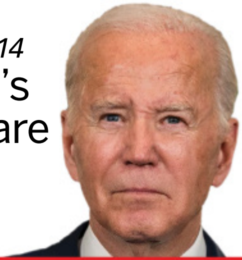
BRIEFING *P14*
America's leaders are too old



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MONEYWEEK

MAKE IT, KEEP IT, SPEND IT

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Tasty profits

The future of artificial meat

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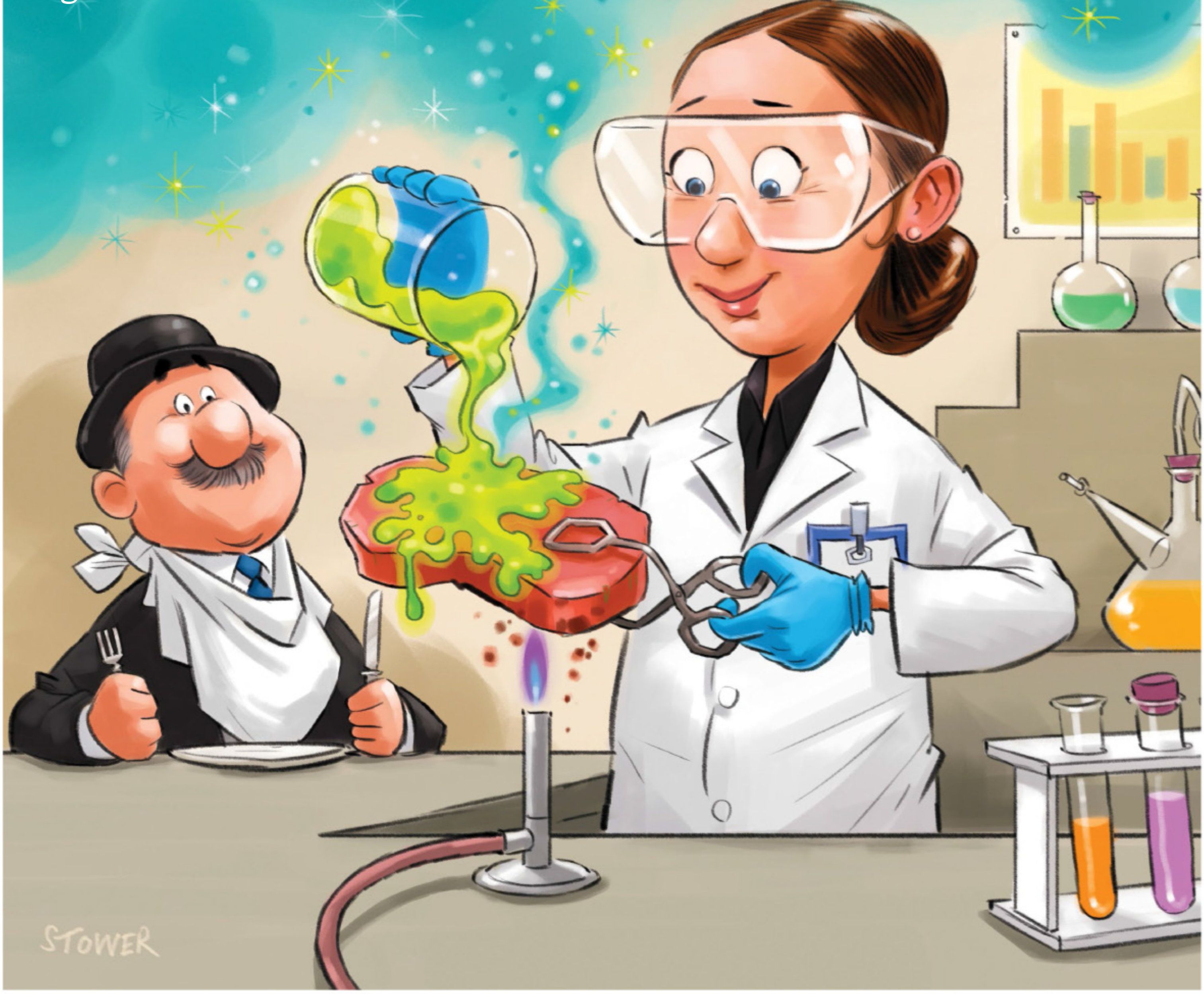


MoneyWeek

26 April 2024 | Issue 1205

Britain's best-selling financial magazine

From the editor...

