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MONEYWEEK

MAKE IT, KEEP IT, SPEND IT

8 DECEMBER 2023 | ISSUE 1185

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MoneyWeek

8 December 2023 | Issue 1185

Britain's best-selling financial magazine

From the editor...

We are sometimes asked what our most successful idea has been since the magazine's inception in 2000. The answer is gold. We first started looking at it in 2001, and I remember the price crossing the $300 an ounce mark in the spring of 2002.

In September that year, for our 96th edition, we featured it on the cover, noting that "in the face of dollar weakness and America's fast-rising money supply, gold has begun to reclaim its natural position as a financial hedge in troubled times". *Plus ça change.*

Gold is the only asset to have been in a structural bull market since we first decided we liked it. And at that stage, times appeared far from troubled. Stockmarket analysts, spoilt by the years of plenty before the dotcom bubble burst, were still insisting that we should buy the dips, not realising that the tide had turned and a multi-year bear market was in progress.

Beyond the mainstream

The same analysts could not conceive of a sustainable upswing in gold, which had been in a bear market since the early 1980s. As far as most commentators were concerned, central banks, especially the US Federal Reserve, had steadied the ship by slashing interest rates, pre-empting a potentially nasty downturn. There was no need for the barbarous relic.

China's younger generation has discovered the yellow metal

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"The ability to think in terms of structural shifts, not merely cyclical changes, is crucial"

But reading beyond the mainstream press soon brought us into contact with more thoughtful and long-termist writers (some of whom we met through Bill Bonner's Daily Reckoning). The ability to think in terms of structural shifts, not merely cyclical changes, is crucial to successful investing.

More sceptical and inquiring analysts were beginning to wonder whether unusually loose monetary policy was storing up trouble by encouraging reckless borrowing and a credit bubble a few years ahead, for instance. Many of these people were dismissed as frothing loonies who lived in caves with only baked beans and gold bars for company.

But the gold market had rightly sniffed out trouble ahead, which is exactly what it is supposed to do. It is the financial manifestation of that uneasy feeling that we have left the window open or the door unlocked. It is best to listen to it. Everything the gold bugs fretted about came to pass, and central banks' reaction to the credit bubble bursting (and, later, the advent of the pandemic) was just more of the same, compounding monetary dysfunction and its ramifications.

And there is still a great deal to worry about. Call it a "deep sense of global unease", as the World Gold Council's chief market strategist John Reade puts it; Nouriel Roubini, Dr Doom, talks of a "confluence of calamities" (see page 19).

Gold's role as a form of insurance that is uncorrelated with other assets remains the best reason to hold it (see page 5), although there are other bullish factors – stagflation, evidence of higher demand from consumers in emerging markets (reports suggest the younger generation in China has discovered the value of a portfolio hedge) and hopes that real interest rates are on the way down. Central banks in the developing world are also diversifying their reserves.

Add it all up, and this Christmas keeping 10% of your portfolio in gold should allay any lingering sense of unease that Matthew Jukes' wines haven't already dispelled (see page 32).

Andrew Van Sickle
editor@moneyweek.com

Chilled by freezing order

Isabel dos Santos (pictured), Africa's first female billionaire and the daughter of Angola's former president, José Eduardo dos Santos, is fighting an application to freeze up to £580m of her assets, including a £21m property in London, at the High Court, says Sam Tobin for Reuters. Dos Santos is the subject of a legal complaint from Angolan telecoms operator Unitel over loans made to Dutch company Unitel International Holdings (UIH) in 2012 and 2013 when she was a director of the company. The loans were never repaid and around £300m is outstanding, according to Unitel. Dos Santos says Unitel is responsible for UIH's inability to repay the loans, because of the role she claims the company played in Angola's unlawful seizure of UIH's assets. She also claims to be the victim of a "campaign of oppression" by the African country, whose president, João Lourenço, took over from her father in 2017, ending the latter's 38-year rule.

Cover illustration: Adam Stower. Photos: Getty Images; Harvey Nichols

Good week for:

Former deputy prime minister **Nick Clegg** has this year cashed in $7m-worth of shares in Meta Platforms, the owner of Facebook, Instagram and WhatsApp, where he is currently president of global affairs, says The Sunday Times. The shares trade at around $320, having fallen to as low as $100 a share last winter.

Images of **European culture** were the most popular choice, in a survey of 23,000 people by Kantar Public, to replace ones of architectural styles as the motif on euro banknotes from 2026, says Les Echos. Rivers and birds came second. The current notes, which have been in circulation since 2002, will also be "safer, more efficient and more durable", the European Central Bank said.

Bad week for:

"Furious" **locals in Dover** have "condemned" the district council for demolishing a building that had featured a £1m mural by the anonymous graffiti artist Banksy, says The Sun. The mural of a star being chiselled off a European flag had appeared in 2017. It was mysteriously whitewashed overnight in 2019, then elements of it were restored before the building was knocked down anyway. An art restorer is now attempting to piece it together again.

A class action lawsuit has been filed in Florida, calling for damages exceeding $1bn from Portuguese footballer **Cristiano Ronaldo** (pictured), says CNN. Ronaldo is accused of having promoted the sale of non-fungible tokens (NFTs), including some featuring himself, through crypto exchange Binance. Those who bought the NFTs from the exchange have suffered losses. The sale of unregistered securities is illegal in the US.

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The net-zero juggernaut rolls on

The latest climate conference is but a footnote to real-world trends. Emily Hohler reports

"Hosting a climate conference in a petrostate sounds like the beginning of a bad joke, but there are signs that it could deliver real progress," says Justin Rowlatt on the BBC. The United Arab Emirates hosts are optimistic that COP28 is on the brink of committing to phasing down or even "ditching" fossil fuels. It is what more than half of the 200 countries attending COP28 say they want, and what Sultan al-Jaber, president of COP28 and head of UAE state oil company Adnoc, says he wants – even as Adnoc sets aside $150bn for expansion in the next five years. Such an agreement would be "one of the most significant events in the history of humanity", according to Al Gore, former US vice-president and advocate for action on climate change.

Such a commitment cannot come too soon. Burning fossil fuels is by far the biggest contributor to global warning and scientists warn that the world is going in the "wrong direction", says Adam Vaughan in The Times. The Global Carbon Budget says that annual carbon emissions from coal, oil and gas hit 37.5 billion tonnes this year, having risen at an average rate of around 1% a year since 2010. Emissions need to fall by almost 50% in the next seven years to have "any hope" of meeting the Paris accord of limiting the global temperature rise to 1.5˚C above pre-industrial levels, says Attracta Mooney in the Financial Times. Finance to bridge the gap between the developed and developing world has been a key focus of COP28. The UN says $125trn of climate investment will be needed by 2050 to meet the 1.5˚C goal, but money is "not being invested in the developing world at the pace and scale needed".

The talking heads have been overtaken by events

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The arms race for green tech

"Technology and geo-economic reality are already moving faster than the COP curriculum can keep up," says Ambrose Evans-Pritchard in The Telegraph. Whether we keep temperatures from rising above 1.5˚C depends on the "arms race for clean-tech dominance between the US and China", not what is said in Dubai, which foments division between the West and a "victim category" of developing countries. A recent paper by the World Bank and Europe's leading universities finds that the rate of uptake and falling costs of solar, wind and batteries has been "so relentless" that a mix of those technologies is already cheaper than new coal in most places and will become "massively" more so.

This is largely driven by China's desire to have cheap, secure power, and leverage its advantage in clean tech. The US is responding with $2trn of "manufacturing rearmament" because it realises that clean tech is the "economic prize of our time". There is huge progress on other fronts – electric vehicles, green hydrogen, bioidentical animal products. Nuclear fusion at competitive cost may not be as far off as people think. COP kick-started the process, but the baton has been passed. With each year, it is more clearly "a venue for vested interests – Big Oil, Industrial Meat, Old Auto… trying to slow down the post-carbon juggernaut". It should "stick to scientific reports" and helping nations at the "sharp end of climate change".

Net-zero emissions is only a "crucial first step", says Jan Zalasiewicz in The Conversation. "Delicately balanced planetary machinery" of regular variations in the Earth's spin and orbit has "tightly controlled" temperature patterns for millions of years. This has suddenly been "overridden" by a trillion ton injection of carbon dioxide into the atmosphere in a very brief period. To "retrieve the kind of climate optimal" for life on Earth, "negative emissions are needed". That means taking carbon "out of the atmosphere and ocean system" and putting it back underground.

Cleverly: a man with a plan

©Getty Images

Government seeks to cut net migration

The government has unveiled measures aimed at cutting record net migration by 300,000, say Joshua Nevett and Paul Seddon on the BBC. Home secretary James Cleverly's five-point plan includes hiking the minimum salary requirement for skilled overseas workers from £26,200 to £38,700 and the minimum income for dependants from £18,600 to the same level. Care workers will no longer be allowed to bring family dependants with them to the UK and the 20% discount applied to the minimum salary for workers looking for a visa for occupations with shortages of workers will be axed. The graduate visa route is to be reviewed to "prevent abuse".

Cleverly also signed a new asylum deal with Rwanda on Tuesday, says Anna Gross in the Financial Times. He said that the treaty "addressed" the issues raised by the Supreme Court and saw no "credible reason" why it would be blocked again. The Rwanda plan is a "key pillar" of Rishi Sunak's "stop the boats" policy, designed to convince voters that his government is taking a hard line on illegal entry to Britain. Polls suggest migration has become one of the top three concerns for voters ahead of a 2024 general election. The bill looked unlikely to be presented to Parliament before Thursday (after MoneyWeek went to press) amid "wrangling" in government over how tough it should be, says Charles Hymas in The Telegraph.

Business, which continues to report difficulty filling vacancies, has "not welcomed the new measures", says The Economist. Most of those 300,000 will be dependants and students, not workers, but it will still "tighten the labour market at the margins". Higher salary requirements are likely to benefit firms in London and the south east. Despite these complaints, these are "sensible measures", says the Daily Mail. "With a million job vacancies in this country" – and the claimant count rising to 1.57 million in October – "it's time to train up home-grown staff".

The legacy of Henry Kissinger

His death marks the end of an era. Matthew Partridge reports

Henry Kissinger, who died last week at the age of 100, was "one of the most prominent and controversial figures" in 20th-century US foreign policy, says Martin Pengelly in The Guardian. He served as president Richard Nixon's secretary of state and Gerald Ford's national security adviser, and "remained influential" after his time in office thanks in part to his geopolitical consultancy and his authorship of books on international affairs. He advised a dozen presidents and won a shared Nobel prize for negotiating the end to the Vietnam war. The obituaries examining his legacy were as divided as he was divisive in life – some praised him as "a brilliant statesman, a master diplomat, an exponent of power politics deployed to the benefit of America"; for others he was a war criminal with a "contempt for human rights".

Kissinger: a master diplomat with a prodigious mind

©Getty Images

Making the world safe for US dominance

Kissinger's advice led to many mistakes, not least the "ferocious US bombing of neutral Cambodia" during the Vietnam war, which was the context for the rise of the "barbaric" Khmer Rouge, says The Times. He also played a role in encouraging Pinochet's overthrow of Allende in Chile, abandoning the Iraqi Kurds to Saddam Hussein, and condoning violent repressions by US allies such as Pakistan and Indonesia. But there was usually a broader geopolitical strategy at play, and without Kissinger there would have been "no Nixon visit to China, no breakthrough in detente with Soviet Russia, and no peace treaty between Egypt and Israel". Through his "hard-nosed negotiations and manipulative control of the US foreign-policy machine", the world was made "a better and safer place for several subsequent decades".

In short, it was often Kissinger's "prodigious mind" behind the events that helped cement and protect America's position as the global superpower in the 20th century, exemplified by the fact that he arranged Nixon's visit to China, "which wrong-footed the Soviet Union and helped China gradually to move towards economic liberalisation", says Charles Moore in The Telegraph. His advice, both in and out of office, provided an antidote to the tendency of Western politicians to be "swayed by the… public mood", even if it did underplay "people's wishes for a better and freer life" and conceded "too much to hostile nations (such as China and Russia) whose power he overrated".

China and Russia mourn their old friend

Indeed, China and Russia's rulers seem to have been more keen to celebrate Kissinger's legacy than many in the US, says James Politi in the Financial Times. US president Joe Biden praised Kissinger's "fierce intellect and profound strategic focus", but his statement was "brief and hardly laden with praise". In contrast, Russia's Vladimir Putin called him a "wise and far-sighted statesman"; and Beijing heaped "unstinting" praise on the late diplomat, who Xi Jinping called an "old friend" of China. Indeed, the influence of Kissinger's ideas has been "waning" in the US for quite some time, says The New York Times. As Chinese policy turns more aggressive, the Kissingerian policy of "engagement" has been replaced with one of "wariness". Kissinger's death marks the "end of an era" in US-Sino relations.

Venezuela claims a chunk of oil-rich Guyana

Venezuela's government claimed an "overwhelming victory" in a referendum on its claim to the Essequibo region of neighbouring Guyana, the site of one of "the world's biggest recent oil discoveries", says the Financial Times.

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Guyana denounced the vote as a "pretext for annexation" and accused Caracas of "preparing a military build-up" to enforce the referendum's outcome. In a speech on Tuesday, Venezuela's president Nicolás Maduro (pictured) ordered state companies to exploit oil deposits and mines in the territory run by Guyana, announced the formation of a special military unit, and ordered the publication of new maps showing Essequibo as part of its territory. Any conflict between the two nations would represent a new crisis for the US, which is seeking a rapprochement with Maduro to secure oil supplies.

Observers and opposition politicians say the referendum was more of an attempt by Maduro to buoy domestic support as the country prepares for elections next year, yet Intelligence collected by Guyana and its allies suggest the actual turnout was fewer than 1.5 million people – less than a tenth of the population – yet more confirmation that Maduro's support has been faltering in recent years, says Catherine Ellis in The Spectator.

