaceuticals giant Pfizer, it was revealed that the urbane AstraZeneca boss had a surprising history of street-fighting. "I haven't had a fight in the last 40 years," he told the Financial Times. But growing up in the gritty suburbs north of Paris in the 1970s, they'd been a common occurrence. "The first 14, 16 years? I had one probably every week."

Doing the decent thing

If fending off Pfizer required the pugnacity of "a bare-knuckle fighter", Soriot has needed some rather different skills to navigate the current vaccine wars. His situation is unenviable. Having done the decent thing by rolling out the Oxford jab on a non-profit basis during the pandemic, AstraZeneca has become piggy-in-the-middle of an increasingly bitter supply row between Britain and the EU (see also page 18). Despite a spate of scare stories on the continent about the vaccine's safety and efficacy, Brussels is furious that the Anglo-Swedish pharma has fallen so far short on its contracted delivery schedule. On the latest count, AstraZeneca will fall roughly ten million short of its target to deliver 40 million doses by the end of March – a goal already well below the original supply schedule of at least 100 million. Rubbing salt in the wound, officials claim the company has shipped vaccines produced in the EU to the UK, but has so far sent nothing in the opposite direction.

Soriot, 61, left France decades ago to lay down roots in Australia. But, with feelings running so high, if he hasn't already been dubbed a "traître", he might expect to be soon. Even leaving aside questions of national politics, his leadership is under scrutiny because of contract management and logistics cock-ups relating to the vaccine. "Charity is a good way to gain kudos," says Breakingviews. But "future damaged relations with Europe", a key customer for AstraZeneca's drugs and treatments, have made investors anxious. Soriot has done a brilliant job saving AstraZeneca from the corporate scrapheap and taking it "from strength to strength" as an innovator, noted The Daily Telegraph last year, when, after "a storming few years", the reinvigorated pharma became the most valuable company on the FTSE 100. But, despite its formidable portfolio of blockbuster drugs, its shares have been in broad decline this year.

Born in 1959, the son of a tax collector, Soriot studied medicine at France's National Veterinary School. "I didn't have a clue about business," he later told the Financial Times, but when he "tired of equestrian stables" he decided going to business school would open new horizons. After graduating, he joined Roussel Uclaf, then a big French drugmaker, and took a post in Australia, later joining the Franco-German drugmaker Aventis, in the midst of its messy merger with Sanofi. When Soriot jumped ship again to Roche, he was sent to California to integrate its acquisition of Genentech. The experience was formative. Soriot particularly admired the Californian biotech's culture of "casual intensity" – informality combined with hard work – an ethos he later built upon at AstraZeneca.

A difficult year for the hero and Daisy

Soriot has won plaudits for transforming AstraZeneca into a pioneering force and putting global health above profit in the war against Covid-19. But his halo is beginning to slip. Some commentators have sniped at the "vaccine hero's" generous pay packet. Others are suspicious of his attempts to empire-build, most recently with the £39bn acquisition of the US rare-disease biotech Alexion. Still, having spent much of last year separated from his family, working in Switzerland, the UK or America, "often with just his cat, Daisy, for company", Soriot has had a tough pandemic personally, notes The Times. "I can't remember in my entire career working as hard as 2020," he says. He can expect little respite this year.

Great frauds in history… *a magician magics up profits*

Paul Burks was born in 1947 and worked as a magician in nursing homes and as a country-music DJ in North Carolina in the 1980s and 1990s. In 2010 he set up the auction website zeekler.com. The idea was that people would pay to bid on the right to buy expensive goods such as iPads and desktop computers at huge discounts. The plan was that the knockdown prices would attract a huge number of bidders, so any losses on the sale of the items would be more than compensated for by the revenues from selling bids.

What was the scam?

Shortly after founding Zeekler, Burks set up a parallel investment scheme, ZeekRewards. In return for a cash investment of up to $10,000 (though many invested on behalf of their children and spouses in order to get around the $10,000 limit), and for encouraging their friends and family to use the site, investors were promised a 50% share of the site's profits, in the form of "profits points" that could be exchanged for cash, working out to a 1.5% daily return. Since the site was barely profitable, Burks used money from new investments to pay those who had already signed up.

What happened next?

The prospect of instant returns and word of mouth boosted the number of members from 57,000 in the first year of operations to a peak of 1.25 million. However, the number of redemption requests and the high rate of interest quickly caused the scheme to implode after the number of new members started to tail off. Burks tried several tactics to stall investors, but the regulator shut the scheme down in August 2012. Burks was convicted of fraud in 2016.

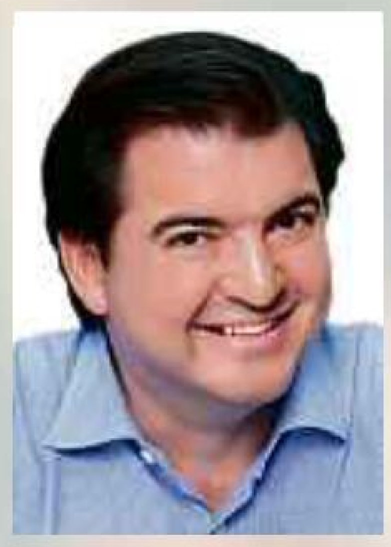
Lessons for investors

As much as $939m may have been received, with only around half of that paid out (most of that to executives and a few thousand early investors). Hundreds of millions of dollars remain missing. Schemes that require you to recruit other investors are known as pyramid schemes and they tend to expand very quickly before collapsing when they run out of new recruits.

MONEYWEEK WINE CLUB

FREE UK delivery
Order today

Collection of Six Terrific Spring Wines



We are all hoping that this Spring will be a moment of rebirth and release after a desperately challenging and impossibly dreary twelve months and while life will almost certainly not be back to normal, buds of hope are starting to blossom. I have chosen six wines this month, from the excellent cellar at Tanners, which embody freshness and vitality on the nose and energy and ambition on the palate. At this time of year, we start to leave the rich reds of winter behind and move into more expressive styles while whites gather bounce and freshness. In addition, to these wines being utterly delicious, they are amazingly well-priced, too, making this an essential collection for your consideration this month.

Matthew Jukes Matthew

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

Prices shown below are per case of 12 bottles. Wines are also available in a 12 bottle mixed case (2 of each of the wines) **excellently-priced at £135 (saving £11.90 per case).** It's a chance for you to try them all, and it is the most popular choice with readers of *MoneyWeek*.

~~£7.95~~ **£6.95**

2019 Terra de Lobos, Fernão Pires/Sauvignon Blanc, Tejo, Casal Branco, Portugal

This is the cheapest wine I have featured here and it's a gem! There is crisp salad leaf and cucumber freshness which is rather magical. The Fernão Pires grape has delicate fruity notes and a slippery feel. On its own, it makes simple, holiday-style wine, but with the addition of Sauvignon Blanc, it electrocutes the timid FP giving this little cracker it's attitude. A lovely all-rounder, this is your budget white glugger for this month.