World War Three? The Magnificent Seven? So last week. An extraordinary amount of fanfare greeted the FTSE 100's ascent to a new record closing high this week considering it almost happened a fortnight ago and was discussed to death then. Markets often display attention-deficit hyperactivity disorder (ADHD), fixating on something then suddenly dropping it and moving on to something else.

It is of course good news that the FTSE 100 has finally limped over the 8,000 mark. A bit of schadenfreude may have provided additional impetus and good cheer. While more encouraging macroeconomic data and some solid earnings reports boosted optimism on this side of the Atlantic, on Wall Street the main indices have been struggling, with the technology-heavy Nasdaq recording its worst five days since November 2022 last week (a drop of almost 4%). The blue-chip S&P 500 index is now around 5.5% below its record peak of three weeks ago.

America's Nasdaq index has suffered its worst week since November 2022

©Shutterstock

"With grit and determination even basket cases can be reformed successfully"

The old economy has aged well

It is a good week, then, to be reminded of the appeal of the old-economy sectors the FTSE specialises in. For instance, says John Authers on Bloomberg, defence group Rolls-Royce has quadrupled since 1 January 2023, easily outpacing the US Magnificent Seven, which has merely doubled since then in sterling terms. You will find a smaller, but equally promising defence stock on page 24.

A longer-term view of sectors in and out of favour helps explain part of the British market's long-term ups and downs (see page 5). The FTSE 100 outstripped the S&P 500 in US dollar terms between the end of the post-dotcom bust and the peak of the mortgage bubble in 2007. The financial and raw materials industries help explain that (it was the era of the commodities supercycle) and once the credit bubble burst, there was no technology bubble here to compensate.

Despite the record high, the UK market is still the cheapest big global market on a price/earnings (p/e) ratio of ten, as Jim Mellon pointed out this week. And we get a double discount if we buy Britain through cheap investment trusts (see page 17). My recent series of MoneyWeek podcasts, sponsored by IG and available on Spotify, provides plenty of additional ideas worth investing in with trusts. On the subject of MoneyWeek, I would also like to draw your attention to our new series of Readers' Choice Awards to help us find the top providers of investing, saving and banking products. Please participate in the survey at MoneyWeek.com/awards.

There are several potential policies that could give the FTSE the lasting fillip it desperately needs, as we often note, but a key problem is a sense of political drift hampering efforts to tackle deep-rooted structural problems in both the stockmarket and the economy. We seem to have forgotten the importance of growth (see page 15). With grit and determination apparent basket cases can be reformed successfully (see pages 19 and 38), but the maxim here is clearly "no pain, no pain" rather than "no pain, no gain".

There is a political equivalent of the Minsky moment, a crisis occurring once years of stability and complacency have bred instability, and we may be getting there. As novelist G. Michael Hopf put it, "Hard times create strong men, strong men create good times, good times create weak men, and weak men create hard times". We are in the last stage of the cycle.

Andrew Van Sickle
editor@moneyweek.com

A fight over flight

Taylor Swift was named the biggest celebrity CO_2 polluter of the year in 2022 by a marketing firm, says Ben Wright in The Telegraph. Swift's team pointed out she had bought double the carbon credits needed to offset her tour travel aboard her private jet. That has "become the standard line of defence" by private fliers. But the $2bn voluntary carbon credit market is "a load of hot air that does little more than salve the consciences of globe-trotting superstars and rapacious corporations", say critics. The use of sustainable aviation fuel (SAF) – made from waste fats, such as cooking oil – is another defence often employed. But at present there is not enough of it about for the industry to use at scale. So back to offsetting. That is, at best, a contract between rich and poor countries (where trees are planted) and, at worst, "a licence to pollute". Either way, the market could be worth $50bn by 2030 – and when it comes to tackling climate change that money is better than nothing.

Cover illustration: Adam Stower. Photos: Getty Images

Good week for:

Hollywood film director **James Cameron** has backed plans for a new £750m film studio to be built on the site of an old quarry in Marlow, Buckinghamshire. The site could double as a base and training centre for Lightstorm3D, a company he set up to develop tools and technology for the entertainment industry, says the Financial Times. The county council will vote next month on whether to give it the go-ahead.

The model of the starship *USS Enterprise* that featured in the opening credits of the original *Star Trek* television series from the 1960s has been returned to **Eugene Roddenberry Jr**, son of the show's creator, says The New York Times. The 33-inch model had been missing for decades until it turned up on eBay with a starting bid of $1,000. Heritage Auctions arranged for its return and the seller received an undisclosed "reward" from Roddenberry.