Military action would probably be self-defeating, as it would push the US to reimpose the sanctions it has only just eased on the oil, gas and gold-mining sectors. But it would not be wise to be complacent about the likelihood of military action – history tells us that "an autocratic leader facing declining support can end up making reckless decisions".

Betting on politics

Ongoing legal woes aside, Donald Trump seems to have solidified his status as the favourite to re-enter the White House in 2025. With £7.12m matched on Betfair, Trump is at 2.54 (39.3%) with Joe Biden back at 3.2 (31.3%).

Trump's former ambassador to the United Nations, Nikki Haley, is at 11 (9.1%), and California governor Gavin Newson is at 15.5 (6.4%). Vice-president Kamala Harris is out at 50 (2%) in the same place as Ron DeSantis, with both behind fringe candidates Robert F. Kennedy Jr at 30 (3.3%) and even Michelle Obama at 38 (2.6%).

I remain sceptical that Trump will ever return to the White House. Even if he manages to get around his legal problems, his increasingly (even for him) extreme rhetoric puts him at risk of saying something that even his supporters can't laugh off. Throw in his age, which is starting to show, and the fact that he is more unpopular with the country than Biden, and I feel that the markets are massively overestimating his chances of winning.

One thing that could throw a spanner in Trump's momentum is the Iowa caucuses in mid-January. With £76,892 matched on Betfair, Trump is at 1.07 (93.4%) to win.

While he is clearly the favourite given his 20% lead in the polls, the odds are a bit too tight given the state has a reputation for last-minute surprises. I'd therefore lay (bet against) him winning at 1.11, which is equivalent to betting on him not to win at 10.09 (9.9%).

One thing that is definitely not going to happen is for Trump to somehow become president before the end of 2024. So you should definitely take the 1.12 (89.29%) on him not becoming president before 2025 on Smarkets (unless you took my advice to bet on this earlier).

Bloomfield

Healthcare deals: Connecticut-based healthcare insurer Cigna is in talks to merge with US rival Humana to create a $140bn health insurance giant, reinvigorating a lacklustre acquisition market, says The Wall Street Journal. The deal, expected to be finalised by the end of December, would marry Cigna's strength in commercial insurance and its pharmacy unit with Humana's prominent position in Medicare. Competition concerns and high interest rates have discouraged tie-ups in the insurance sector and the US government has indicated that it would scrutinise acquisitions in the healthcare market. Cigna is mulling selling its Medicare Advantage business to assuage regulatory concerns, while Humana said in February it would sell its commercial business to focus on its Medicare unit. The federal health insurance programme, which rewards doctors keeping patients healthy, curtailing spiralling hospital costs, is driving a new spate of deals in the industry, says Lex in the Financial Times. The merger would follow CVS Health's recent acquisition of home-care provider Signify Health and primary care provider Oak Street Health for $20bn, while Amazon spent $3.9bn on One Medical in February. The share prices of companies with a large Medicare business, such as UnitedHealth and Humana, have outperformed their peers, but investors should be aware that the market dominance of Cigna and Humana would bring regulatory scrutiny.

New York

IBM makes a quantum leap: Tech giant IBM has unveiled two new quantum computers, says Karmela Padavic-Callaghan in New Scientist. These have the potential vastly to outperform even the best "conventional" supercomputers in the future. Unlike conventional computers, which encode information in binary "bits" of ones or zeros, quantum computers store information in quantum bits – or "qubits". A "qubit" allows for the ones and zeros to be both at the same time – a property known as "quantum superposition".

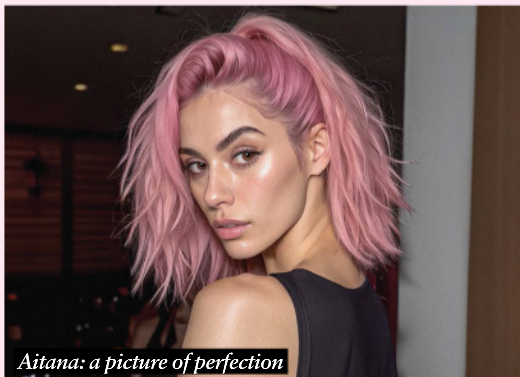
That means, as Dario Gil (pictured), IBM's director of research, explained to CBS, that a quantum computer could solve a problem in minutes that would take a conventional supercomputer millions of years, if it were able to solve the problem at all. The snag is something called "crosstalk" – the unintended interactions between qubits that result in errors and make the computers unreliable. Condor, the bigger of the two, is only the second ever to have a total number of qubits in the four figures (1,121), while the other, Heron, is IBM's least error-prone to date. Meanwhile, IBM and Meta Platforms have launched an alliance of more than 50 artificial-intelligence (AI) companies and research institutions aimed at promoting an "open" model of AI, whereby data and code are shared.

Basel

Roche snaps up Carmot: Swiss pharma Roche has agreed to buy anti-obesity drug developer Carmot Therapeutics for $3.1bn, says Donato Paolo Mancini in the Financial Times. Roche will gain access to a series of assets based on glucagon-like peptide 1 (GLP-1) agonists (a substance designed to produce a response in the body), which were developed to help control blood-sugar levels in people with diabetes. They are the same GLP-1s that underpin Novo Nordisk's weight-loss drug Wegovy. Roche will pay Carmot's shareholders an initial $2.7bn and a further $400m, depending on certain targets being met.

The takeover is part of a broader "charge" in the pharmaceuticals industry to develop new weight-loss drugs, a market predicted to be worth $140bn in coming years. However, the high prices of the drugs mean insurers and governments have hitherto been "resistant" to covering the costs, says Robert Cyran on Breakingviews. Increasing competition in the market may be one way to overcome that problem, just until the public becomes convinced of the long-term benefits of weight-loss drugs. After all, it took decades for contraception to take off and now two-thirds of women in the US use it. Lowering prices will "more rapidly bring about both medical and economic benefits".

The way we live now... the AI model upstaging real-life influencers


Aitana: a picture of perfection

©The Clueless

Aitana Lopez is a model born out of necessity. Last summer, Rubén Cruz, a designer and founder of Barcelona-based modelling agency The Clueless, "was going through a rough patch, because he didn't have many clients", says Laura Llach on Euronews. So, he used artificial intelligence (AI) to create Aitana, an exuberant 25-year-old woman with pink hair and a penchant for Japanese pop culture and fitness. "We did it so that we could make a better living and not be dependent on other people… who just want to make a lot of money by posing," says Cruz. The agency used to work with real influencers, but found the sums they were demanding "anomalous". "Kim Kardashian makes a million euros for an Instagram photo and she doesn't cure cancer," he says. In an average month, Aitana earns €3,000 (£2,570), but the virtual model can earn up to €10,000. An advertisement featuring her costs €1,000 and she has recently become the face of Big, a sports supplement firm. Her tens of thousands of followers on social media can even pay to receive images of Aitana in her lingerie. Critics complain about the pressure to look perfect. Yet The Clueless has been inundated with requests from brands to have their own AI models.

©Getty Images

Reading

Leaky plumbing: "Turning around Thames [Water] will take time," say Cathryn Ross and Alastair Cochran, the interim bosses at Britain's biggest privatised water monopoly. The company's 15 million households in London and the Thames Valley have heard it all before, says Nils Pratley in The Guardian. Meanwhile, an "entertaining" row has erupted over whether £500m of new equity is really a loan. "It's probably equity for practical purposes, but the parent still looks grossly overborrowed." Then, there's the £750m due from shareholders – mostly pension and sovereign wealth funds – within the currently five-year regulatory period that ends in 2025, and the £2.5bn to follow. Shareholders have attached "enormous conditionality" to that support by demanding the regulator, Ofwat, put in place a regulatory framework that will allow them to earn a decent return on their investment. That could be tricky. The proposed 40% increase in customers' bills "does not look like a slam-dunk" and Ofwat can't be seen to be letting "Thames's owners off the hook". The regulator also wants to see justification for a £37.5m dividend paid to an entity within the group's "elaborate corporate structure". There may well be a showdown, but there is a limit to what Ofwat "can credibly offer without rewarding failure". "Thames's future is murky."

Thames Water's finances need plugging

©Alamy

Hong Kong

Evergrande given reprieve: A court hearing into a petition to wind up China Evergrande has been postponed until January, giving the world's most indebted property developer more time to finalise a debt-restructuring plan, says Lex in the Financial Times. The breathing space lifted the shares by 9% on Monday, but they still trade at 99% below their 2017 peak. Offshore creditors, such as TopShine Global, which brought the petition, have shown "little enthusiasm" for the debt-restructuring proposals, and with good reason. The plans are likely to entail a "brutal haircut". Beyond that, prospects for the developer with $300bn in liabilities "look bleak". But Beijing needs offshore creditors to come onside to avoid social unrest. An estimated 1.5 million buyers have paid for their unfinished homes; homes that probably won't be finished if Evergrande is liquidated. A restructuring would also alleviate pressure to support state-owned banks exposed to a property sector that had accounted for a quarter of economic activity before 2022.

Credit-rating agency Moody's has only now downgraded China's outlook, says Chan Ka Sing on Breakingviews. At least it has done so ahead of a "slew of important planning sessions where Beijing will set the policy agenda for the coming year". Acknowledgement of the problem is a start even if Beijing's plans for a fix with only "moderate costs" for the public sector is a little like "[pulling] a rabbit out of a hat".

New Delhi

Modi celebrates election results: India's stockmarket surged to new highs this week after the ruling BJP party of prime minister Narendra Modi (pictured) won three key state elections ahead of general elections next year, says Ashutosh Joshi on Bloomberg. Inflows by retail and foreign investors have put the world's fifth biggest stockmarket "on the verge of a $4trn valuation". India's benchmark NSE Nifty 50 index jumped 2.1% on Monday and it is now up 14% this year in what is set to be an "unprecedented eighth straight year of gains". The electoral victories have raised hopes that Modi will win his third consecutive term in May, removing an element of political risk, says Pranav Kiran on Breakingviews. And although state polls are "an imperfect predictor of how Indians will vote in a general election", those "buying into the India story are in a mood to focus on the positives". India has also beaten expectations with 7.6% annual GDP growth in the July to the end of the September quarter, fears of a US recession are receding (good news for emerging-market assets), and the country is also benefiting from global investors' increasing hesitancy about China. Confidence may be high, says Joshi. The risk now is that the market is overvalued.

Jakarta

TikTok taps Indonesia: Social-media platform TikTok is to invest in Indonesia's Tokopedia, an online marketplace owned by GoTo, in a bid to resurrect its online shopping presence in Southeast Asia's most populous country and biggest economy, says Bloomberg. TikTok suspended its online-retail operation, TikTok Shop, in October when the Indonesian government demanded TikTok split its shopping feature from its popular video-streaming service to appease local sellers. The rumoured tie-up with Tokopedia, if approved by regulators, would have the added potential benefit of helping TikTok's Chinese owner, ByteDance, to navigate regulatory rules in other regional markets, such as Malaysia, where the company has also faced criticism. With 119 million users, six million sellers and nearly seven million content creators, Indonesia was an important market for TikTok Shop and the company was always expected to make a return, says DealStreetAsia. It would also help TikTok to re-engage with consumers before it loses them to rivals for good and to avoid steep acquisition costs in the future, while "collaborating with home-grown players may lead to better government relations", notes Niko Margaronis of BRI Danareksa Sekuritas, an Indonesian financial services firm.

A boost for Britain's business investment

The UK fell behind in the investment necessary for growth. That is about to change, says Simon Wilson

Hunt is to be credited with a serious attempt to tackle the UK's woeful investment record

©Getty Images

What is "business investment"?

It's the money spent by corporations on the physical assets – equipment, machinery, buildings – and non-physical assets – software and other intellectual property – that are essential to producing goods or services. Higher levels of business investment (known by economists as private-sector "gross fixed capital formation") are widely viewed as central to driving innovation and technological progress, fostering growth and economic stability, and creating high-quality, well-paying jobs over the long run. That's a view shared by Rishi Sunak, who placed the need to increase business investment right at the centre of his economic agenda for the UK (in his Mais lecture at Bayes Business School, as chancellor in February 2022). The UK's levels of investment are exceptionally low compared with similar countries. Here, business investment stands at around 10% of GDP, compared with an average of 14% for the rest of the G7 (America, Germany, Japan, France, Canada and Italy). Indeed, according to an analysis by the IPPR think tank, published in June, business investment is now lower in the UK than in any other country in the G7, and 27th out of 30 OECD countries, ahead of only Poland, Luxembourg and Greece.

Is this a new problem?

Things got worse following the financial crisis, and got much worse after the 2016 Brexit vote. According to an International Monetary Fund paper published in July ("Enhancing Business Investment in the United Kingdom"), trends in business investment levels have been a key driver of UK growth – and now stagnation – since 1990. In the years before the financial crisis, investment was robust, helping drive the UK's relatively strong economic performance compared with other G7 nations. But it collapsed in 2008-2010, and has never fully recovered. The level of investment did rise between 2010 and 2016, but the rise was sluggish, falling behind other advanced economies, and it levelled off following the Brexit vote, which led to a sustained period of uncertainty for businesses and unusual political turbulence. Then, during Covid, business investment in the UK again failed to keep pace with its peers and (on IMF figures) settled at a slightly lower level in 2022 than in 2016. By comparison, other G7 economies saw a 14% increase on average during this period.

What's the economic impact?