CASE PRICE: £83.40

~~£10.95~~ **£9.95**

2019 Côtes du Rhône Blanc, Domaine de l'Amandine, France

Sourced from 50-year-old Viognier, Roussanne and Marsanne vines, this is a hauntingly beautiful white with a slightly exotic character on the nose and palate bringing an air of mystery to this refreshing, smooth wine. Unlike many hefty, leaden-footed Rhône whites with elevated alcohol and greasy palates, this is a wonderfully toned and perfectly balanced white and it lends itself to top-quality cuisine. The nose alone will cast a spell on your senses, and the palate backs this up with its wonderful silkiness.

CASE PRICE: £119.40

~~£11.20~~ **£9.95**

2020 Tanners New Zealand Sauvignon Blanc, Marlborough

Asparagus tip, cut grass, lime pith and kiwi fruit pricked, this vivacious Sauvignon Blanc is a beauty made by the awesomely talented Ben Glover. I must confess that Ben is a pal, so I was rather excited to see his name mentioned on the label given that I loved this wine on the very first sniff. Keenly priced and soaring above all of the big-brand NZ Sauvignons, this wine is a classic example of highly experienced palates colliding – that of Mr Glover and also of the wine wizards at Tanners.

CASE PRICE: £119.40

~~£11.90~~ **£10.90**

2018 Sarmentine, F. Thienpont, Bordeaux, France

The Thienpont name is a powerful one in Bordeaux with scions of the family responsible for acclaimed Châteaux. Sarmentine is an organically farmed estate on the Monbadon plateau. This 100% Merlot is delicious, refreshing, smooth and mellow with a delightful twist of spice here, which cannot come from oak barrels because it doesn't see any. Thienpont reports that this complexity comes directly from the terroir and thanks to the organic viticulture it makes its way successfully into the glass!

CASE PRICE: £130.80

~~£16.95~~ **£15.45**

2015 Les Calèches de Lanessan, Haut-Médoc, Bordeaux, France

By contrast to Sarmentine, this fabulously refreshing, Left Bank claret is based on a Cabernet Sauvignon theme. This 'second' wine of Château Lanessan is a remarkable creature given it comes from the amazing 2015 vintage, blessed with an ideal harvest. Impressively perfumed, classically shaped and medium-weight on the palate there is a nice hit of 2015 ripeness in the core of this classy red. With crisp tannins and a prim finish, this is an erudite wine and one which is a benchmark combo with new season lamb.

CASE PRICE: £185.40

~~£14.50~~ **£13.00**

2018 Viña Magna, Tempranillo, Dominio Basconcillos, Ribera del Duero, Spain

A new estate to me, Basconcillos is a superb new find by the Tanners team. This entry-level red from the estate benefits from its big brothers' influence. The Crianza and the Reserva are mighty wines and their dense red-fruited flavours are present, but with only six months of barrel-ageing, there is discreet oaking and immediacy of appeal. This splendid Ribera will impress true fans of this historic region as well as those keen on the wines of Rioja and Navarra, too.

CASE PRICE: £156

PLACE YOUR ORDER NOW

Enjoy exclusive savings

www.moneyweekwineclub.com/March

Or call Tanners Wine Merchants on 01743 234455 and quote "MoneyWeek"

TANNERS WINE MERCHANTS

Terms & Conditions: Offer ends 1 April 2021. Free delivery is to mainland UK addresses only. Payment can be made by credit or debit card over the phone or online. Prices quoted are all inclusive of duty and VAT. Subject to availability.

Three idyllic countryside retreats

We could all do with a chance to stretch our legs. Chris Carter suggests a spell at a farm

"We've been cooped up for so long that the chance to go free range in Britain once lockdown eases will make this spring really special," says Jane Knight in The Mail on Sunday. And it doesn't get much more bucolic than at Scrogg House Farm, a smallholding in the Yorkshire Dales' idyllic Rawthey Valley.

There are two converted cottages for guests. One is a one-bedroom former threshing barn and the other a two-bedroom former smithy, both of which come with fishing rights to the River Rawthey, which meanders by outside, with a deep pool for swimming where it meets the River Clough.

If you follow the river, you will come to one of England's highest waterfalls, Cautley Spout in the Howgill Fells. "Back at base there's a dog shower and plenty of human comforts, mixing modern technology, such as underfloor heating and a hot tub, with traditional features including exposed beams and stonework." *From £206 for two nights, scrogghouse.farm.*

Scrogg House Farm: a bucolic smallholding in Yorkshire

Embracing *wabi-sabi*

"It's not often you find *wabi-sabi* principles laid out deep in the heart of the Allgäu in Bavaria, amid the meadows, hills and cow-filled pastures," says Condé Nast Traveller. But that ancient Japanese tradition of embracing transience and imperfection has informed the renovation of Rosso farm and its barns and stables. The floorboards are sloping, the beams wonky and the steps creaky. "But the honesty of the style fits neatly, symbiotically with the rustic setting. Owners Christian Müller and Lisa Rühwald have elevated it with their eclectic, elegant design."

The three apartments, with their galleried platforms for the beds, bunk beds in alcoves for the children and free-standing copper bathtubs in bathrooms finished with warm tadelakt plaster, sport vintage furniture and flea-market curiosities. Cheerily big kitchens allow guests to cook up the regional ingredients they find in the farm shop, while guests can warm themselves up in the sauna after a long hike. In spring, "the gardens come alive, with chickens pecking around in the courtyard, the barbecue area on the terrace ready for sunny lunches and the fruit trees in flower". *From about £180, dasrosso.com.*

"We've been cooped up so long the chance to go free range will feel really special"

A taste of working farm life

Whether it's learning the art of beekeeping or spinning wool at a working sheep farm, guests are encouraged to get their hands dirty at farm stays dotted around Greece, ranging from the Peloponnese to the Central Macedonian region, says Helen Iatrou for National Geographic. One of the best is Eumelia, situated in Laconia, in the southern Peloponnese region. An agritourism and wellness retreat, it offers guests the chance to experience life on its working farm through harvesting olives and grapes and putting the farm-to-table philosophy into practice at one of its chef-led cooking classes. *Doubles from €160, eumelia.com.*