Bad week for:

Former footballer David Beckham is suing US actor **Mark Wahlberg** (pictured) for "duping" him into becoming a brand ambassador for F45 Training, a gym company partly owned by Wahlberg's investment group, says The Sun. Beckham claims stock in the company that he had been promised was withheld from him until the share price had plummeted, leaving him £8.5m out of pocket. Wahlberg has denied wrongdoing.

Conservative party donor **Akhil Tripathi** has had £14.3m of assets frozen by the High Court after being accused of deceiving a group of investors into buying £3.5m of shares in his anti-snoring start-up, Signifier Medical Technologies (SMT), says iNews. The claimants argue they had believed another shareholder to have been the seller, when in fact the proceeds had gone to Tripathi. Tripathi denies the allegations.

©Getty Images

Should you sell in May this year?

The market adage looks unlikely to apply in 2024, says Max King. Global equities are proving resilient

There is a rule of thumb in the City that you should buy a share if it goes up on bad news and sell one if it goes down on good news. The reason for this is that the share price tells you very quickly whether the good or bad news is already discounted, implying that the collective wisdom of traders and investors is more useful than the individual opinions of analysts.

This principle also applies to markets, as reflected in the adage that "bull markets climb a wall of worry". They have certainly been doing that so far this year. Expectations of cuts in interest rates in the UK and US have been postponed and reduced.

This is partly due to some disappointing inflation numbers and partly to the strength of the US economy. The yield on ten-year government bonds has risen 0.7% to 4.2% in the UK and 4.5% in America, raising the valuation hurdle for equities to climb over.

The price for benchmark US oil futures, known as West Texas Intermediate (WTI), has risen by 17% to $83.60 owing to the conflict in the Middle East, which, it is widely feared, could worsen. Damage to Russia's energy infrastructure and robust demand are also underpinning prices.

The price of Brent crude, which is of better quality, is $4 higher and threatens to breach $100. The price of gold, widely regarded as a good hedge against inflation and political uncertainty, has risen by a third to $2,400 an ounce since 7 October 2023.

Budget deficits, we are told, are out of control, and national debt spiralling upwards makes a crisis of government solvency inevitable. The UK and most of the European economies are barely avoiding recession. Growth is robust in the US and corporate earnings are increasing at a brisk pace, but this is reflected in a stockmarket multiple of 20 times this year's earnings.

Overhanging all this is the threat of China invading Taiwan, a widening war in the Middle East and, perhaps, a third world war. Brutal wars continue in Africa, Haiti has descended into anarchy and there is no sign of venal and incompetent regimes being under pressure anywhere nominally at peace. There is even a film on release postulating civil war in America – which sends the message that we should forget about it being the world's policeman.

Onwards and upwards

Yet the world's stockmarkets are all up this year. Every time equities stumble and the armchair pundits jump up and down with excitement that a bear market is upon us, the setback fizzles out and the market recovers. It is getting very difficult to see what, short of the apocalypse (which environmental fanatics predict with unshakeable confidence) will seriously knock markets.

What, then, is the good news that everyone is so enthusiastically ignoring? James Ferguson of MacroStrategy says that "US inflation isn't sticky or 3.5%. It's only 1.2%". He argues that 1.2% of the increase stems from "the lagged effect from shelter, which we can confidently expect will steadily decline over the next 12 months."

Shelter, or housing costs, comprise 36% of the consumer-price index. It has a long history of lagging house-price and general inflation, both now around 2%, by about a year, so it is set to fall back significantly. Another 1.1% of the inflation rate was due to a 22.2% year-on-year jump in motor insurance in March, which was driven by "a shift... in favour of electric vehicles", which are pricier to insure. Ferguson likens this to "exogenously imposed taxes, crowding out other spending". So generalised price rises were in fact only 1.2%.

©Getty Images

Invading Taiwan would be a pyrrhic victory at best for China's president Xi Jinping

"Conflict in the Middle East will probably fizzle out, as it so often does"

Ed Yardeni of Yardeni Research also disagrees with "the evolving consensus. We continue to believe that inflation rates should fall to 2%-2.5% year on year by the end of the year". This means that interest rates will fall more than the market now expects, and that government bond yields should retreat.