Lower productivity and lower growth. According to Jonathan Haskel, an academic economist and external member of the Bank of England's rate-setting monetary policy committee, the hit to business investment as a result of Britain's decision to leave the EU is around £29bn. That's about 1.3% of GDP. But although the UK's investment problem has worsened since 2016, it predates the Brexit-era instability. According to analysis in a recent London School of Economics report (by Paul Brandily and others), if UK business investment had kept up with the average of France, Germany and the US since 2008 – implying just over 2% of GDP additional investment each year – our GDP would be nearly 4% higher today, enough to raise average wages by around £1,250 a year. And the IPPR, in its report, calculated that if the UK had maintained its position in 2005 – around the average of the G7 – the private sector would have invested an extra £354bn in real terms since then.

What can the government do?

There are many factors that underpin investment decisions – and which help to explain the UK's lagging performance – ranging from macro-economic and political uncertainty, to borrowing costs, access to finance, and firms' and investors' expectations of future profitability. In Jeremy Hunt's Autumn Statement last month, the government deserves some credit for at last putting forward a "serious attempt" to tackle the UK's lacklustre investment record, says Helen Thomas in the Financial Times. Crucially, Hunt made permanent the "full expensing" tax break, which allows businesses to deduct 100% of plant and machinery costs upfront from their taxable profits. The move aligns government policy with the long-term planning of companies, and at a stroke "catapults the UK towards the head of the pack in terms of OECD capital allowances". But what's still missing is a whole-hearted recognition that "industrial policy is back".

What does that mean?

The UK has historically been averse to "picking winners" – the notion that industrial strategy involves "anointing" companies as national champions worthy of government largesses, says Thomas. In the UK, there have been 11 different industrial strategies or growth plans since 2010, and a succession of Conservative governments with wildly different ideas on their value. This "hodge podge" of plans, or the lack of them, has resulted in "failing to pick anything at all" – a situation that's increasingly out of step with the US and EU. In recent decades, the UK has been in thrall to the idea that public investment will crowd out business investment. In fact, according to the IPPR's paper ("Now is the time to confront UK's investment-phobia"), there is strong evidence that "higher public investment is a core component of enabling private investment, and raising GDP. Public investment can 'crowd in' private if it fosters expectations of areas of future growth and profit for firms".

What policies should we pursue?

Calmer relations with the EU (following the Windsor Framework on Northern Ireland) will help reduce Brexit-related uncertainty, and should be built on further to increase confidence in the UK, argues the IMF's business investment paper. Second, the acceleration of well-targeted public investments (for example in the green transition, and healthcare infrastructures) would help lower costs of businesses and "crowd in" private investment. Third, the government could work on ways to unlock pensions and insurance savings, giving firms access to external finance, ideally in the form of equity capital. Government (ONS) data from 2022 put the financial assets of UK pension funds and insurance firms at about £5trn, or around twice the country's annual GDP. Fourth, the government should improve incentives to invest in research and development, along with improved capital investment allowances and measures to alleviate skills shortages, in order to "address market failures and fuel expansion in new industries and technologies". Boosting business investment might not be sufficient to arrest the UK's economic decline. But it will certainly be necessary.

Beefing up the body

The pharmaceutical sector is making great strides against autoimmune diseases – ailments that include multiple sclerosis and type-1 diabetes. Dr Mike Tubbs explains how investors can capture the growth

The world's second best-selling drug in 2022 was AbbVie's Humira. It is designed to treat rheumatoid arthritis, a progressive disease that causes stiffness, swelling and pain in the joints as well as symptoms such as a lack of energy. Rheumatoid arthritis is an autoimmune disease caused by an overactive immune system attacking and damaging the body's own tissues.

Psoriasis is another serious autoimmune disease, in which patches of scaly skin appear on the scalp, elbows and knees. In very serious cases, it can cover a large proportion of the body. Psoriasis carries the risk of psoriatic arthritis, where the joints become painful, swollen and stiff. Other serious autoimmune diseases include multiple sclerosis (MS), type-1 diabetes, inflammatory bowel diseases (IBD, which include Crohn's disease and ulcerative colitis) and lupus (which causes joint pain and rashes on skin exposed to the sun).

MS is a potentially disabling disease caused by the immune system attacking the outer sheath of nerve fibres and interrupting communication between the brain and other parts of the body. In advanced cases patients lose the ability to walk. There are also rarer autoimmune diseases such as myasthenia gravis, which causes weakness in the muscles of the eye, face and mouth, causing blurred vision and difficulties chewing and speaking.

There are over 80 autoimmune diseases in total, with symptoms ranging from relatively minor to totally disabling. About 10% of people globally suffer from autoimmune diseases: 13% of women and 7% of men. Healthcare market research group iHealthcareAnalyst predicts the global market for drugs to treat autoimmune diseases will grow to $185bn by 2029, with the US accounting for half the total.

Leaders in the field

In 2022 almost 25% of the top-50 best-selling drugs in the world were for various autoimmune diseases. All boasted sales of more than $2.3bn per year. These 12 autoimmune drugs are: AbbVie's Humira, with sales of $21.2bn (rheumatoid arthritis); Johnson & Johnson's (J&J) Stelara, $9.7bn (psoriasis, psoriatic arthritis and IBD); Roche's Ocrevus, $5.8bn (for MS); and AbbVie's Skyrizi, $5.2bn (psoriasis and psoriatic arthritis).

Then there is Novartis's Cosentyx, with sales of $4.8bn (psoriasis and psoriatic arthritis); Amgen's Enbrel, $4.1bn (psoriasis, rheumatoid arthritis and psoriatic arthritis; Bristol-Myers Squibb's Orencia, $3.5bn (rheumatoid arthritis); Johnson & Johnson's Tremfya, $2.7bn (psoriasis); Roche's Actemra, $2.6bn (rheumatoid arthritis); AbbVie's Rinvoq, $2.5bn (rheumatoid arthritis, psoriatic arthritis, dermatitis and Crohn's disease); Eli Lilly's Taltz, $2.5bn (psoriasis and psoriatic arthritis); and J&J's Remicade, $2.3bn (rheumatoid arthritis, psoriasis, and Crohn's disease).

"In 2022 almost 25% of the world's top-selling drugs were for these illnesses"

AbbVie's Skyrizi and Rinvoq, Novartis's Cosentyx, J&J's Tremfya, Lilly's Taltz and Roche's Ocrevus were all approved within the last eight years. Looking at sales growth for these six drugs, we find that AbbVie predicts sales of $21bn in 2027 for Skyrizi and Rinvoq together. Novartis expects Cosentyx's sales to grow by 4% per year to 2026, but a comparison reported by drug database drugs.com suggests that Taltz is more successful at treating psoriasis than Cosentyx. Taltz increased sales by 16% in the year to July 2023; Tremfya's sales were up by 18% in the same time frame. Ocrevus is likely to be the leading MS drug by 2030 with annual sales of $6.3bn.

The 12 drugs mentioned earlier had total sales of $67.1bn in 2022, to which Humira contributed 32%. Humira was first approved by America's Food and Drug Administration (FDA) in 2002. Its patents expire in 2023 in the US, its largest market, and this will allow other companies to bring similar drugs to market late this year. This opens opportunities for biopharmaceutical companies to develop new patentable rheumatoid arthritis drugs with advantages over Humira.

However, AbbVie's Skyrizi and Rinvoq are well placed to be leading successors to Humira. The seven big pharma companies responsible for these 12 drugs are the main players in treatments for autoimmune diseases and just five of these firms have had top-50 drugs approved within the last eight years.

Promising pipelines

We now look at the new drug pipelines of the five biopharma groups mentioned above with approved autoimmune drugs to see what new late-stage drugs they are developing to treat autoimmune diseases.

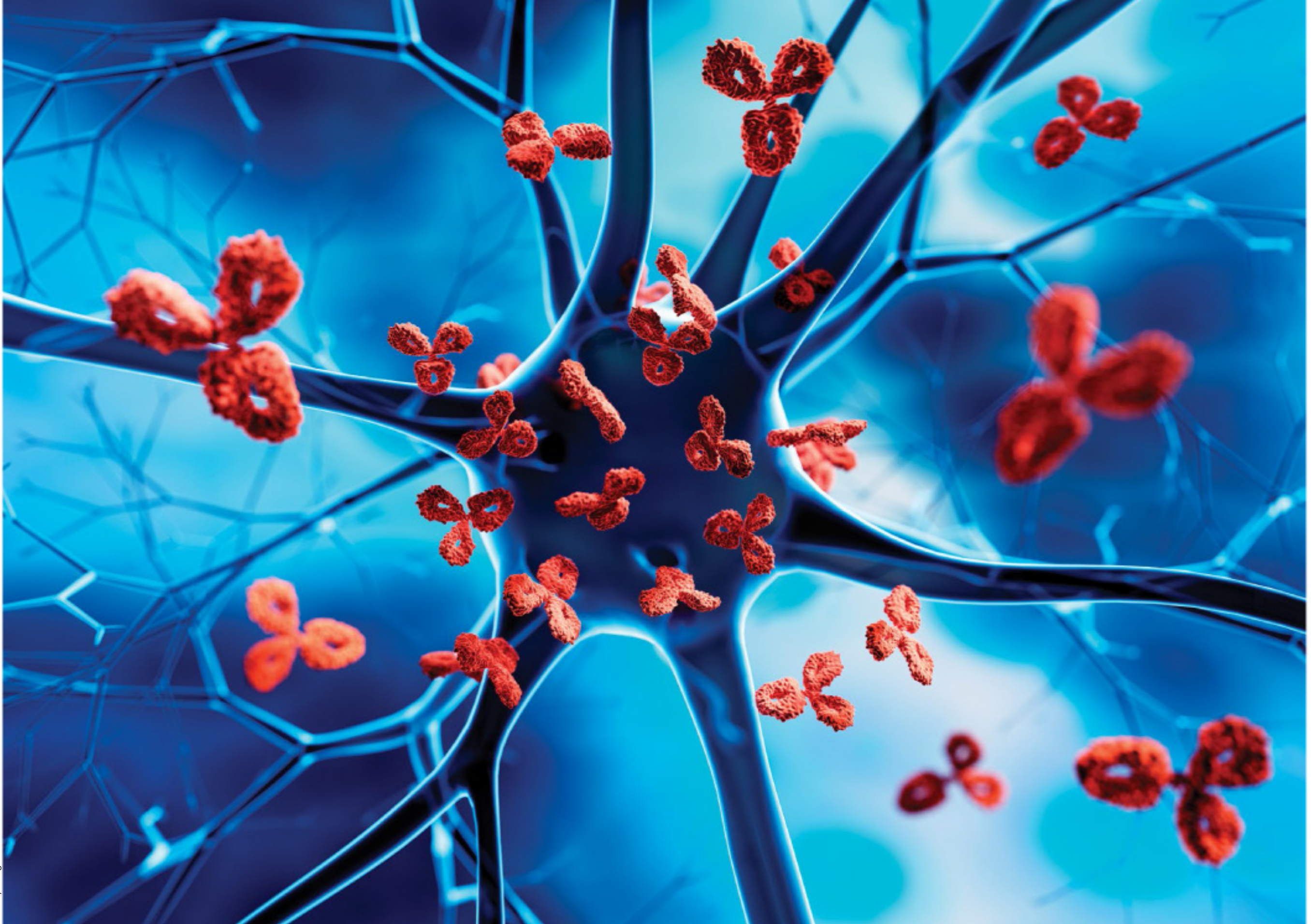
The average probability of successfully completing a Phase-III clinical trial (the final stage of clinical trials) is 70%. But for Phase II this figure falls to 30%. So an early Phase II drug has only a 21% chance of successfully exiting Phase III. We will therefore concentrate on drugs for autoimmune diseases already in Phase-III trials, which are those most likely to gain regulatory approval.

AbbVie has five Phase-III trials in progress to expand the number of approved indications for Skyrizi and Rinvoq, along with three Phase-II trials of other drugs. Novartis has three Phase-III trials to expand the approved indications for Cosentyx, two new drugs in Phase-III trials and nine in Phase II. J&J has six Phase-III trials to expand indications for Tremfya, three new drugs in Phase-III trials and four in Phase II. Lilly has two new drugs in Phase III and three in Phase II. Roche has three new drugs in Phase III and two in Phase II.

Oncology drugs form a large proportion of the pipelines for all five companies. Indeed, 14 of the best-selling drugs of 2022 were for various forms of cancer. Oncology is an important area where global sales of cancer drugs are expected to rise from $156bn in 2022 to $272bn in 2030 (representing a compound annual growth rate of 7.2%). AbbVie has 24 compounds for oncology in its pipeline, Novartis has 11, J&J 24, Lilly 12 and Roche more than 70. But pipeline drug numbers do not tell the whole story, since some drugs are likely to have much greater sales potential than others.

Evaluate Pharma, which tracks forecasts, has usefully ranked pharmaceutical companies by the estimated total value of their pipelines. This ranking places Lilly in first place with a pipeline net present value (NPV) of $45.6bn, Roche second with $22bn, Novartis sixth with $13bn and both J&J and AbbVie in tenth place with $5bn. Lilly has a strong position by virtue of promising drugs such as Donanemab for Alzheimer's and Mounjaro (tirzepatide) for obesity.

In addition to the big pharma companies already mentioned, there are smaller biotech companies with pipeline drugs for autoimmune diseases. One example is Arcutis Biotherapeutics, which has one approved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Autoimmune diseases are triggered by the body's defence system attacking its host

drug, Zoryve (roflumilast) cream, for plaque psoriasis and other roflumilast products for dermatitis. Immunic Therapeutics has IMU-838 in Phase III for relapsing MS and in Phase II for progressive MS. Both Arcutis (with a market value of $185m) and Immunic ($53m) are currently loss-making and at too early a stage for most investors to consider.