Wine of the week: a world-class pinot from South Africa

2019 Restless River, Le Luc Pinot Noir, Upper Hemel-en-Aarde Valley, South Africa

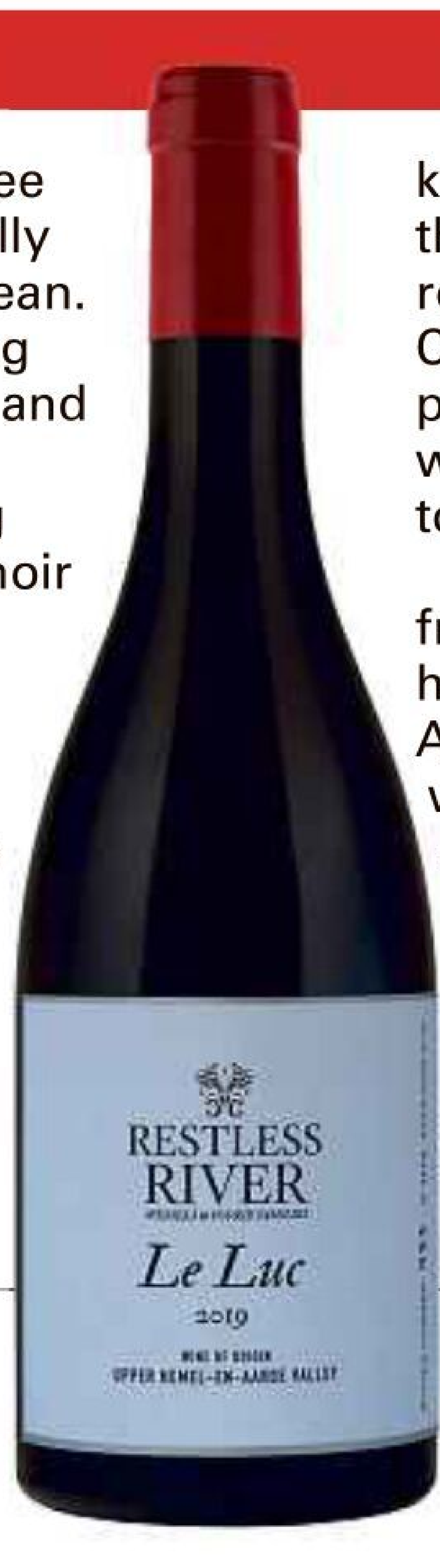
£45, reduced to £39 for MoneyWeek readers, swig.co.uk

Matthew Jukes
Wine columnist

I wrote about winemaker Craig Wessels' extraordinary 2013 Restless River Chardonnay on this very page back in September 2016. In my eyes, it was the wine that turned this estate from a new kid on the block, like so many cool brands in the fast-moving South African wine scene, into an estate worth hunting down at all times on all restaurant menus and in all wine shops.

The vineyards were planted back in 1999 and the vines are certainly finding their feet in this idyllic setting at 360-metre altitude, some three miles from the chilly South Atlantic Ocean. Famous for making stalwart cabernet and mind-blowing chardonnay, Craig planted his pinot noir vines in 2013 and this is his finest release to date. Having said this, and please bear in mind that the vines are still only babies, this is one of my favourite Cape pinots of all time. Goodness knows what will happen when these vines mature, driving their roots deeper into the soil, and Craig has even more experience playing with his stellar fruit, but I would urge you to do all you can to taste this wine.

Swig and MoneyWeek are old friends and so all of our readers have been given a special deal. At £39 this is a vitally important world-class pinot that should be opened and assessed by everyone as obsessed with this stellar red grape as I am.



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

This week: properties with kitchen gardens – from a Queen Anne former rectory in Ripple, Kent, with a garden wit

Barton Hall, Church Broughton, Derby, Derbyshire. A Grade I-listed Georgian country house with 15th-century origins in large grounds that include a kitchen garden with two Victorian greenhouses. 6 beds, 5 baths, 3 receps, 2-bed flat, four cottages, equestrian facilities, lake, parkland, 168 acres. £5.5m Knight Frank 020-7861 1707.

Newport House, Almeley, Hereford. A refurbished, Grade II-listed Georgian house set in grounds laid out in the 1760s that include a walled kitchen garden with restored glasshouses. 9 beds, 8 baths, 4 receps, library, Victorian stable block with 4 flats, 3 cottages, 3 farmhouses, lake, parkland, 427.4 acres. £10m Knight Frank 01905-746887.

Dairy House, Ashford Hill, Kingsclere, Hampshire. A Grade II-listed Queen Anne house with views over open countryside. The house has large gardens that include a productive kitchen garden with a glasshouse and mature plants. 6 beds, 5 baths, 3 receps, study, breakfast kitchen, indoor pool, party barn, 2-bed cottage, range of outbuildings, tennis court, wildlife pond, orchard, paddock, 7 acres. £3.95m Strutt & Parker 01635-521707.

h fruit cages, to a Grade I-listed Georgian country house in Derbyshire with two Victorian greenhouses

The Old Rectory, Beeston, King's Lynn, Norfolk. The major part of a Grade II-listed Georgian house dating from 1780. The house is set in secluded grounds that include a one-bedroom cottage, a large kitchen garden with a greenhouse and a moat spanned by a wooden bridge. It has flagstone floors, an elegant staircase, open fireplaces and a wood-burning stove. 6 beds, 3 baths, 2 receps, breakfast kitchen, outdoor kitchen, garage with an office above. £1.1m Bedfords 01328-730500.

West Street, Comberton, Cambridge. A renovated, Grade II-listed period property that retains its original exposed wall and ceiling timbers, inglenook fireplaces and oak staircase. It has a kitchen garden with raised beds. 3 beds, bath, 2 receps, newly fitted breakfast kitchen. £825,000 Savills 01223-347241.