Higher oil prices are likely to encourage more output, conflict in the Middle East will probably fizzle out, as it so often does, and Russian armies may not sweep westwards. Xi Jinping may see that an invasion of Taiwan would, at best, be a colossal Pyrrhic victory.

America may decide that although it would like to retreat from being the global policeman, such a strategy would not "Make America Great Again", impressing neither friends nor enemies.

As 2025 approaches, the prospective multiple of the US market will drop to a more reasonable 18. The cash generation of listed markets allows for plenty of dividends and share buybacks, reducing the supply of equities. Government finances will remain very stretched, but that may provide an impetus to implement greater efficiency and less extravagance, or make it inevitable before long.

The "sell in May" adage has not worked well in recent years. It tends to apply when markets run too far early in the year due to a surge of optimism, but they have not done that this year. Instead, they have advanced moderately despite a surge of pessimism. April has probably brought as much of a setback as we are likely to get, so don't sell. Buy, but be prepared to be patient.

Oil comes off the boil

Cooling tensions in the Middle East saw Brent crude ease back below $90 a barrel this week. Still, oil has climbed 16% this year. Traders have returned to focusing on fundamentals, says Erwin Seba for Reuters. "Geopolitical risk premiums" – the extra price added to oil in case it becomes scarce in a conflict – "tend not to last if supply is not actually disrupted", says Giovanni Staunovo of UBS.

Geopolitical risk has hardly evaporated, says Liam Halligan in The Telegraph. The US is reimposing sanctions on oil producer Venezuela and new sanctions against Iran are also coming. It's true that a war that saw Iran close the narrow Strait of Hormuz in the Persian Gulf to shipping would send crude prices soaring, but the danger is overrated. China, Iran's main trading partner, now imports more oil via the Strait than the US and EU combined. Beijing won't let Tehran close the world's energy tap.

Energy traders seem to have got the memo, says Robert Buckland in the Financial Times. During the 1990 Gulf War, oil prices doubled and the S&P plunged by 20%. Despite elevated tensions, trading this year has been placid. Thank US (and Canadian) shale, which has turned America into a net energy exporter. When global turmoil cuts supply, US shale soon fills the gap, capping price rises. War and conflict are very important for other reasons, but just because something matters doesn't mean that it will move markets.

The shrinking stockmarket

©Getty Images

JPMorgan's CEO has sounded the alarm about de-equitisation

"I fear we may be driving companies from the public markets," says JPMorgan Chase CEO Jamie Dimon. His annual letter to shareholders sounds the alarm about shrinking public markets. He notes that the number of companies listed on US stock exchanges peaked at 7,300 in 1996 but has since plunged to 4,300. That is because a growing number are held in private hands – the number of US firms backed by private-equity companies "has grown from 1,900 to 11,200 over the last two decades", locking ordinary investors out of their returns.

Dimon is "not exactly an impartial observer", says Nicole Goodkind on CNN. JPMorgan makes "a huge amount of money from taking companies public". Investment banks charge large underwriting fees to help with stockmarket listings. Still, he's right to say that shrinking public markets are a problem. While publicly listed companies are subject to strict disclosure requirements, privately held firms can be much hazier about such basic details as ultimate ownership or how they make money.

Dimon blames the trend on the quarterly pressure felt by public firms to keep shareholders happy, plus the "spiralling frivolousness of the annual shareholder meeting" amid "grandstanding" by activist investors.

Avoiding the spotlight

Company founders today "have more options" than in the past to secure capital, says Buttonwood in The Economist. With trillions of dollars on offer from venture capitalists and private equity funds, entrepreneurs need not brave the harsh exposure of a public listing if they don't want to.

Disclosure rules are a particular problem for tech start-ups because a lot of value lies in "intangibles" – ideas, research and strategies – that they don't want to disclose to competitors in reports for shareholders. But what's rational for entrepreneurs is "cause for concern" for society.

A lack of transparency heightens the risk of destabilising financial bubbles going unnoticed by regulators. Shrinking public markets also cut more people out of capitalism, making voters less likely to support pro-business policies. The UK has long been a global "canary in the coal mine" for shrinking public markets, says Ben Wright in The Telegraph. In recent weeks, three small but promising biotech firms announced plans to delist from London. A culture that "increasingly assumes businesses are the bad guys" doesn't help.