Where investors should look now

We now examine the investment potential of the big pharma companies discussed above. AbbVie has a strong position in autoimmune drugs with Skyrizi, recently approved by the FDA for plaque psoriasis and psoriatic arthritis, and Rinvoq, FDA approved for rheumatoid arthritis, psoriatic arthritis, ulcerative colitis and Crohn's disease. Both have advantages over Humira.

In the second quarter, both companies saw sales expand by more than 50% year on year. Humira's sales were still more than $4bn, but sales growth has slowed as generic competitors have been launched.

The key question is whether sales of Skyrizi and Rinvoq will grow fast enough to offset the expected decline in Humira's revenue. AbbVie's pipeline is stocked with potential drugs for oncology, neuroscience, cosmetic surgery (thanks to its acquisition of Allergan, which makes Botox) and eyecare. The company is strong in neuroscience and blood cancer but only invests 13.7% of revenue in research and development (R&D), although this has helped it develop new drugs such as Skyrizi, Rinvoq and other blockbusters (drugs with yearly sales of more than $1bn).

Lilly and Roche have the most valuable pipelines and both have reputations for innovation. Lilly invested a very high 27.6% of sales in R&D over the past 12 months, with Roche close behind at 27.4%. To put these figures in perspective, Pfizer invests only 14.7% of sales in R&D. Novartis with 21.8%, and J&J with 15.8%, lie between Pfizer and Lilly. Lilly is relatively risky for a big pharma company since by the end of the next ten years roughly half of its projected sales are expected to stem from Mounjaro (a treatment for weight loss and diabetes) and Donanemab (for early Alzheimer's). In both cases, sales growth projections are highly uncertain.

Roche has a lower risk profile since it is a leader in oncology drugs and has a strong diagnostics division (accounting for 24% of sales). Novartis has recently spun-off its generic division, Sandoz, to concentrate on innovative medicines, but faces a patent "cliff" starting in 2026. It is also behind Roche in oncology therapeutics.

Johnson & Johnson is the world's largest and most diverse healthcare firm, with three divisions: pharmaceuticals, comprising 53% of sales; medical devices and diagnostics; and its "consumer" arm. J&J invests 15.8% of overall sales in R&D, but this figure needs to be qualified by saying that the medical devices and consumer fields typically have much lower R&D/sales ratios than pharmaceuticals. J&J has 14 blockbuster drugs on the market, and in immunology, has three drugs in the global top 50, with three Phase-III trials and four in Phase II.

AbbVie's trailing price/earnings (p/e) ratio is a high 38 and the forward dividend yield is 4.5%. Lilly's p/e is a very high 108 and the forward dividend yield a mere 0.8%. Roche's p/e is a reasonable 17.2 and the forward dividend yield 4%. The p/e is 28.5 and the forward dividend yield is 3.1%.

Conservative investors looking for a reasonable p/e and a worthwhile dividend yield of 4% are likely to favour **Roche (Zurich: ROG)**. It has a strong position in oncology and immunology. It boasts drugs such as Ocrevus for MS (expected to be the leading MS drug by 2030) and Actemra for rheumatoid arthritis.

AbbVie (NYSE: ABBV) also offers a high forward dividend yield of 4.5%, with a strong position in immunology backed up by treatments in neurology, oncology and aesthetics. **J&J (NYSE: JNJ)** has a p/e between AbbVie and Roche and a somewhat lower dividend yield of 3.1%, but its dividend has been raised every year for more than 60 years. **Eli Lilly (NYSE: LLY)** is a higher-risk/higher-reward option.

"Roche trades on a reasonable 17 times earnings and yields 4%"

Start on your tax return

Self-assessment can be complicated. Here are some errors to avoid

Ruth Jackson-Kirby
Money columnist

It's tax season again. You have until 31 January 2024 to file your return online for the 2022-2023 tax year. Miss the deadline and you'll pay a £100 fine even if you don't owe any tax. The deadline for paying your tax for the 2022-2023 tax year is also 31 January. If you are more than 30 days late paying, HMRC will charge you 5% interest on your bill.

Don't leave it until the last minute. If you need any help, the HMRC helpline is notoriously slow, with the average caller waiting more than 12 minutes to get through. If you think you don't need to fill in a tax return anymore, don't assume you can simply not bother. You have to contact HMRC to check. If they agree that you needn't file a return, they will remove you from the system. Fail to do this and you could face a fine.

Rules for high earners

High earners still need to file a return by the end of January. The rules are changing so anyone earning over £100,000 won't have to automatically fill in a tax return, but the change doesn't come in until next April.

"Don't forget to report property gains… again," warns Mike Warburton in The Telegraph. If you had made a taxable gain on a residential property sale, then you will have had to report it to HMRC within 60 days of completion and pay the capital gains tax due. Anyone who had problems doing this online may have reported it via letter or a property form (the PPD-CGT form). "Confusingly, this system operates independently of self-assessment so you must now repeat the information in the capital gains tax section of the return," says Warburton. "Taxpayers must then hope HMRC will match it up with the payment made."

Taxable gains on residential property must be declared to HMRC

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Make sure you declare all your income. It's easy to focus on your employment or self-employment income only but you also need to include taxable income from rent, capital gains, and dividends. Now ensure you are making the most of your tax-free allowances. "For instance, if you're a higher-rate or additional-rate taxpayer you could take advantage of tax relief on charitable donations, as well as tax relief on pension contributions," says Matthew Jenkin in Which.

Be careful with your pension contributions for the year. The annual allowance means you can pay in up to £40,000 or equal to your salary, whichever is lowest, in the 2022-2023 tax year. Any more than that and you'll have to pay a tax charge.

"With the additional complications of the high-income allowance taper and carry forward exemptions for unused allowance, it is easy to calculate the wrong amount for your tax return," says Warburton. If in doubt get help from an accountant or call HMRC on 0300-200 3310.

If you receive child benefit and you or your partner earn more than £50,000 don't forget to pay the high-income child benefit charge via your tax return. You need to pay back 1% of the child benefit for every £100 of income between £50,000 and £60,000.

Cash in on cashback credit

Put all your purchases on a cashback credit card this Christmas and you could turn gift shopping into a nice little earner. Be aware, though, that the interest rates on cashback credit cards are high. So make sure you can pay your balance in full each month. American Express tends to be top of the tables for a range of rewards, but you'll often have to pay a fee to unlock the best rates. The American Express Platinum Cashback Everyday card pays 0.5% on spending up to £10,000 a year. Then the rate increases to 1% cashback. You'll also get 5% cashback for the first three months – capped at £100. Or you can pay a £25 annual fee for the Amex Platinum Cashback card and earn 0.75% cashback up to £10,000 and 1.25% above that.

But Amex isn't accepted everywhere. Halifax and Lloyds Bank's World Elite Mastercards pay 0.5% cashback on spending of up to £15,000 a month, then 1% above that. You also get access to 1,300 airport lounges worldwide and airport security fast track. They charge £15 a month so you'll need to spend at least £3,000 a month to make it pay. If you don't meet the criteria for the World Elite cards, Halifax and Lloyds have a standard cashback card where you can earn 0.25% on purchases up to £4,000 a year, then 0.5% on spending above that. These cards are fee-free but charge 22.9% APR. Santander's All in One credit card pays 0.5% cashback and has a 15-month interest-free period on purchases. But it has a £3 monthly fee.

Pocket money... HMRC comes after crypto investors

● HMRC is warning investors in cryptocurrency that "they need to come clean about unpaid tax amid concerns that more than half of them do not know that they could be liable over their gains," warns Lily Russell-Jones in The Times.

You can disclose any unpaid taxes on cryptocurrency assets such as bitcoin via the Gov.uk website. "As ownership of crypto assets tends to be concentrated among young adults, much of this non-compliance may stem from people simply not knowing or understanding their tax obligations," Dawn Register from accountancy firm BDO told the paper. If you sell cryptocurrency, exchange it for a different currency or use it to pay for something this is classed as a disposal and could be liable for capital gains tax. If you receive cryptocurrency as a salary, it is subject to national insurance contributions and income tax.

● Keep an eye on insurance policies that auto-renew each year. Make sure you couldn't get a better price elsewhere, and consider whether you still need the policy. Miles Brignall in The Guardian gives the example of an elderly couple who paid out £5,000 over 20 years to insure a Sky set-top box that became obsolete seven years before their son spotted the problem and cancelled the policy.

"I think my parents thought they were insuring their Sky set-top box against it breaking down. That might have been the case back in 2002… however these were phased out in 2016… [So] there was no point in insuring it, but that hasn't stopped the company [taking] its premiums," Neil Allcock told The Guardian.

● People are accepting an average discount of £18,000 on their property asking price as higher mortgage rates and increased supply have created a buyers' market. Data from Zoopla shows that in the first half of last month, sellers accepted the biggest gap – 5.5% on average – between asking and sales prices since 2018, says Martha Muir in the Financial Times. Sales are rising, with volumes up by an annual 15% in November.

"Sellers are putting more homes on the market, boosting buyer choice but also their negotiating power. Mortgaged homeowners are also coming under pressure due to higher borrowing costs, with arrears creeping up."

The drawdown dilemma

You will need to tread carefully to find the option that suits you best

David Prosser
Business columnist

Drawdown plans have become the default option for pension savers moving into their retirement years. But plans vary enormously, and the pension company with which you are currently saving may not offer the best deal as you start taking an income. It is therefore vital that all savers spend some time considering their options.

Firstly, the basics. Once upon a time, most savers used their pension funds to buy an annuity on retirement. This offered a guaranteed regular income for life but locked you in at the prevailing market annuity rates when you made your purchase. A drawdown plan, by contrast, enables you to take an income directly from your pension fund, which you can leave invested, hopefully to grow further. But you must manage the plan carefully to avoid running out of money later in life.

There are several issues to consider as you pick a drawdown provider. Cost is hugely important – the more you pay in charges, the quicker your savings will dwindle. Consumers' group Which says the difference between the cheapest and most expensive drawdown plans for a £250,000 pension is £12,300 in charges over a 20-year period.

Apples and oranges

However, comparing drawdown costs is not always straightforward since different providers structure their fees in different ways. You will typically pay an annual fee – a fixed cash sum or a percentage of your pension fund – for the drawdown plan itself; this is described as an administration or platform charge.

In addition, you will pay fees on the funds in which you invest, as well as trading fees when you change investments. And there may be additional charges for one-off services: anything from adding funds to your account to making a tax-free lump sum withdrawal. Getting to grips with drawdown charges can therefore be tricky. But there are other issues to consider too. For example, drawdown providers offer a range of different investment options. Some may only let you put your savings into a narrow range of funds. Others offer a broader choice – a wider fund range, for example, but also access to individual shares and other asset classes. That may be important to you.

You need a provider that won't muck things up

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Similarly, some providers are more restrictive than others on how often you can make withdrawals from your savings and how much you can withdraw. Again, depending on your individual requirements and circumstances, this may be a crucial issue to take into account.

Finally, don't overlook the question of customer service. It is likely that your drawdown plan will generate a large chunk of the income you rely on later in life, so you need a provider that won't muck things up – and which is good at responding to any problems or requests you have. Customer service can be subjective, but don't discount this issue when shopping around.

Given all these factors, which providers offer the best drawdown plans? New research just published by The Times picks out four in particular. First, it points to Vanguard, the US investment firm, which launched a very cheap drawdown deal a few years ago. It has proved to be a good-value option, though it comes with limited investment choices.

For a wider range but still competitive charges, The Times picks out stockbroker AJ Bell. It also recommends Interactive Investor's plan, which is very easy to manage online, and Aviva's drawdown product, which is praised for good levels of customer service.

In practice, however, you need to make your choice according to the criteria that are most important to you. And if you are anxious about the decision, take independent financial advice. The cost will be money well spent if it helps you make the right decision about how to manage your savings for decades to come.

Create your own "pot for life"

Pension industry professionals are getting excited about the "pot for life" reforms mooted in last month's Autumn Statement. Chancellor Jeremy Hunt wants to change the law so that employees have a legal right to make pension contributions into an existing pension, rather than into the plan run by their employers.

The idea is to make saving simpler for people, avoiding the current situation whereby savers end up with multiple pensions because they start a new plan each time they changed jobs.

However, while the proposal comes with good intentions – not least to reduce the number of people who lose track of bits of their savings and are therefore worse off in retirement – experts have some big reservations. They worry about the technology needed to deliver the idea. And they argue that it may give employers less incentive to offer superior pensions as a tool for recruitment and retention.

The arguments will continue as the chancellor consults on how to introduce these reforms. But in the meantime, it's worth pointing out that you can create your own "pot for life" by transferring your savings from one employer-run scheme to the next each time you change job.

Petty cash... give your children a pension

● Struggling for inspiration for the children or grandchildren this Christmas? Maybe you should pay into a pension plan for them. Junior pensions offer the same range of generous tax breaks as other types of private pension plan and can be invested to deliver substantial returns over the long term. They can only be opened by a parent or guardian, but once they're up and running, anyone can pay into them. Just bear in mind that the maximum total annual contribution is £3,600.

● Documents published after the Autumn Statement indicate the government has had a rethink on changing the tax rules that apply if you pass on pension benefits to your heirs. Currently, most such bequests do not give rise to an inheritance-tax (IHT) charge, but initial proposals to abolish the lifetime allowance (LTA) on pension savings, published earlier this year, had included provisions to make more bequests taxable. Now, however, that idea appears to have been scrapped, though advisers warn there is further small-print to come.

● Boots has become the latest big company to offload its pension liabilities. It is paying Legal & General £4.8bn to take responsibility for future pension payments to its 53,000 occupational pension scheme members. This is the latest in a string of such deals. The transactions do not affect members' pension rights but do mean they are now exposed to the fortunes of a different pension scheme sponsor.