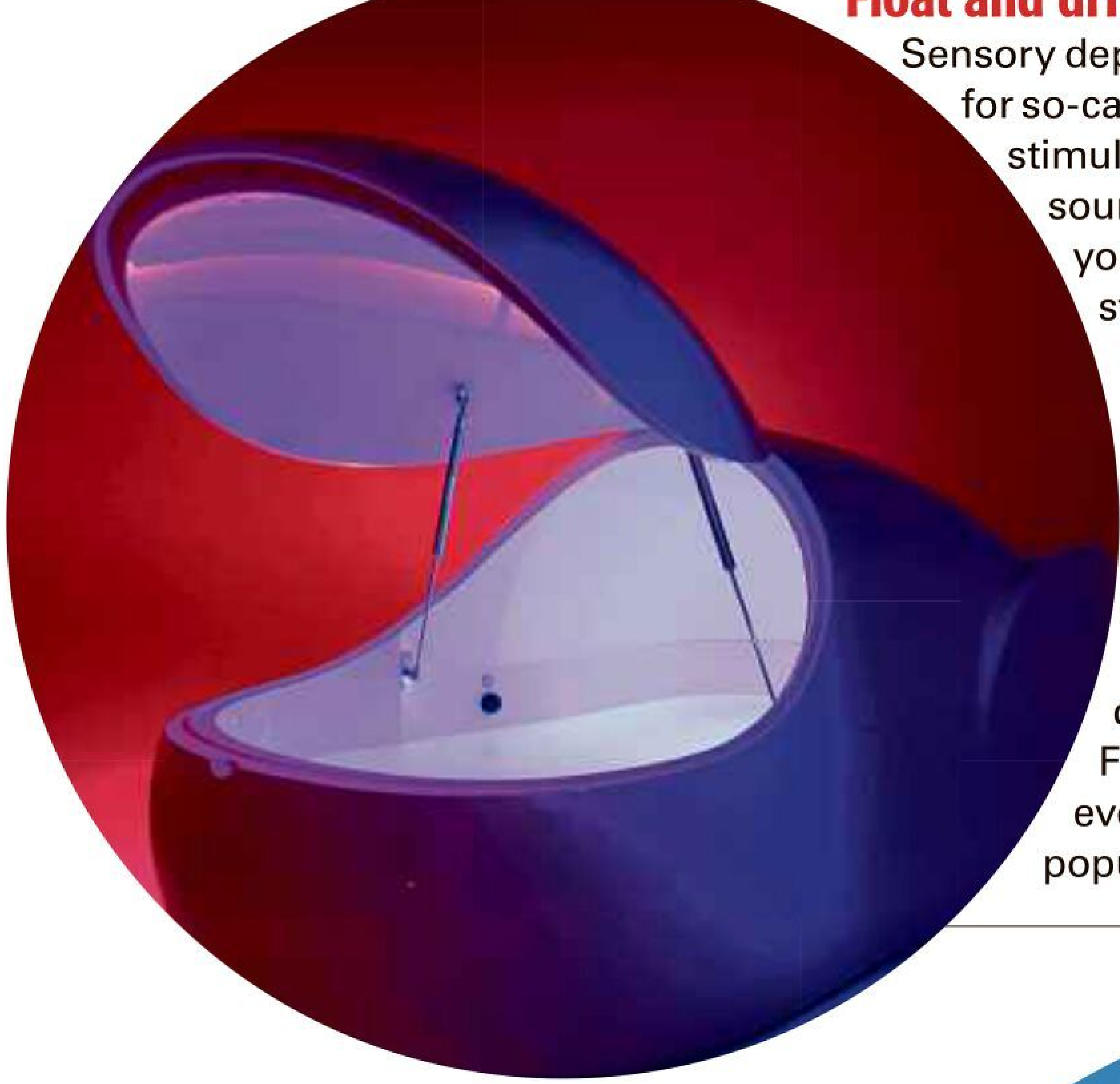
Old Rectory House, Ripple, Kent. A Grade II-listed Queen Anne former rectory with later additions. The house has a living room opening onto a conservatory with French doors leading onto the gardens. It has an enclosed kitchen garden with fruit cages, a greenhouse, a herb garden and a summer house. 4 beds, 3 baths, 3 receps, study, breakfast kitchen, garage, workshop, 1 acre. £1.25m. Bright & Bright 01304-374071.

Maryfield, High Street, Taplow, Buckinghamshire. A late 19th-century house extended in the 1920s to include a two-bedroom annexe. It has a study with bespoke oak panelling and a kitchen that opens onto an orangery. The large gardens include a walled kitchen garden, a summer house, an outdoor pavilion and an ornamental pond. 6 beds, 5 baths, 3 receps, gym, triple garage, 1.6 acres. £5.5m Hamptons International 01628-260322.

South East Farmhouse, Horsley, Northumberland. A restored Georgian house on the edge of a conservation village with views across the Tyne Valley. It retains its original shuttered sash windows, exposed ceiling beams and stonework, and has a garden room with French doors leading onto a decked terrace. The gardens include an orchard and a kitchen garden bordered by mature beech hedges. 4 beds, 3 baths, 3 receps,breakfast kitchen, study. £1.2m Finest Properties 01434-622234.

Bring the spa home

We've set up office in our houses, why not the means for recuperation too? Nicole Garcia Merida reports