Ride the recovery in insurance

Lancashire Holdings will profit from higher prices for its policies, while the cheap shares yield 6.4%

Rupert Hargreaves
Investment columnist

Insurance is not a good business. Most insurers lose money on an underwriting basis (the difference between premiums paid by customers and money paid out to cover losses). Most rely heavily on income from investment portfolios to cover losses from underwriting and help them remain profitable and solvent.

An important figure to understand is the combined ratio. It gives investors an instant idea of a firm's profitability on an underwriting basis. The figure is calculated by adding losses paid out and operating expenses, divided by earned premiums from underwriting. A ratio above 100% shows the firm is profitable on an underwriting basis; a combined ratio below 100% shows the company is losing money.

A high combined ratio doesn't necessarily signal distress, however. Firms can sustain combined ratios of over 100% if they are earning adequate profits on their investment portfolios. This way of operating is particularly common in the car-insurance market. The combined ratio across the sector frequently exceeds 100%, but companies manage by maintaining large investment portfolios to help cover losses if they exceed overall income. However, a handful of firms don't operate like this, and they are the real gems. There are two main types of insurance: long-tail, such as life insurance, where policies can run for many years or even decades, and short-tail, such as car insurance, where policies are renewed yearly. Long-tail insurance is complex and highly regulated. Companies selling these products have to be sure they've got their sums right. If not, they could end up nursing losses on the policies for decades. Short-tail is easier. These policies are renegotiated annually (or more frequently) so companies can hike premiums and change the terms of the agreement quickly if something has changed – as anyone who's renewed their car insurance recently will know.

Car-insurance premiums are subject to rapid increases

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The cycle turns

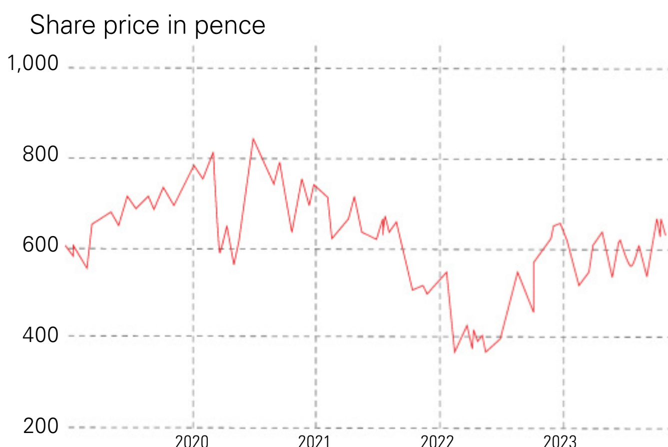
Lancashire Holdings (LSE: LRE) specialises in short-tail insurance and reinsurance partly written through Lloyd's of London. It writes a range of different policies in the property-and-casualty, aviation, marine and political-risk markets. The past few years have been tough for insurers owing to losses stemming from the war in Ukraine and natural disasters breaking records. However, these losses have forced prices and premiums higher, putting insurers such as Lancashire in an excellent position.

In 2021, the group reported a combined ratio of 107.3%; it fell to 97.9% in 2022. The ratio is set to be even better this year. Premiums across the market have risen by a double-digit percentage over the 12 months. Over the six months to the end of September, gross premiums written by Lancashire increased by 23.2% to $1.6bn, with rates "remaining extremely attractive across our product lines".

Not only is the group seeing rates increase, but losses have remained manageable (easily covered by higher premiums), while the investment portfolio is benefiting from higher interest rates. The market yield on Lancashire's $2.7bn investment portfolio, mainly made up of bonds and cash, ended September at 5.8%, up from 4.6% in the previous period.

Lancashire looks attractive today partly thanks to this growth, which has yet to be reflected in the company's valuation, and partly owing to its plans to return capital to investors. The group has a history of doing so when the market is booming, although it pulls back when losses start to rise. The past few years have been lean years, but with profits now on the up, management has decided to start returning significant amounts of capital again.

Alongside its third-quarter trading update, Lancashire announced a capital return of up to $169m, including a $119m special dividend and up to $50m share buybacks. The dividend is equivalent to 41p per share, a yield of 6.4%. Analysts expect the firm to pay out 63.8p per share in regular and special dividends next year too, implying a yield of nearly 8%.



An inflection point

Lancashire is firing on all cylinders, and it has plans for further growth too. It is expanding into the favourable market, deploying capital to take advantage of rates where they are rising the fastest, while it intends to launch a new US arm at the start of 2024.

Lancashire US is on track to start underwriting insurance in "early 2024". Both of the company's London-listed peers, Beazly and Hiscox have done the same, and it was a good decision in both cases, as the US is the largest insurance market in the world.

The company offers both income and growth. What's more, the stock is cheap on a price-to-book-value (p/b) ratio of around 1.3 times, compared with 1.7 for peers Beazly and Hiscox and over two times for its US rivals.

Insurance is a tricky business to get right, which is why most companies find it hard to remain consistently in the black. However, if a company gets its sums right, it can be hugely profitable. Lancashire has struggled over the past few years, but it now appears to be at an inflection point.

The entire industry is experiencing growth in premiums, which is offsetting losses on disasters. Market insiders believe this trend is set to continue for some time. Lancashire appears to be a cheap way to build exposure to this trend and pick up some tasty dividends along the way.

Engine dies at Carvana

The online second-hand car seller is in trouble and absurdly overvalued

Matthew Partridge
Shares editor

Over the past few years there has been a rise in the number of "short squeezes", whereby investors buy up shares in companies that are heavily sold short. The idea is to push up their price in the hope that those who have bet against them will have to buy back their shares at a loss, propelling the price even higher.

The story of the most notorious short-squeeze, the GameStop squeeze of 2021, was even made into a film this year. One recent squeeze that hasn't quite caught the headlines in the same way but is still significant is the one relating to the American used-car website **Carvana (NYSE: CVNA)**.

Carvana was one of the stocks that surged during the pandemic owing to the closure of physical retailers as well as the shortage of new cars, which pushed up the price of older vehicles. Between March 2020 and August 2021, the shares rose tenfold, reaching more than $300.

But when restrictions were lifted, they crashed, slipping below $7 at one stage this year. Since then, the shares, among the most heavily shorted in the market, have experienced a major surge, rising eightfold in the space of a few weeks.

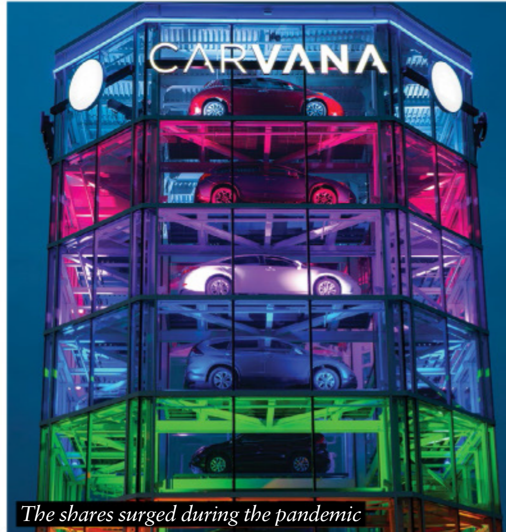
Profitability remains elusive

From a fundamental viewpoint, Carvana remains a mess. While the idea of buying used cars online clearly works for many people, Carvana has lost large sums of money every year it has been operating, and this is expected to continue for the next few years, with no end in sight.

"There is no reason why the group should be valued more highly than its peers"

Carvana's struggles to become profitable are becoming particularly arduous because used car prices are falling: the shortage of new cars created by lockdowns and chip shortages has eased.

As short-seller Kerrisdale Capital points out, Carvana has also borrowed large sums of money, which it has used not only to cover losses, but also to buy other companies. While most of



The shares surged during the pandemic

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these loans were taken out during the period of near-zero interest rates, they will now need to be refinanced in a much less friendly environment, and it is hard to see how it can repay its current lenders without coming to some agreement likely to dilute its shareholders.

There is therefore no reason why Carvana should still be able to command a valuation much higher than its peers'. Even today, it still trades at 0.56 times sales, roughly double the level of a profitable bricks-and-mortar rival such as AutoNation, on 0.21 times.

In addition to the dire fundamentals, there is evidence that Carvana's stockmarket momentum, which saw its share price briefly jump eightfold in the space of a few weeks, has disappeared. Since peaking in August, the stock has now fallen by nearly half to its current price of $31.15, and is trading below its 50-day moving average. While shorting shares that are the target of a short squeeze is risky, I still think it is worth selling it short at the current price of $40.07 at £50 per $1, though you should cover your position if it rises above $59.07. This gives you a total downside of £950.

Trading techniques... floats sink stocks

The past two years have generally been pretty poor for the initial public offering (IPO) markets. The number of firms listing on the US stockmarket is still only a fraction of the level seen in 2021, and well below the average since 2000.

Across the Atlantic, the number of firms floating in Europe is set to be the lowest since 2013. However, while this may be bad news for bankers working on deals, as well as for those investors who want to get their hands on the most promising companies, it's less clear whether this is a bad sign for the overall health of the market. Some contrarian investors argue too many IPOs can be a sign that the market has peaked. The reason for this is that those who are looking to take their company public will only want to do so if they can get a good price for it.

So if they think that the market is likely to overvalue their firms they will rush to take advantage of this. However, if they think that they will get a poor price, then they will hold off for a couple of years in the hope that they can get a better offer in the future.

There seems to be some truth in this idea. According to data compiled by Jay Ritter of the University of Florida (which excludes some types of IPOs), there were 476 IPOs in the US at the peak of the dotcom boom in 1999, but only 79 in 2001. Similarly, the 311 US IPOs in 2021, the highest in over two decades, was a clear warning sign that the market was about to sour.

However, the collapse of the IPO market at the start of 2008 occurred before the implosion of Lehman Brothers. It's also important to remember that there has been a long-term decline in the overall number of listed companies.

How my tips have fared

This has been a reasonable fortnight for my long tips, with four rising and three falling. Luxury brand Watches of Switzerland climbed from 624p to 646p, kitchen supplier Howden Joinery increased from 691p to 738p, recruitment agency SThree went up from 405p to 413p and budget airline easyJet jumped from 417p to 471p. IT Services group Computacenter dipped from 2,736p to 2,693p and outsourcer Mitie fell from 106p to 99p. Greeting-card and gifting company Moonpig declined from 189p to 172p. Overall, my long tips are now making a profit of £693.

All six of my short tips moved in the wrong direction. Electric car-charging company EVgo rose from $3.12 to $3.36, payroll company Paycom increased from $182 to $186 and solar-panel maker Sunrun jumped from $11.93 to $14.35. Retailer GameStop shot up from $12.94 to $16.69 while brokerage Robinhood climbed from $8.13 to $9.60. Air-taxi company Joby Aviation advanced from $6.18 to $6.47. My short tips are now making £1,905, down from £3,718.

Overall, both my long and short tips are making combined profits of £2,598. I would suggest that you take profits of £802 on EVgo. This means that going forward I have seven long tips (Mitie, Computacenter, Watches of Switzerland, Howden Joinery, SThree, easyJet and Moonpig) and six shorts (Paycom, GameStop, Sunrun, Robinhood, Joby Aviation and Carvana). I suggest you raise the stop-losses on Computacenter to 2,350p (from 2,310p), Watches of Switzerland to 575p (550p), Howden to 480p (475p), SThree to 250p (210p), easyJet to 225p (205p) and Moonpig to 100p (95p). Cut the price at which you cover Paycom to $300 (from $325) and GameStop to $24 ($25).

Durable businesses at deep discounts

A professional investor tells us where he'd put his money. This week: Joe Bauernfreund, fund manager of AVI Global Trust, highlights three favourites

Since 1985, AVI Global Trust has followed the same distinct investment philosophy. We invest in durable businesses that are growing in value and trading at discounted valuations, with catalysts to unlock and grow value. We aim to benefit from growth in net asset value (NAV) and discount narrowing, driving long-term returns in excess of global equity markets.

A misunderstood media giant

One such holding company we consider attractive is **News Corp (Nasdaq: NWSA)**, the Murdoch family-controlled holding company. We believe that News Corp is one of the most misvalued and misunderstood companies in our investment universe, trading at a 63% discount to our estimated NAV.

The NAV is principally comprised of the following: a 62% listed stake in REA (worth 36% of NAV), the Australian real-estate classified marketplace, along with unlisted assets Dow Jones, a financial-data provider, publisher HarperCollins and Move, a real-estate listing group and operator of realtor.com. These account for 40%, 10%, and 6% of NAV respectively.

Dow Jones is a crown-jewel asset that has successfully transformed The Wall Street Journal into a thriving digital-consumer business, while both organically and inorganically building a high-quality professional information business that warrants a premium multiple, reflective of its sticky growing revenues, high margins, and minimal capital-expenditure requirements. The value and quality of this business is misunderstood by the sell side and ignored by the market.

We estimate that Dow Jones alone is worth 2.2 times the implied value of News Corp's unlisted assets. Management has been increasingly vocal about the undervaluation. With shareholders' pressure building and a generational transfer of power looming, we think the market is mispricing the possibility of structural reform.

"Vincent Bolloré has proved an astute allocator of capital in recent decades"

Another company we like is **Bolloré (Paris: BOL)**, the French holding company controlled by the mercurial Vincent Bolloré. It trades at a 45% discount to NAV. We have invested at various points over the last 15 years or so in both Bolloré and Vivendi, the French media conglomerate in which Bolloré owns just shy of a 30% stake. However, we feel that we are now at a particularly interesting juncture. Having extracted the crown-jewel asset in Universal Music from Vivendi, and sold both Bolloré Africa Logistics and Bolloré Logistics for more than €10bn, the group is entering a period of value harvesting.

The Dow Jones is a jewel in News Corp's crown

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After the completion of the sale of Bolloré Logistics, Bolloré is sitting on €6bn of net cash. We expect Bolloré to use this capital to exploit the lowly valuation at which Vivendi trades and deploy capital in an accretive manner across the notoriously complex group structure. The company has already launched a tender offer on its own shares earlier this year. Bolloré has shown himself to be an astute allocator of capital over the last few decades, and we think the prospect of aligning capital with him is an attractive one.

Potential in private equity

Closer to home, another investment we are excited about is **Pantheon International (LSE: PIN)**, the UK-listed private-equity investment trust. Over the course of 2022 and 2023 we acquired shares at an average discount of 45% – a level we saw as being totally detached from prices observed in the secondary market, where buyout funds have been changing hands at discounts of 10%-15%. The board has been forthright in addressing this issue. It recently launched a £200m share-buyback programme, equivalent to 15% of the shares outstanding at the time of the announcement. The appeal of the arithmetic underpinning this move is irrefutable and we think other boards should take note.

18+

WHAT IS AVAXHOME?

AVAXHOME -

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Unlimited satisfaction one low price
Cheap constant access to piping hot media
Protect your downloadings from Big brother
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Investment trusts haven't been this cheap since the global financial crisis

A professional investor tells us where he'd put his money. This week: Chris Clothier, co-manager of Capital Gearing Trust, selects three promising trusts

Investment trusts are deeply unloved at present, both the conventional equity type and their alternative cousins. According to data from stockbroker Numis, the discount to net asset value (NAV) of the sector is 15%, which is similar to levels seen during the Great Financial Crisis of 2008-2009.

Some of these discounts can be explained by investors' nerves, which isn't surprising given a poor economic outlook. Central banks have embarked on the most aggressive financial tightening cycle in modern history. It seems likely that the full effects of that tightening are yet to be felt and so, even if inflation is brought under control by their actions, economic pain in the form of a recession is likely to follow.

The high valuations of equity markets, particularly in the US, exacerbate these concerns. As a result, investors are faced with a dilemma: bargains in the investment trust sector but risks to equity markets in the event of a recession.

Our solution is a cautious one. We have been buying small stakes in deeply discounted investment trusts while keeping plenty of dry powder in the form of cash, Treasury bills and index-linked bonds.

When looking for investment trusts we try to find three things. First, an investment manager who we think is competent. Second, a sector where we want long-term exposure, and/or which is unreasonably marked down. Third, we need to believe that the discount will close.

"Central banks have embarked on the most aggressive tightening cycle in modern history"

Biotech will boom

One example of all three is **Bellevue Healthcare Trust (LSE: BBH)**. It has underperformed its benchmark over the last 12 months owing to its overweight position in the biotechnology sector and its underweight one in large-cap pharmaceuticals.

The biotech industry has had a rough few years but its long-term relevance is assured: large pharma rely on their smaller biotech cousins to fill their drug discovery pipelines. BBH has a highly diversified portfolio across all aspects of the healthcare sector.

Over the long term, we expect the sector to do well. Today the discount stands at 10% and, crucially, BBH offers an annual redemption facility where shareholders can tender their shares back to the company at NAV minus costs.

HICL Infrastructure holds assets such as toll roads

©Alamy

A second example is **Smithson Investment Trust (LSE: SSON)**, which invests in a global portfolio of high quality, fast-growing mid-cap companies. It is managed by the very capable Simon Barnard.

The fund trades on a discount to NAV of 12% and has a great record dating from its initial public offering (IPO) in 2018. While this company doesn't have the discount upside of BBH's redemption facility, the board have indicated their disquiet at the discount and have been actively repurchasing shares.

Robust returns from a low-risk fund

In the alternative sector we have been adding to high-quality social-infrastructure names. **HICL Infrastructure (LSE: HICL)** holds a global portfolio of private finance initiative (PFI) concessions, "demand-based" assets, such as toll roads, and regulated utilities.

In its recent results it noted that it has made £324m in disposals, which is being used to pay down debt. These disposals were all completed at or above book value, which suggests that investors should believe the NAV. Based on the valuation of the portfolio and the 13% discount at which the shares trade, we think they offer long-term returns of 5% after inflation, which is not too shabby for a pretty low-risk investment.

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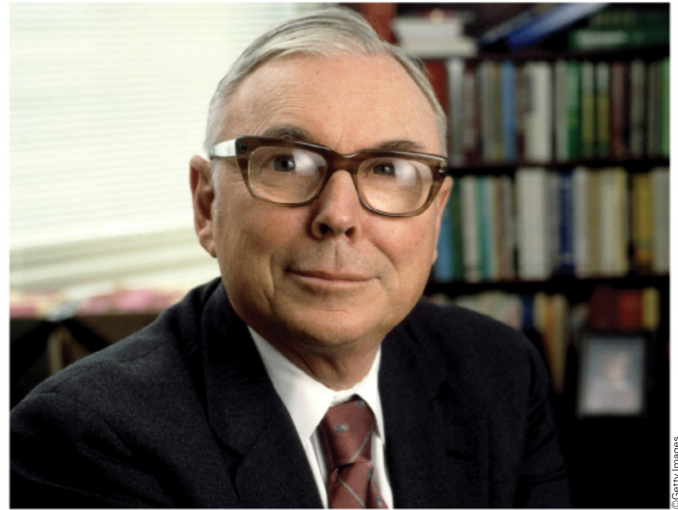
The Abominable No-man's zingers

Warren Buffett's right-hand man, Charlie Munger, has died, just short of his 100th birthday. He was far more than just a sidekick, says Jane Lewis


©Getty Images

In 1931, seven-year-old Charlie Munger was playing with a little girl his age when they were attacked by a stray dog. The girl was bitten, contracted rabies and later died. Munger was unscathed. "That damn dog wasn't three inches from me," he later remarked. "All my life I've wondered: why did it bite her instead of me? It was sheer luck that I lived and she died."

That episode would inform the rest of his long life, says The Wall Street Journal. Munger, who has died just short of his 100th birthday, was impatient with anyone too grandiose to factor a measure of luck into their success. Good or bad, it was a constant; the point was how swiftly and intelligently you adapted. "Part of the reason I've been a little more successful than most people is I'm good at destroying my own best-loved ideas," he said in 2019. He continued working almost to the end, and managed the frustration of infirmity by reminding himself that Franklin D. Roosevelt ran the US for 12 years in a wheelchair.

Munger will be forever remembered for his evergreen partnership with Warren Buffett at Berkshire Hathaway, which evolved into a set-piece double-act at the company's annual jamboree in Omaha, Nebraska. While Buffett, now 93, was known for his "folksy genius", the more taciturn Munger delivered "killer zingers", says The Economist. But this laconic image was largely an act. When he had the stage to himself – say, at the AGM of the Daily Journal, a publishing company he chaired for years – Munger "would hold forth, his dry wit in full flow". For more than six decades he served as Buffett's closest friend and *consiglieri*, but he was a brilliant investor in his own right. Although the two men famously never rowed, Buffett nicknamed him "The Abominable No-man" for his vehemence in rejecting certain strategies, writing in 2015 that Berkshire "has been built to Charlie's blueprint".

A $780bn powerhouse

Above all, says the Financial Times, the "Oracle of Omaha" credited Munger for moving him on from the "cigar butt" theory of investment, learned at the knee of his mentor Benjamin Graham – that it was worth buying any low-valued stock, if you could get "one last drag" from it. "Forget buying fair businesses at wonderful prices," was Munger's view. "Instead, buy wonderful businesses at fair prices." Without that insight, Berkshire would never have evolved into the $780bn powerhouse it became.

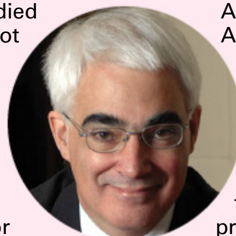
> *"The secret to Munger's success was destroying his own best-loved ideas"*

Although they didn't meet until adulthood, the partners shared common roots in Omaha. As a teenager, Charlie, who was born in 1924, worked in the Buffett family store where Buffett's grandfather, Ernest, lectured him "on the dangers of socialism", says The Times. From his mother, Florence, he gained a voracious lifelong reading habit; from his lawyer father, Alfred, his first career. Munger studied mathematics at the University of Michigan, before his degree was derailed by army service in World War II. He was nonetheless accepted into Harvard Law School, graduating *magna cum laude*, before moving to LA to set up in practice. On a visit back to Omaha in 1959, he met Buffett at a dinner party. The pair instantly hit it off. Each was impressed by the other's smartness, but it was their shared sense of humour that really clicked. "We were soon rolling on the floor laughing at our own jokes," Buffett recalled to The New York Times.

Munger, who was well on his way to making his first million from his law practice and real-estate investments, became Buffett's unofficial sounding-board, before the pair formalised their relationship in 1978 when he joined Berkshire as vice-president. Intellectually they had different but complementary strengths, says The Economist. For Munger, curiosity and thinking unconventionally was "a lifelong project". But perhaps his greatest contribution to business thinking was as "a paragon of… common sense".

A devoted family man, Munger was once asked to whom he owed his greatest debt, says The Wall Street Journal. "My second wife's first husband," he replied instantly. "I had the ungrudging love of this magnificent woman for 60 years simply by being a somewhat less awful husband than he was."

The chancellor who saved the country – twice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Alistair Darling (pictured), who died last week at the age of 70, was not one for hiding his mistakes. In the summer of 2008, in the midst of the financial crisis, the then chancellor of the exchequer gave an interview to The Guardian in which he predicted that the coming recession would be the worst for 60 years. The comment outraged the prime minister, Gordon Brown, who gave counter-briefings and tried to get him sacked, says Julia Langdon in The Guardian. The "forces of hell" were unleashed against him, Darling later said, and he admitted that he had in fact been mistaken: he should have said the worst recession for 100 years.

As a student, Darling read law at Aberdeen University and became a Marxist firebrand who handed out leaflets at railway stations before joining the Labour Party in 1977. He toned down his views and set up political home on the centre ground, shunning factional disputes and favouring pragmatic work to help the less fortunate. He quickly made it to the shadow front bench and then the cabinet under Blair, and was appointed to run the Treasury in the early summer of 2007 – just weeks before a crisis at Northern Rock, which led to the first run on a British bank in 150 years. Darling stepped in to save the bank and later ordered the £50bn rescue of the Bank of Scotland too.

He did in fact "save the country" – not once but twice, says Stephen Daisley in The Spectator. He propped up the UK financial sector as Wall Street went into meltdown and Britain's economy "stared into the abyss". He also played a leading role in the Better Together campaign, which helped keep Scotland in the UK during the 2014 independence referendum. "In death he is due the recognition he never asked for in life." He was, says James Kirkup in the same paper, a "good man in a world where good men are scarce". That this was not better known in his lifetime is perhaps not surprising. Once, while he was at home, a reporter appeared and, thinking he was the gardener, asked if he knew where Alistair Darling was, recounts Sophy Ridge of Sky News. "Sorry," he replied. "I've no idea."

Europe's best Christmas markets

These three Continental markets combine festive fairs with European flair, says Chris Carter

Christmas Town

Nowhere is Christmas celebrated quite like on the Continent, say Caitlin Morton and Jessica Lee for Condé Nast Traveller. "Christmas markets in Europe blend tradition with culinary flair… [mixing] wooden chalets in medieval squares, angelic choirs and snow-capped cathedrals." Perhaps best of all are the seasonal treats on offer, "along with all the hot mulled wine you can drink".

The Christmas market in Trento, northern Italy, is a case in point. Each year, the cobbled streets of this mountainous region are filled with trees covered in lights and 90 wooden huts, which together make up the *Città del Natale* (Christmas Town). Vendors sell sheep's cheeses and dried orange slices below the 13th-century Buonconsiglio Castle. The Alps in the distance provide a striking backdrop to the busting market. "Be sure to fill up on *tortel di patate* (potato cake) and jam-filled *treccia mochèna* (a local pastry) before the evening ends." *Until 7 January, trentocittadelnatale.it*

The Krampus run

Bavaria's Christkindlmarkt is only slightly younger than Europe's oldest Christmas market in Vienna, says Milo Boyd in the Daily Mirror. Since 1310 or thereabouts, the Christmas market on the Marienplatz in Munich has been "flogging Bavarian goodies" to festive fans. "You can sit in the shadows of the New and Old Town Halls and enjoy a relaxing cup of coffee while watching the hustle and bustle around you."