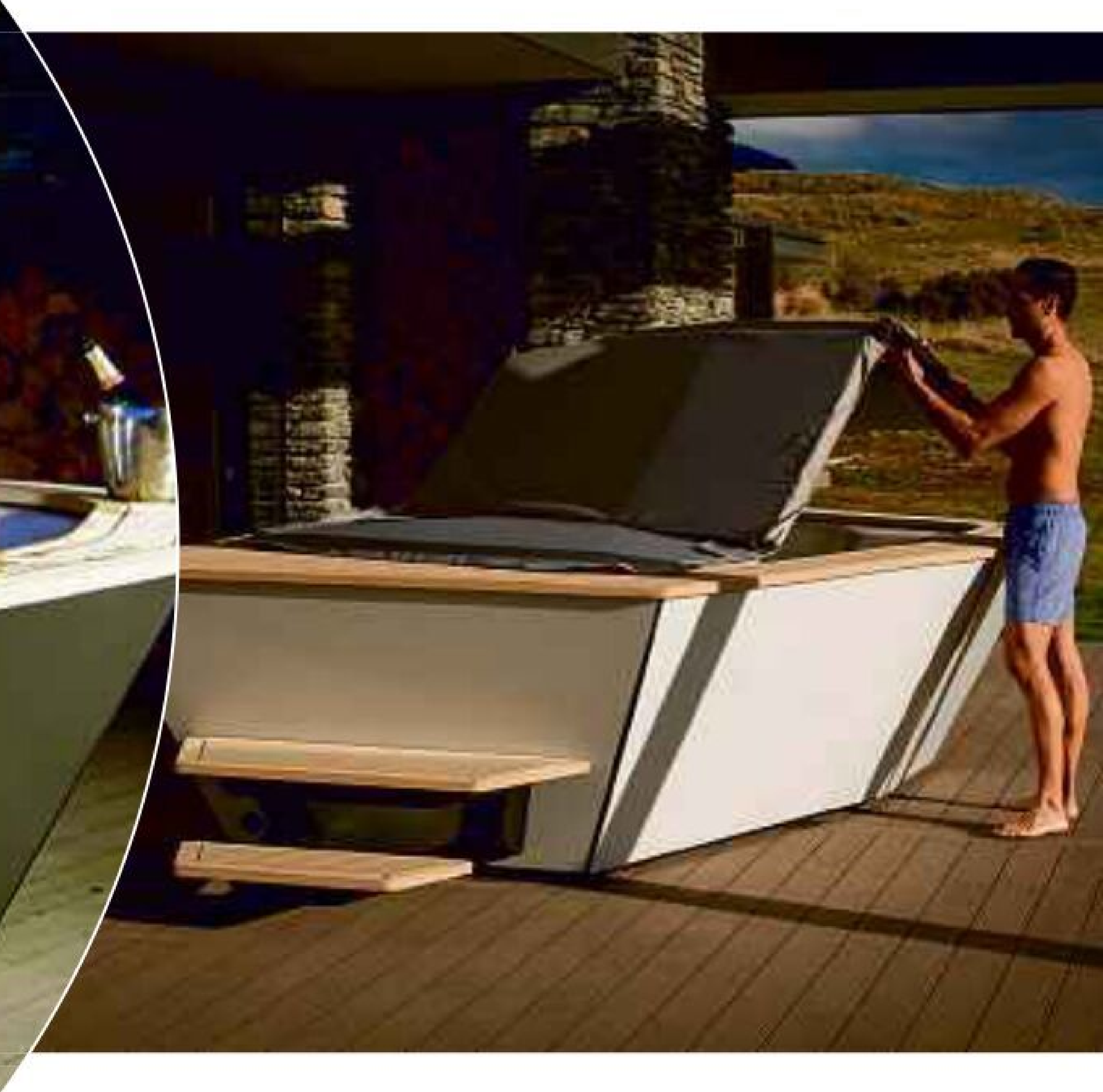


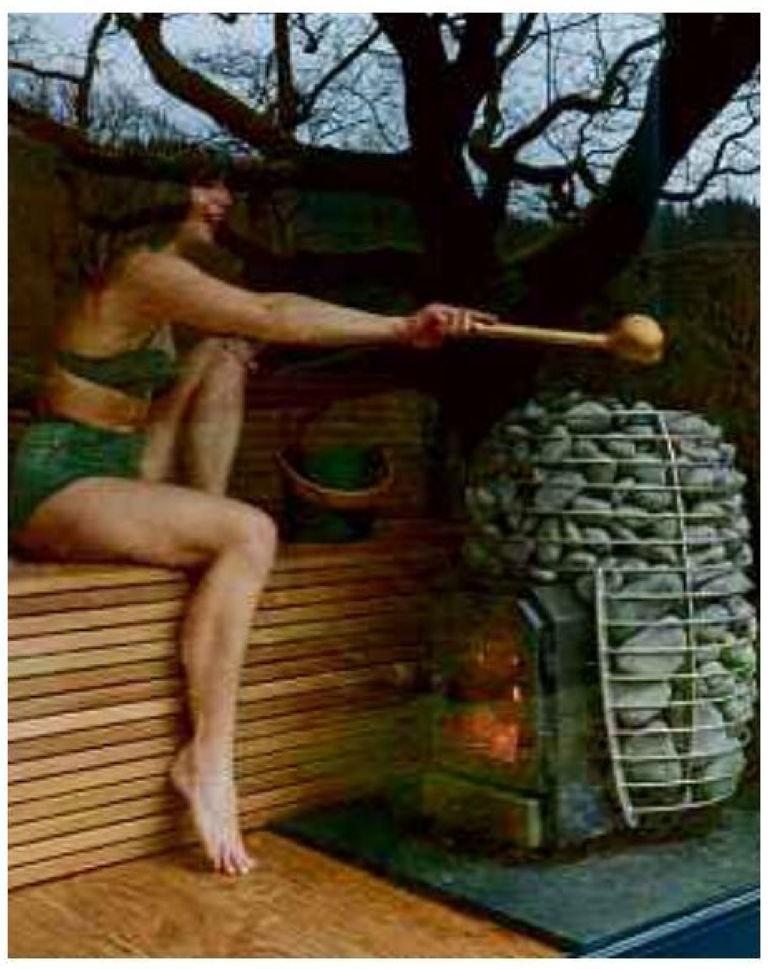
Float and drift away from your troubles

Sensory deprivation or flotation tanks are used for so-called "restricted environmental stimulation therapy", or REST. The dark, soundproof tank is filled with salt water, you climb in and float and drift into a state of deep relaxation. Studies have shown that flotation tanks can be beneficial in treating anxiety and stress, chronic pain and sleep troubles. Time in the tank also allows you to conserve large amounts of energy so you emerge restored and renewed. Some even claim it does wonders for creativity. Flotation centres are popping up everywhere as the therapy grows in popularity, but nothing beats having one all to yourself. The **flotation pods by i-sopod** are handmade in the UK and feature spacious, comfortable interiors and the latest filtration technology. *From £18,600, i-sopod.com.*

Ease pain with a hot tub

Hot-tub specialists Outdoor Living deliver supreme comfort and modern architecture to your backyard with the **Vortex Ikon Spa**. The deck surrounding the pool can accommodate people sunbathing and the tub itself has seating for up to six. There are 18 jets and multi-coloured LED mood lighting, all fully adjustable through a touchscreen interface or a smartphone app. There is a hard cover for protection when not in use. If you suffer with chronic pain, you might want to have an ice bath at the ready. "Contrast bath therapy" (jumping from really hot water into really cold water) can help improve circulation, decrease pain and muscle spasms, and increase range of motion. *From £18,999, outdoorlivinghottubs.co.uk.*





Get the blood flowing with a sauna

Saunas help you relax and can also deliver health benefits by increasing the rate of blood flow to the skin, according to research by Harvard Medical School. So sit back and relax in a spacious **Aire sauna** by Heartwood Saunas, knowing you're also doing wonders for your circulation. The sleek, modern cabin is designed with nature in mind, featuring a full-height glass wall so you can enjoy the views. You can cater for up to six people, and have it either wood-fired or electric heated. The overhanging porch area is large enough to accommodate a built-in shower, too. Relax in the heat for 15 to 20 minutes, and make sure you drink lots of water when you come out. *From £26,995, heartwoodsaunas.com.*

A new chapter in art history…

… or a ludicrous fad? How will history judge Beeple? Chris Carter reports

A fortnight ago, *Everydays: The First 5,000 Days*, the first purely digital artwork to be sold by a major auction house, fetched $69.3m. That was a high price indeed for a non-fungible token (NFT) – a concept so fresh that Christie's didn't even try to put an estimate on it. Never mind that that figure wasn't the $92.2m that a fusty old "masterwork" by Sandro Botticelli fetched in January. That painting had taken 500 years to get to that price, a new record for the Renaissance artist. Beeple's artwork, the NFT, took 25 days from its completion ("minting") to the moment the virtual hammer came down. Even Beeple, real name Mike Winkelmann, was shocked, as a video of the final moments of the online auction shows. Banksy must be kicking himself for having mostly stuck to walls.


©Getty Images
Damien Hirst: jumping on the NFT bandwagon

"The art dealer even turned his own grandmother into an NFT and sold her for a few grand"

That said, earlier this month the burning of an "original Banksy" was filmed so that it would live forever after in the digital realm only as an NFT. The work, entitled *Morons*, had previously been valued at $95,000, according to NME. The newly minted NFT sold for $382,000.

But is it art? And does it matter? "It took the world centuries to stop talking (and thinking) about the artiness of art and denigrate the discussion to the level of pure dollars – whereas the newly minted NFT space still hasn't got... around to the art part of the conversation since its inception," says art dealer a nd writer Kenny Schachter on Artnet News. Schachter boasts that he even turned his own grandmother into an NFT and "sold her for a few grand".

If NFTs prove to be a short-lived fad – a symptom of too many young people with too much time and too much money – then so be it. Traditional artists are cashing in now and it's giving the artists, particularly the younger ones, a platform from which to be noticed. Even established figures such as Damien Hirst are, as James Pickford puts it in the Financial Times, "planning to jump on the NFT bandwagon". Last week, Hirst revealed details of a "secret art project", called *The Currency*, to be sold later this year, which "challenges the concept of value through money and art". It will be based on 10,000 works of art on paper, made five years ago and stored in a vault, and created with the same technology as used by Beeple.

That's no surprise – Beeple's success almost defies comprehension. "It doesn't make any sense to me," says the BBC's art critic Will Gompertz. "But then nor did someone paying $450m to buy *Salvator Mundi* in 2017, an over-restored wreck of a painting that some… attribute to Leonardo da Vinci… *Everydays: The First 5,000 Days* will go down in history either as the moment before the short-lived cryptoart bubble burst, or as the first chapter in a new story of art." In a three-decade-long career, "I've never seen anything" stir things up so rapidly, says Schachter. "You ignore this movement (and it's nothing less) at your own expense. Trust me."

The most desirable collectables of 2020

Hermès handbags were the best-performing collectables of 2020 for the second year in a row, according to the latest edition of Knight Frank's The Wealth Report. The Hermès handbags sub-index of the Knight Frank Luxury Investment Index (KFLII), which tracks the prices of the designer fashion accessories, rose by 17%. A regular feature of auction sales, Hermès handbags benefited from a heightened "appetite for relatively affordable luxury pick-me-ups during the Covid-19 pandemic, particularly in Asia where many bag collectors are based", says Knight Frank's Andrew Shirley. The record-setting sale of the year took place in Hong Kong in November, where a Hermès Himalaya Niloticus Crocodile Retourné Kelly 2 handbag (pictured) sold for HK3.4m (£327,300) with Christie's.

Over the past ten years the sub-index has gained 108%. Fine wine finished the year in second place in the KFLII, rising 13% due in part to Bordeaux prices "firming up" despite the pandemic. The value of classic cars gained 6%, watches 5%, and collectable furniture 4% – all against an average of 3% for the KFLII. Indeed, the sub-index for rare whisky, the standout winner of the past decade with growth of 478%, fell by 4% in 2020, while art was by far the biggest loser of last year due to the pandemic-induced fall-off in auction sales, down 11%. However, sales of works by younger "red-chip" artists did better than most, particularly in Asia.


©Christie's Images Ltd 2021

A lockdown-driven splurge on things

The Sandro Botticelli (see left) and the Beeple artwork (pictured below) may seem "worlds apart", says Andrea Felsted on Bloomberg. "But their desirability is driven by similar factors… an undiminished appetite among wealthy collectors for prestige investments, as well as an influx of younger, tech-savvy buyers whom galleries and dealers have managed to reach online." These buyers have, to an extent, saved the art market despite the closure of art fairs and galleries. At $50.1bn, global sales of art and antiques in 2020 managed to avoid the $39.5bn previous low set in the aftermath of the financial crisis in 2009, according to a report for Art Basel and UBS Group. Global online sales rose to a record $12.4bn last year, double the value of 2019. Many collectors have seen their wealth rise during the various lockdowns, and "those with money to spare have splurged on things".


©Christie's Images Ltd 2021

The frenzy has spilled over into the "riskiest" and "wackiest" assets, including digital ephemera and media, cryptocurrencies, collectables such as trading cards and even trainers, says Erin Griffith in The New York Times. Artists Grimes and Steve Aoki made millions from their digital artwork, even before Beeple's headline-grabbing sale, while in the music world, US electronic DJ Justin Blau, known by his stage name 3lau, was "blown away" by the $11.7m he made selling NFTs related to one of his previously released albums. The reselling of collectable trainers has "exploded" on online platforms, such as StockX, and trading-card sales have taken off, too. One autographed card from 2000, featuring American football star Tom Brady, sold for a record $1.3m this month, while a similar card fetched half a million dollars in January. "Predicting when and how the party will end is anyone's guess."

The Mass Techxodus to Miami

Locked-down tech workers are fleeing the metropolis. They will soon be murmuring against their fate


The "tech bros" are looking for a more congenial home

©Alamy

> *"The median house sale price in Palm Beach, Miami, had already soared to $4.9m by the end of 2020, up 29% on the year"*

As some of my relatives found out the hard way, "if you believe that, I've got some Florida swampland I can sell you" is an expression poking fun at your credulity, not an offer of an attractive investment opportunity. Still, maybe my relatives weren't as crazy as I thought. The Covid-19 pandemic has led many tech leaders and Wall Street titans to leave New York and San Francisco for locations with "sun, lower taxes and more relaxed lockdowns", and the "most vocal" of these have come to Miami, says Nellie Bowles in The New York Times. Big names that have upped sticks include tech investor Peter Thiel, media mogul Bryan Goldberg and Paul Singer's Elliott Management; Goldman Sachs too is reportedly thinking about moving some operations there.

A glimpse of a post-virus future

Miami has always been a draw for the rich, of course, but the sheer scale of the money flowing into the city this time, a result of what some people are calling the "Mass Techxodus", is already starting to have a major impact on the property market. Indeed, in the upscale suburb Palm Beach, the median house sale price had already soared to $4.9m by the end of 2020, up 29% from a year earlier. Shutterstock's founder, for example, last year spent $43m on a 20,000-square-foot mansion with two docks that sold for $30m in 2013.

Some of these tech tycoons are also trying to transform the city in other ways, says Sean O'Kane on The Verge. Like most major American cities, Miami suffers from traffic congestion that generates "megatons of toxic gases and particulates". Elon Musk has offered to ease the pressure on the system by digging a two-mile tunnel under the city "for as little as $30m", just a "fraction of the $1bn price tag once quoted by local transit officials". Musk has also claimed that his firm, The Boring Company, could complete the job in six months – the original estimate was four years.

There is definitely an exodus under way from Silicon Valley, says Jacob Silverman in The New Republic, but the idea of Miami becoming a "new tech hub" seems more like an "awkward public relations campaign", led by a mayor obsessed with stunts such as talking about "paying city workers in bitcoin". Surveys suggest that most of the people leaving are simply moving to other parts of the Bay Area, or elsewhere in California; Miami doesn't even make the top 20 destinations for "moneyed tech workers". Besides, those moving may find out that they "don't care" for the "sticky Miami summer", its "dangerous hurricane season", or the "insurance rates that are rising in concert with the seas".

The "tech bros" will think again when the pandemic eases across the rest of the US and humidity hits 100% in August, agrees Josh Glancy in The Sunday Times. Still, "tacky, febrile and decadent" Miami is providing a glimpse of the "post-pandemic future" – it is "humming with party people, drinking, flirting and promenading as though the past year of social distancing never happened". It must make a nice change from California's "wildfires, mudslides, homelessness epidemic and debt-ridden, incompetent government".

Quintus Slide

Tabloid money... The gladiator who became a nurse

● "In a bold break with its tainted *Big Brother* past, Channel 4 has just filled a building with a bunch of fog-horning egomaniacs who are attempting to win *The Circle*'s £100,000 cat-fishing contest," says Ally Ross in The Sun. "Cat-fishing" means to create a fictitious identity for the sake of fooling people or defrauding them on social media, and this is pretty much the idea behind the reality TV show. The celebrity version ended recently with victory for singer Lady Leshurr, who was pretending to be chat-show host Big Narstie. The civilian line-up for the next series features someone who's arguably more famous than either – James Crossley (pictured), aka Hunter from 1990s TV show *Gladiators*. His strategy is to pretend to be a 31-year-old nurse. The logic is clinical. "Everyone loves nurses."