Many visitors hire a local guide to show them around, such is the size of the market. Traditional treats include "tempting grilled sausages and Advent sweetmeats", such as spicy *pfeffernüsse* biscuits and *magenbrot* chocolate gingerbread biscuits. The Kripperlmarkt sells items for nativity scenes, such as cribs for the baby Jesus, while the Krampus run is another centuries-old tradition. Revellers dress up in "archaic costumes, run across the Christmas market and hide among the stalls". *Until 24 December, christkindlmarkt-muenchen.de*

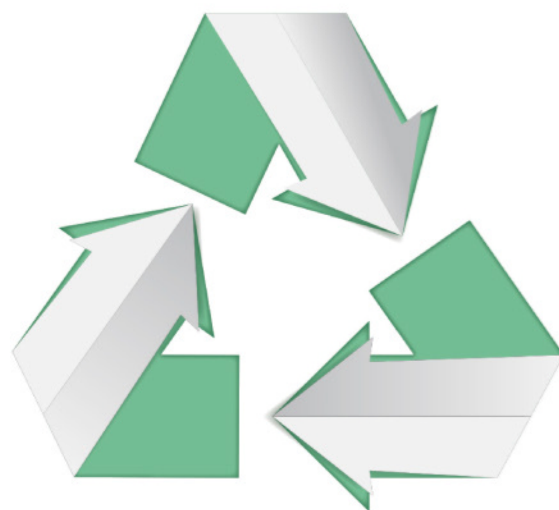
©Alamy

Christmas is steeped in tradition in Tallinn

Estonia's Christmas tree

Tallinn, the capital of Estonia, claims to be the first ever city to put up a Christmas tree, says Caitlin O'Reilly in the Financial Times. It has been doing so in its medieval Town Hall Square since 1441. Each year, Estonia has a "hotly contested competition" to decide which fir or spruce should be chosen to take pride of place. This year's winner is 14-metres tall. Stalls fan out beneath its branches, "selling traditional felt hats, sheepskins, sauerkraut, black pudding, gingerbread and a host of warming *glöggs* (mulled wines)". *Until 7 January, christmasmarket.ee*

PAPER REVOLUTION



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Nine of the best festive hampers

From a five-basket selection that has it all from Fortnum & Mason for £6,000, to a sharing feast for chocoholics from artisan chocolatier Chococo for £115. Natasha Langan reports

Sweet treats and sparkling tea

The Bourdon Hamper comes with the Claridge's Cookbook so you can recreate their famous cocktails and beloved chicken pie. Or just settle down with the sweet treats, which include a panettone, chocolates and shortbread, served with Claridge's own-blend tea in Jade Art Deco mugs. The hamper also has two bottles of sparkling tea, made by the award-winning Danish sommelier Jacob Kocemba, to create an unusual alcohol-free aperitif. Order by 21 December for next-day delivery in the UK, or by 19 December for standard delivery. *£350, shop.claridges.co.uk/collections*

No animals were harmed in the making of this gift

Vegans can feel a little hard done by at Christmas. Enter Harvey Nichols, which has come up with this **No Reindeers Were Harmed Vegan gift box** so all the family can get into the Christmas spirit. There is a Christmas pudding, sweets, preserves and even a vegan wine, Les Fées Brunes Crozes-Hermitage Syrah 2021. *Last order dates for Christmas delivery, 3pm 20 December. £75, harveynichols.com*

Enjoy Christmas without leaving the house

Sometimes bigger really is better and **The Imperial Hamper** from Fortnum and Mason surely has everything you could possibly want for Christmas. The total contents are sent in five hampers filled with teaware, accessories, decorations and a vast array of delicious festive treats. From Champagne and caviar to Christmas puddings and hams, you can enjoy Christmas without having to leave the house – except maybe for a winter walk to burn off the calories when the contents are all gone. *Last order date for Christmas delivery, 21 December. £6,000, fortnumandmason.com*

Organic fare from the Cotswolds

Daylesford Organic in the Cotswolds offers a selection of hampers filled with organic produce from their own farms and small suppliers. **The Christmas Day Hamper** includes their own organic Christmas cake and pudding, an array of wines and ports, preserved treats, a whole Gloucestershire baked ham, terrines, pâtés, and cheese. *Last order date for Christmas delivery, 20 December. £600, daylesford.com.*

Something for everyone from Selfridges

The Selfridges Big Christmas Hamper has something to keep even the most discerning guest happy, with a total of 80 items, including salmon and Champagne, and mince pies and truffles. There are also Champagne glasses and a crystal decanter for the port, Christmas crackers and baubles, an array of sweet and savoury nibbles, plus a whole ham, stilton and side of salmon and caviar. *Last order date for Christmas delivery, 23 December. £2,500, selfridges.com*

An impressive array of chocolate delights

Chococo is an award-winning artisan chocolatier founded in Dorset in 2002. Its **Giant Festive Chocolate Wooden Hamper Box** is the ultimate festive-sharing feast for chocoholics. The selection includes truffles with seasonal flavours, assorted chocolate snowmen, candied orange segments, hot chocolate and a blonde chocolate goldfish in a collectable tin. *Last order date for Christmas delivery, 19 December. £115, chococo.co.uk*

The best of British small producers

The Twelve Drummers Drumming Luxury Christmas Hamper is packed full of award-winning British produce from leading small producers across the British Isles. Presented in a wicker basket, it includes a side of sliced smoked salmon from Severn & Wye Smokehouse in Gloucestershire, a variety of charcuterie, including smoked duck from the Weald Smokery, a selection of British cheeses and crackers, a handmade Christmas cake, and wines from Justerini & Brooks. *Last order date for Christmas delivery, 15 December. £500, britishfinefoods.com*

Fine hams with a royal seal of approval

DukesHill is a specialist company producing the finest traditional cured hams. Their **It's a Wonderful Life Hamper** comes with a whole boneless Wiltshire ham presented in a wicker basket and complemented by British cheeses, puddings and pies, and a bottle of Tanners Cava Brut. The firm was awarded a Royal Warrant in 2003. *Last order date for Christmas delivery, 21 December. £195, dukeshill.co.uk*

A Christmas aperitif and amuse-bouche from M&S

Marks & Spencer's food department has been keeping the British middle classes happy for years and at Christmas it pulls out all the stops. The store's **Champagne, Smoked Salmon and Caviar Gift package** combines Delacourt Champagne Brut, Prunier Caviar and Scottish Royal Fillet Smoked Salmon, and arrives in a cool bag. It's a great way to get any Christmas party started. *Last order date for Christmas delivery, 22 December. £150, marksandspencer.com*

Six fabulous festive wines

MoneyWeek's wine columnist, Matthew Jukes, tips the best tipples for the Christmas table

2020 Bourgogne Pinot Noir, René Lequin-Colin, Burgundy, France

£19.50, reduced to £17.55 each by the case, stonevine.co.uk

I have not tasted Lequin-Colin's wines for years, having bought a series of whites from this estate many years ago for a couple of old restaurant consultancies. So it was a revelation to come across this wine from the brilliant cellar at Stone, Vine & Sun, made from various plots around the village of Santenay. With a hint of oak threaded through the sumptuous pinot-noir fruit, this wonderfully refined wine belies its lowly classification. I would be more than happy to boycott any red Burgundy imaginable while saving a small fortune this Christmas if I had this fabulous wine in my rack!

2022 Laissez Faire by Larry Cherubino, Field Blend, Pemberton, Western Australia

£19.95, reduced to £17.95 each by the case, cambridgewine.com; £17.95, cellarselected.com

My pinnacle white wine is an extraordinary creation, and I awarded it a massive 19/20 score in my notes. It is made by my 100 Best Australian Wines Winery of the Year, Cherubino. The International Wine & Spirit Competition also awarded Larry Cherubino the trophy for "Outstanding Producer" this year. This is a pinot blanc, gewürztraminer, riesling, pinot grigio and sauvignon gris blend. There is a hint of skin contact, and it spends a brief period in French oak, so the complexity of flavour is baffling. Kaleidoscopic and enchanting, it will jump at the chance to work with any dish you care to rustle up this Christmas, including turkey, goose and even gammon!

2021 Gigondas, Tradition, Domaine de Font-Sane, Southern Rhône, France

£26.49, butlers-winecellar.co.uk; £27.00, *The Wine Yard Farnham, 01252-717557; £25.00, dbmwines.co.uk; £26.99, theguildford winecompany.co.uk*

With all of the gusto and abandon one requires in a decadent, festive-season red wine, this Gigondas summons up gamey, bonfire, and black-fruit-frenzy tones with ease while managing to do these tricks without burdening the palate with excess oak or alcohol. It is deeply rewarding, juicy, suave and too easy to fall for, and it manages to perform all wintry red tasks with ease. I guarantee everyone in your household will perform backflips this Christmas when they taste this wine. Do decant it if you can, because there are chapters of intrigue hidden deep in the core of this fabulous wine.

2016 Gusbourne, Fifty One Degrees North

£195.00, gusbourne.com; bbr.com

If you are searching for the ultimate gift for a sparkling wine obsessive this Christmas, look no further than this sensational wine, named after the latitude of its prized vineyards. While the 2014 vintage of Fifty One Degrees North was a cracker, the new 2016 vintage is a genuine work of art, and it also happens to be the highest-scoring English sparkling wine I have ever tasted. Using Gusbourne's finest parcels of fruit from Kent and Sussex, this 67% chardonnay, 33% pinot noir shows sensational balance and uncommon poise. One-fifth was fermented in oak barrels, and it was aged for 67 months on its lees, giving it extraordinary complexity. Interestingly, the fruit was a little riper than in 2014, and it has more pronounced acidity, too, making this sparkling wine incredibly lush and dramatic in equal measure. The overall feel is of a terrifically grand wine and one that sits at the apogee of the English wine story.

2009 Quinta do Noval Colheita Single Harvest Tawny Port, Douro Valley, Portugal

£130.00, magnum, thewinesociety.com

While 2017 Quinta do Noval Unfiltered Single Vineyard Late Bottled Vintage Port (£21, The Wine Society) is a spectacular wine and one that does everything you could want a Port to do and more this Christmas, I have found a wine that is even more cosmic and one that doubles as an epic gift, too. Imagine the delight and surprise on a friend's face when they unwrap a magnum of this beauty! This near-perfect Tawny Port is fully mature, phenomenally attractive, and mind-blowingly graceful. In magnum format, there is so much joy here it takes decking the halls to an all-new level of glamour.

2022 Il Rosato, Nervi, Gattinara, Piemonte, Italy

£26.50, corneyandbarrow.com

This is the first rosé ever to make my Christmas column. While rosé in colour, it is what's under the bonnet that makes this an incredibly fascinating wine. Made by one of the most famous winemakers in Italy, Roberto Conterno, the man behind the awesome Giacomo Conterno Barolos, this Gattinara is a sublime creation made from the celestial nebbiolo grape variety. Bright, welcoming and red-fruited on the nose, the palate tightens up with stern acidity and gorgeous tanginess, controlling the senses and allowing you to deploy this wine with the most intricate of canapés, spiciest of starters and/or decadent of crustaceans/seafood platters. This wine is near genius with its broad range of food-pairing and downright deliciousness. It is also spectacular value, offering a more "grown-up" style of rosé for serious gastronomes.

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

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This week: houses with charging points for electric vehicles (EVs) – from a Grade II-listed 1640s town

Waterfield House, North Road, Goudhurst, Cranbrook, Kent. A modern house partially built into the hillside with views over the Kentish Weald. The gardens include a parking area with two EV charging points. 5 beds, 5 baths, 2 receps, open-plan kitchen/dining room, cinema room, gym, 4.91 acres. £3.95m Savills 01580-720161.

Woodhall House, Edinburgh, Scotland. A restored 17th-century property with large gardens within six miles of Edinburgh. It has open fireplaces, parquet floors and a newly fitted kitchen with French doors leading onto the garden, which includes a garage with an EV super-charger. 8 beds, 9 baths, 3 receps, 7.8 acres. £6m+ Knight Frank 0131-222 9606.

Tudor Barn, Oversley Castle Estate, Wixford, Alcester, Warwickshire. A Grade II-listed converted barn set in landscaped private gardens within the Oversley Castle Estate. It has vaulted and beamed ceilings, oak-framed windows, a contemporary floating glass staircase and two EV charging points. 4 beds, 3 baths, receps, study/gym, kitchen/family room, 1-bed annexe, 0.65 acres. £2.2m Pritchard & Company 01608-801030.

house in Bath, to a custom-built house close to the coast in Formby, Liverpool

Uwch Y Niwl Laugharne, Carmarthen, Carmarthenshire, Wales. A renovated period property in an elevated position above the estuary of the River Taf with mature gardens and a double garage with an EV charging point. The house has open fireplaces, a wood-burning stove and a newly fitted breakfast kitchen with French doors leading onto the garden. 4 beds, 2 baths, 2 receps, sun room. £525,000 West Wales Properties 01267-236655.

Maberley, Braunston, Lincolnshire. A converted Victorian L-shaped barn with a partly walled garden in a conservation village. It retains its stone walls, exposed beams and partially vaulted ceilings, and has a modern fitted kitchen and a parking area with an EV charging point. 3 beds, 3 baths, recep. £650,000 Fine & Country 01780-750200.

Victoria Road, Formby, Liverpool. A custom-built house close to the Formby coastline with an EV charging point housed in the integral double garage. The property has contemporary interiors that include a large dining kitchen and family room with state-of-the-art fittings and floor-to-ceiling doors leading onto large landscaped gardens that include slate terraces, an outdoor fireplace and a waterfall. 4 beds, 3 baths, 2 receps, study. £1.7m Jackson-Stops 01625-540340.

Chevening Road, London NW6. This semi-detached Victorian house has been refurbished to include a dining kitchen extension with self-cleaning solar reflective glass skylights, a temperature-controlled wine cellar, and a parking area with an EV charging point. 5 beds, 3 baths, dining kitchen, dressing room, recep, office/playroom, garden studio with en-suite bathroom, garden. £4.25m Knight Frank 020-3815 3020.

Southbank, Weston, Bath, Somerset. A refurbished 1640s Grade II-listed town house set in mature walled gardens with a two-bedroom annexe used as a separate holiday let, and a parking area with an EV charging point. The house retains its exposed beams and sash windows, and has an inglenook fireplace with a wood-burning stove. 5 beds, 4 baths, dining kitchen, dressing room, recep, study, cinema room, courtyard, gardens, 0.42 acres. £2.25m. Prichard & Company 01608-801030.

A great Christmas gift idea

Collectables are the answer for those who have everything, says Chris Carter

"Something collectable" is the answer to the great question that comes up every Christmas: what do you get that person who already has everything (or, at any rate, grumpily tells you they don't need anything)? Nobody needs a rare vinyl or a first edition. They are just nice to have for those who are into that sort of thing and everybody, no matter what they tell you, has an interest in something. And it's not about whether that vintage snuff bottle or Toby jug will sell for more than you paid for it a few years down the line. If that's your goal, you might as well get them a long-dated government bond. But that's not very festive. A collectable item is something deeply personal and meaningful. It is the archetypal thoughtful gift.