● "When Boris Johnson ordered a £900,000 red, white and blue makeover of the RAF-issue prime ministerial plane last year, some critics questioned why the taxpayer needed to cough up nearly £1m just so the PM could look like 'Austin Powers on tour'," says Andrew Pierce in the Daily Mail. The previously sombre grey military Voyager A330 had already been refitted in 2016, at a cost of £10m, to feature 58 business class-style seats. Downing Street boasts the spruced-up jet will better help the PM represent the UK. "But is it really value for money?" The plane has been used just once since its revamp last June. As foreign secretary in 2018, Johnson complained: "I don't know who uses it, but it never seems to be available". Now, we're asking the same question.

● "The end of the tax year has made me think about savings – or lack of them," says Alexandra Shulman, also in the Daily Mail. "So I've devised a new strategy." Whenever you don't buy something that you had been thinking of buying, make a log of the sum of money saved by avoiding that purchase. "I didn't buy a new face cleanser last week – £18 banked. Nor a coffee in the park – £2.50. Nor a tempting white ME+EM top – a further £160 banked. It only counts if you are about to press 'checkout' on a website or hand over the cash," otherwise it isn't really money saved. "Hopefully in a few months I will be able to see a huge pot of savings and then feel absolutely fine about spending it."

©Shutterstock

Bridge by Andrew Robson

A guaranteed slam

West found the helpful Club lead to East's eight. Winning the ten, declarer correctly eliminated Hearts. He crossed to the Ace, ruffed a Heart (with the Ace); he crossed to the eight of Spades and ruffed the last Heart (with the King). He cashed the Queen of Spades and was pleased to see the even split. Assuming West holds the King of Clubs, the slam is now guaranteed.

Dealer South — Neither side vulnerable

North
♠ 984
♥ AJ5
♦ KJ93
♣ A65

West
♠ 75
♥ Q973
♦ 42
♣ KJ942

East
♠ 62
♥ K10842
♦ Q1076
♣ 83

South
♠ AKQJ103
♥ 6
♦ A85
♣ Q107

The bidding

South	West	North	East
1♠	pass	2♦	pass
3♠	pass	5♠*	pass
6♠**	pass	pass	pass

* General slam invite.
** Clear to accept with such solid trumps.

Catering to all Diamond layouts, the correct play is to cross to the King of Diamonds, then lead a low one back. If the Queen or ten has appeared, you can win the Ace, whereupon a third round will set up a third trick for the Club discard. What if East follows low a second time?

Insert your eight (key play). On the actual layout, the eight wins and you are home. You would also be assured of your slam if the eight drew the Queen.

What is so alluring about this line is that you are also fine if the eight loses to the ten. If West has no more Diamonds, he will either have to lead a Club (around to your Queen), or a Heart (enabling you to ruff with dummy's last trump and discard the Club loser from hand. If West has a third Diamond (but not a fourth), then he can return it, but dummy's long Diamond will provide a discard for the Club. Finally, if West has a third and a fourth Diamond then he can return a (low) Diamond to your Ace, but the run of the trumps will squeeze him in the minors.

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

Sudoku 1044

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

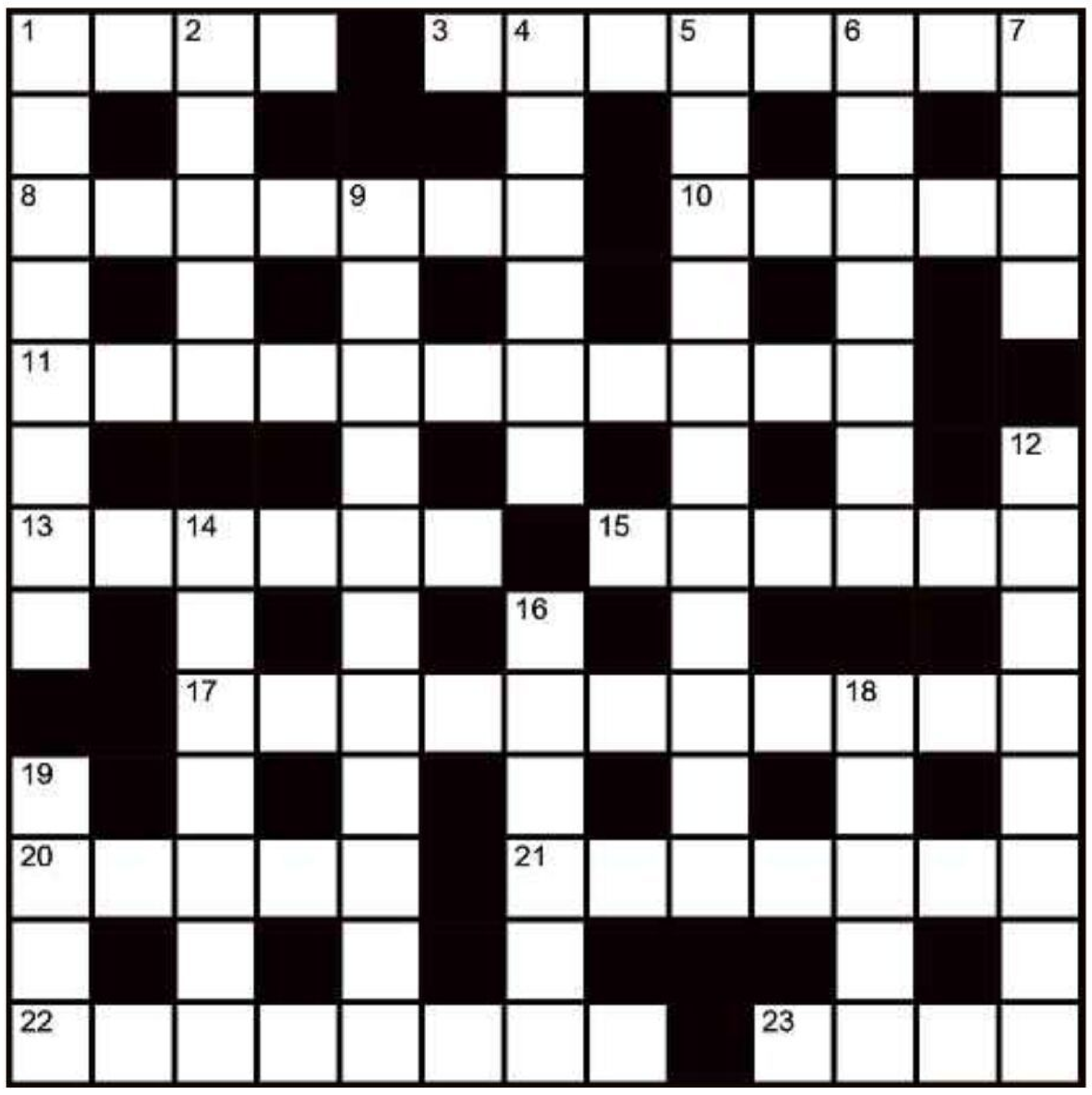
To complete MoneyWeek's Sudoku, fill in the squares in the grid so that every row and column and each of the nine 3x3 squares contain all the digits from one to nine. The answer to last week's puzzle is below.

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

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. 1044

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 5 April 2021. Answers to MoneyWeek's Quick Crossword No. 1044, 31-32 Alfred Place, London, WC1E 7DP.



Across clues are mildly cryptic whereas down clues are straight

ACROSS
1 Dutch liqueur brought back by a lazy type (4)
3 Vegetables coming from capital (8)
8 Where some journalists work now and again (2, 5)
10 Type of syrup man keeps first for porridge? (5)
11 Books from a top Goon? (4, 7)
13 Laboured field study (6)
15 Busy spouse works (6)
17 Print from PC? (11)
20 French river one's found in stories (5)
21 Moan about fool's drinking song (7)
22 Cockney's top quality viewpoint (3-5)
23 Cuts from a Welshman heard (4)

DOWN
1 Passenger's safety feature (8)
2 Swear-words (5)
4 Outcome (6)
5 English diarist, died 1703 (6, 5)
6 Lays open to view (7)
7 Garden store (4)
9 Outstanding example of creative work (11)
12 In addition to (2, 4, 2)
14 Collection of records (7)
16 One of the North American flycatchers (6)
18 Semi-precious stone (5)
19 Adhesive (4)

Name ....

Address ....

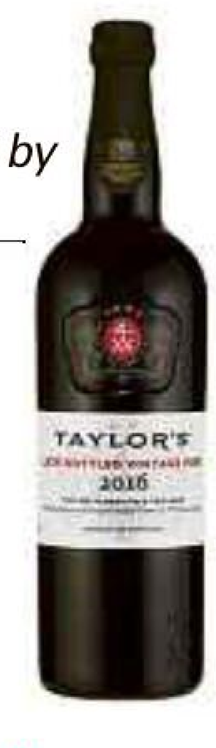
Solutions to 1042

Across **1** Durban *D + urban* **4** Rafter *r + after* **9** Nose job *knows job* **10** Class *+ lass* **11** Bantu *ban + TU* **12** Nut case *nut + case* **13** Standoffish *stand of fish* **18** Russets *anagram* **20** Tosca *to sca(n)* **22** Skate *two definitions* **23** Ingrate *in grate* **24** Scents *sounds like cents* **25** Sevens *s + evens.*

Down **1** Danube **2** Rosin **3** Adjourn **5** Ascot **6** Tea bags **7** Rasher **8** Abandon ship **14** To spare **15** Fatigue **16** Crisis **17** Caress **19** Eject **21** Suave.

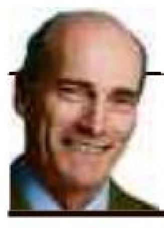
The winner of MoneyWeek Quick Crossword No. 1042 is: Valerie Ainsworth of Lincolnshire.

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



A readers' revolt

Our mail is full of complaints that we got Donald Trump wrong. Did we?



Bill Bonner
Columnist

There was a lot of bluster, but very little action

Your columnist does not often find himself at odds with his readers. But there are times. This does not bother us. After all, if our views were in sync with popular opinion, there would be no reason for us to write at all. Sometimes readers warn us that if we don't moderate our views we will lose our readers. We remind them of the campaign slogan we came up with when we considered – briefly and mischievously – a political career: "Too rich to steal; too dumb to lie".

In all the years we have been writing, our dear readers have turned against us thrice – once when we warned that the dotcom bubble would pop; again when the US invaded Iraq and we foresaw disaster; and finally when we took against Donald Trump. At first, we didn't know what to think. Brash, bombastic, Trump sounded stupid. But was that just an act? We didn't know. Later, as his administration took shape, we became more critical.

Trade wars were always a waste of time. Lowering interest rates – as he bullied the Federal Reserve to do – would lead to even more debt. Increasing the Pentagon budget was the last thing we needed to do. The tax cut was a fraud; without a cut in federal spending, it merely shifted the burden of government into the future. Higher deficits, more spending, time-wasting distractions, foolish squabbles… Hardly a day went by that the Trump Team didn't do something moronic. Readers didn't appreciate our remarks.

> *"Growth rates in Trump's reign were the lowest since the Great Depression"*

Almost every day for four years, readers wrote to proclaim their disgust and disappointment. We "didn't understand," they said. We were "out of touch".

Maybe we were right about Trump. Maybe we were wrong. But his defenders are still many… and still upset with us. The proximate cause of their latest ire was our commentary on GDP growth rates. Presidents have very little influence over growth rates. Whatever they do, it tends to show up in future growth rates, not their own. And since what they do is mostly harmful to growth – regulation, borrowing, printing – growth rates tend to decline over time, as they have during the entire 21st century. Still, the fact remains that the average growth rate in Trump's four years was the lowest since the Great Depression.

A reader objected that this took no account of the exceptional circumstances related to the Covid-19 lockdowns. Those lockdowns, let us not forget, were a choice and imposed by the government. But still, even if we take out 2020, and just judge The Donald on the first three glorious years of his reign, he presided over an annualised GDP growth rate of 1.8%. This is the lowest of all presidents stretching back to Truman – the worst in more than 50 years. Good? Bad? You decide. But no miracle worker.

The bottom line

$93m How much bitcoin you would have to buy to move the cryptocurrency price higher by 1% in dollar terms, analysts at Bank of America estimate. The equivalent figure for gold is 20 times higher at around $2bn.

€50m The cost of a proposed three-year experiment examining the feasibility of a four-day working week in Spain that has received government support. Under the scheme, 200 participating companies would receive partial reimbursements for any costs incurred in cutting hours.

188 The annual percentage increase in claims made to insurer Aviva relating to damaged and stolen hot tubs last year, when the garden accessories surged in popularity during lockdowns. Individual claims ranged from a "few hundred pounds" to around £9,000.

€2m The cost of repairing the Bayeux Tapestry. Patrick Gomont, the mayor of Bayeux, in Normandy, has suggested that Britain foots the bill for the 18-month repair work in return for a two-year loan when its museum closes for refurbishment in 2024.

£40,500 The price of a Tesla Model 3, Britain's best-selling electric car of the past year. From last Thursday, it no longer qualifies for the "Tesla subsidy" after the upper price limit for the government's £2,500 (previously £3,000) electric-car grant to encourage uptake fell from £50,000 to £35,000.

£28,000 The price of a week's stay at Kirtlington Park, Oxfordshire, for which up to 16 guests will be given the run of the 18th-century mansion. Actress Elizabeth Taylor (pictured) once attempted to get its previous owner, Christopher Buxton, to sell it by "inviting him for a night alone on her yacht" in the Mediterranean, says The Times. Buxton "grudgingly" declined.

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

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

Founder: Jolyon Connell

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

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

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

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

ISSN: 1472-2062