Naturally, auctions are a great place to find such gifts. But Christmas is stressful enough without the uncertainty of whether your bid will be successful, or deciding how much to spend and when to make your offer. If you're anything like me, you'll probably be running out of time as the big day draws close. That's when "buy now" platforms come into their own. Sotheby's offers such a service on its website, selling everything from six-figure Hermès handbags to prints for just a few hundred pounds.

"If making money is the goal, buy a long-dated gilt instead"

The auction house even offers a "Gift Guide" to help you decide on what to buy depending on whether you are buying for "him" or "her"; looking for a "classic gift", or out to make a "grand gesture" (read, "expensive"). Just be aware that taxes are not included in the listed prices, and some items need to be shipped from abroad.

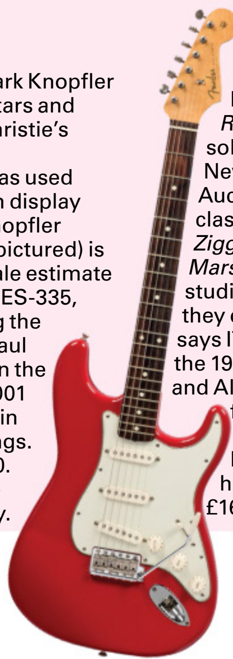
Sotheby's main rival, Christie's, has a "Private Sales" section on its website, focusing more on fine art, furniture and jewellery. If you're looking for something in particular, its "global network of specialists" will try to find it for you. And Dropshop is a new online platform from Phillips that sells new artworks directly to buyers, including from emerging artists – a section of the art market that has seen robust growth in recent years, buoyed by social media and the search for "the next big thing". It's worth keeping an eye on. Of course, there are still the traditional galleries, and don't forget your local auction house for the possibility of grabbing a bargain if you have the inclination to bid. If you know what you're looking for, but not where to find it, aggregators such as The Saleroom can point you in the right direction.

For the Trekkie in your life

What if you're not after a big-ticket Renoir to buy now (see Christie's), or a pair of diamond-studded earrings with a pair of emeralds the size of grapes (£825,204 from Sotheby's)? What if the person you are buying for would prefer a phaser, used in the filming of *Star Trek: Discovery*? Or how about a life-sized medical pod from Ridley Scott's 2012 *Alien* prequel *Prometheus*? The Propstore, a leading film- and television-memorabilia auction house based just outside London, has you covered. Both are available to buy now.

Auctions

Going... Dire Straits guitarist Mark Knopfler will be parting with around 120 guitars and amps that he no longer uses at a Christie's sale in London on 31 January 2024. Before that, the guitars, which he has used across his 50-year career, will go on display from 19 January. A Fender Mark Knopfler Signature Stratocaster Prototype (pictured) is among the highlights, with a pre-sale estimate of up to £6,000, as is a 1958 Gibson ES-335, valued at up to £90,000. But leading the sale is a 1959 Vintage Gibson Les Paul Standard, which Knopfler played on the "Sailing To Philadelphia Tour" in 2001 and the "Kill To Get Crimson Tour" in 2008, as well as on several recordings. That one could fetch up to £500,000. A quarter of the total hammer price (ie, excluding fees) will go to charity.

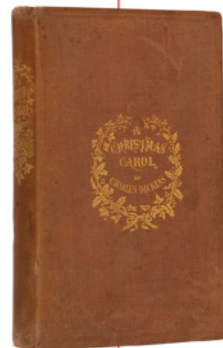


Gone... Lyrics and notes handwritten by David Bowie for the songs *Rock 'n' Roll Suicide* and *Suffragette City* have sold for a hammer price of £72,000 with Newton-le-Willows-based Omega Auctions. Both tracks featured on Bowie's classic 1972 album, *The Rise and Fall of Ziggy Stardust and the Spiders from Mars*. The singer gave the sheets to Trident studio, along with other original lyrics, so they could be printed onto the album cover, says ITV News. They were later bought in the 1980s and lent to London's Victoria and Albert Museum in 2013, where they featured in an exhibition and toured the world until 2018. The auction house had last year sold another page of Bowie's handwritten lyrics, for *Starman*, for £165,000 before fees.

Ideal presents for book-lovers

Inspiration can always be found in a good book, as Jane Austen would tell you. A copy of Isaac D'Israeli's *Curiosities of Literature*, a work containing anecdotes about historical persons and the habits of book-collectors, features passages such as "On the Fair-Sex Having No Soul", that were most likely underlined in pencil by the novelist. She was a voracious reader, having access to her father's library, and she scoured books for ideas for her novels, particularly those relating to English society. Today, that copy of *Curiosities of Literature*, published in 1791, is heading to auction with Sotheby's in New York, with a pre-sale estimate of up to $150,000 – the ideal, if pricey, present for any fan of Austen. But rare books more generally make for great Christmas gifts and London is among the best places to find them.

Again, it's a question of buying what will be loved rather than buying for future financial gain. Markets in collectables tend to be fickle, and in any case the boom in valuations – from art to whisky – that began in the zero-interest-rate era, appears to be ending now that investors can find safer returns elsewhere. But an illustrated first-edition, first-impression of Charles Dickens' *A Christmas Carol* from 1843 (£19,150 from Sotheby's, available to buy now) will always make a fitting present for this time of year.



London is also home to several established sellers of rare books to visit on a wintery afternoon, including Bernard Quaritch, Sotheran's, Jarndyce, Shapero, Robert Frew, Maggs Bros and Peter Harrington. AbeBooks (abebooks.co.uk), a Canada-based online marketplace for rare books and a subsidiary of Amazon since 2008 (which may seem heretical to some), is also an excellent place to look. Somewhat unusually, it also dabbles in collectable comics and comic artwork.

©Christie's; Sotheby's

Bridge by Andrew Robson

Veering into a cross-ruff

Seven Spades is no terrible contract on this week's deal from the world championships, but the bad black-suit layout meant that the Norwegian declarer drifted down three. How would you declare the more realistic Six Spades on a Heart lead to East's King?

Dealer South East-West vulnerable

North
♠ J832
♥ 1073
♦ AKQ102
♣ 3

West
♠ 9
♥ Q864
♦ J985
♣ KJ109

East
♠ 7654
♥ K95
♦ 7643
♣ 84

South
♠ AKQ10
♥ AJ2
♦ –
♣ AQ7652

The bidding

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

* It's better to start shapely two-suited hands at the One-level.
** Game-forcing – so 19 or more points (not merely 16).
*** Stronger than Four Spades as per the Principle of Fast Arrival.

The initial plan is to set up Clubs. Win East's King of Hearts with the Ace, cash the Ace of Clubs, then ruff a Club (low). Cross to the ten of Trumps and note the fall of West's nine. This is bad news-good news. The bad news is that it looks like Trumps are four-one; the good news is that the singleton is the nine, meaning that dummy's eight cannot be overruffed.

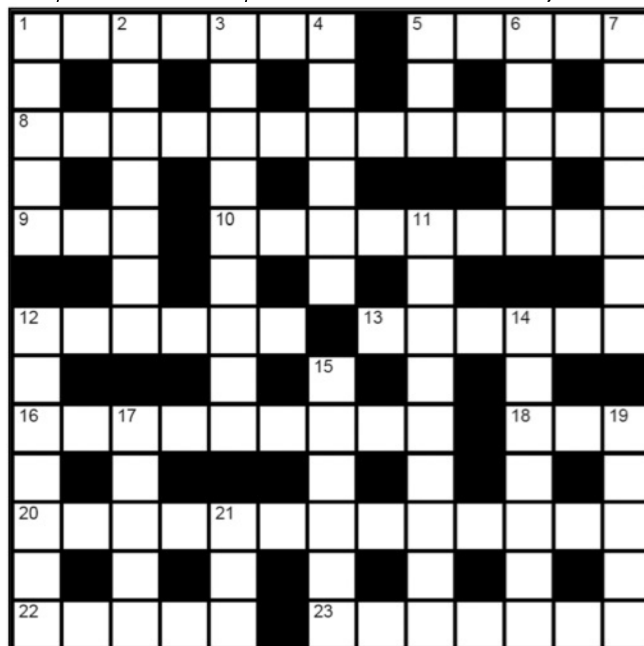
At trick five, ruff a third Club (with the eight), East discarding (a Heart). Now cash the Ace-King-Queen of Diamonds, discarding two Hearts and a Club, ruff a red card, ruff a Club, and your last three cards are two top Trumps and a losing Club. Twelve tricks made – in the end you adopted a cross-ruff line, your 12 tricks consisting of the three top Diamonds, the aces of Hearts and Clubs and seven Trump tricks.

That's frequently the case in fact. You start on a suit-establishing line but veer into a cross-ruff. Indeed, it's a very powerful reason for starting on a suit-establishing line.

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

Tim Moorey's Quick Crossword No. 1185

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 18 December 2023. By post: send to MoneyWeek's Quick Crossword No.1185, 121-141 Westbourne Terrace, Paddington, London W2 6JR. By email: scan or photograph completed solution and coupon and email to: crossword@moneyweek.com with MoneyWeek Crossword No.1185 in the subject field.



Across clues are mildly cryptic whilst down clues are straightforward

ACROSS
1 Constable, perhaps from Bury following aide (7)
5 Does it often come before ego? Correct (5)
8 Follow small holiday firm, a complete disaster (4,9)
9 Part of the Weekend supplement (3)
10 Wonder in which pupils are engaged (3,6)
12 Temporary style of dress (6)
13 One-sided book with new ideas (6)
16 Embarrassed? I lost twice to a kid! (3,2,4)
18 Shaver cut woman (3)
20 Repair men test drive a trailer? (13)
22 Start where shooting takes place (5)
23 Kingdom's very boring hotel refurbished (7)

DOWN
1 Military chaplain (5)
2 Entrance (7)
3 Food additive (5,4)
4 Short double-breasted jacket (6)
5 Query (3)
6 American writer (5)
7 Not working any longer (7)
11 Invaluable (9)
12 Large US city (7)
14 Prominent (7)
15 Wise judge in the bible (6)
17 Jeans (5)
19 The aforementioned (5)
21 Balderdash (3)

Name ....

Address ....

....

email ....

Solutions to 1183

Across 1 Bumpkin *bump kin* **5** Promo *pro m o* **8** Egg on one's face *deceptive def* **9** Doc *do C* **10** Chevalier *anagram* **12** Ad-libs *Lib inside ads* **13** Astern *(E) astern* 16 Torn apart *anagram of NT pro rata* **18** Top *two definitions* **20** Mediterranean *anagram* **22** Stray *r inside stay* **23** Lessens *homophone of lessons.* **Down 1** Bread **2** Magical **3** King cobra **4** Nantes **5** Pas **6** Okapi **7** Overrun **11** Alsatians 12 At times **14** Extreme **15** Barrel **17** Rider **19** Pants **21** Try.

The winner of MoneyWeek Quick Crossword No.1183 is: Mrs EA Rutherford of Weybridge

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

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

Sudoku 1185

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

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

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

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The revolt of the masses

The only surprise is that the workers have put up with their elites for so long

It's not just about migrants – it's a class struggle

©Getty Images

Bill Bonner
Columnist

Riots broke out in Ireland last month after an Algerian-born immigrant stabbed five people, including three children, reports the Washington Examiner. Prosecuting those who broke the law should have been the end of the matter, says the paper. "But the Irish government is sensitive about the fact that their immigration policies, which have led to almost 20% of the country's population being foreign-born, are unpopular. The pace of mass migration has been particularly dramatic in Ireland, with almost half of all migrants… entering in just the past five years."

The rioters are easily dismissed as hooligans. But is that all there is to it? Is it just about immigration? Does anger increase until the riff-raff erupts, or the "deplorables" vote for Geert Wilders or Donald Trump? That's what the press and politicians tell us. In the simple-minded approach of the propaganda press, immigration = good; those who oppose it = bad. The Financial Times, a reliable mouthpiece for the global elite, was quick to see the challenge. In the Netherlands, Wilders won a solid victory by running for prime minister with an anti-immigrant message. His "victory is a warning for Europe", says the FT. A warning of what? Of "a political earthquake…[Wilders'] success will embolden other anti-immigration, eurosceptic populists who are hoping for big gains in European parliamentary elections in June". That is, politicians might begin to care what the masses think! Ireland's PM, however, hopes they don't think at all. He intends to use the riot as an opportunity to crack down on "hate speech". Rather than address the problem, he proposes to make it unlawful to say anything about it.

> *"Western elites have created an unsustainable world"*

But immigration *is* a problem. And not the only one. Western elites have created a very uncomfortable and unsustainable world. Their governments print money and are almost all going broke – rapidly building up more debt than they can service, let alone pay. They are also setting much of the rest of the world against them with their financial sanctions and high-handed military policies. Their "green agenda", too, along with immigration, debt and pettifogging regulation, means that younger generations of native-born citizens probably won't enjoy the same freedom and prosperity as their parents.

It's not just about migration though. It's the revolt of the masses. Here, we turn to Karl Marx for insight. Wrong about so many things, he was right about this: there is a difference between the people who work on assembly lines (the proletariat) and the people who own them (capitalists). The former live on wages. The latter (*grosso modo*) live on the difference between wages paid and revenues received. The working class may rue the day the immigrants arrive: their wages will be held down by competition and their housing costs go up. But asset owners rejoice: their sales go up and their labour charges go down.

The interests of the workers are not the same as those of capitalists. And given an opportunity, the owners and politicians will conspire against the public, just as Adam Smith said they would. Then public policy twists towards the self-interest of the powerful few, at the cost of the powerless many. Here on the back page, we are about as far from Marxism as you can get. But even we can't miss a kind of "class struggle" going on right now. An arrogant and incompetent elite have rigged the system in their own favour. What's surprising is that the workers have put up with it for so long.

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