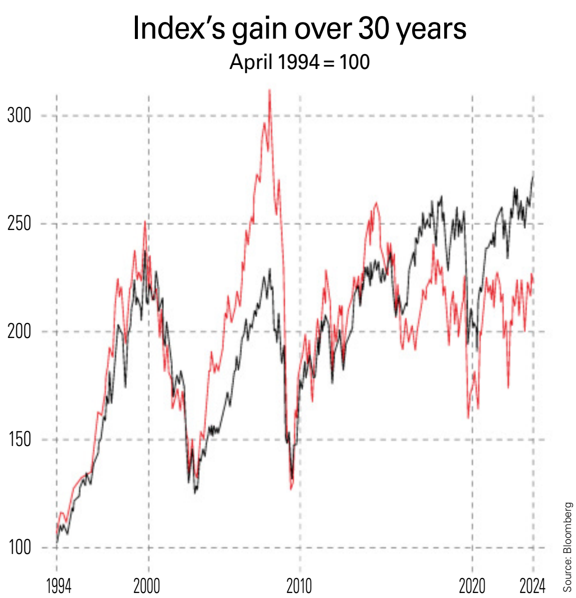
Public markets do offer companies ready access to funding, but many management teams think that benefit is simply not worth ballooning disclosure requirements, many fuelled by the "environmental, social and governance" (ESG) trend. Modern Britain has forgotten how to tolerate risk, preferring to regulate and legislate against "all potential downsides" while forgetting how to achieve growth.

Viewpoint

"Liz Truss [may be] a spectacularly failed 44-day prime minister with a book to sell [but] she has a point when she criticises Bank of England governor Andrew] Bailey... Long before the mini-Budget fiasco, I described Bailey as a... competent middle manager whose 'misfortune' was to have been promoted to the governorship... Nothing about the Bank's... management of interest rates to combat the 11% inflation spike... has boosted confidence in the governor or his institution... Central bankers are most effective when markets imbue them with mystical authority, as they did... with Alan Greenspan at the US Federal Reserve and... Mario Draghi at the European Central Bank. The uncharismatic Bailey has never come close... This diminished governor would be well advised to keep a signed resignation letter in his inside pocket."

Martin Vander Weyer, The Spectator

■ Strong sterling flatters the FTSE 100



The FTSE 100 has eclipsed 8,000 points for a new record close. The rally comes amid confidence that UK interest-rate cuts will begin this summer, while strong oil prices are boosting London's blue-chip commodity giants. Up by 4% in 2024, the FTSE still lags America's S&P 500 (5.5%), Japan's Topix (12%) and Germany's DAX (7%). "The long-term deterioration in the pound" has helped flatter the overseas earnings of British multinationals in sterling terms, says John Authers on Bloomberg. While the FTSE is at a new high in sterling, in dollar terms the index is still well short of its 2007 peak. The 2007 Northern Rock implosion and ensuing financial crisis dealt the FTSE a "pummelling... from which it's never rebounded".

Music stops at Hipgnosis

The music-royalties trust is ripe for takeover, with two firms keen to scoop it up. Its business model is no longer on song, however. Matthew Partridge reports

Shares in Hipgnosis Songs Fund have soared after private-equity group Blackstone announced that it would seek to derail Concord Chorus's proposed $1.4bn takeover of the UK-listed music-rights investment trust, says Daniel Thomas in the Financial Times. The fund gives investors access to the income from song royalties. While the board had previously backed Concord's offer of $1.16 a share, it is now "minded" to back Blackstone, after it came in with a higher bid of $1.24 per share. This looks set to trigger a "bidding war" for Hipgnosis, "which has been through a tumultuous period [amid] questions over its valuations, debt levels and governance".

Investors may not "get to see a battle of the bands", says Alistair Osborne in The Times. Blackstone could make any Concord deal "a legal nightmare". It is the majority owner of Hipgnosis Songs Management, run by the listed fund's founder Merck Mercuriadis, which has "the right to buy Hipgnosis's assets – broadly its 65,000 songs – at a price set by an independent valuer". Hipgnosis claims that Mercuriadis's conflicts of interest mean that they can fire him and cancel the option. But there is the risk that if Concord wins the bid, "it could theoretically go on to lose the assets to a Blackstone-controlled business".

The end of a great story

The fact that an "honourable escape route" is the best that Hipgnosis's investors can hope for is a pity, says Alex Brummer in the Daily Mail, as it was based on a "great story". Mercuriadis's "long record in the world of popular music" gave him access to the big players, while their songbooks "offered a new asset class". Sadly, while Hipgnosis "was in the forefront of signing up artists such as Shakira, Jay-Z and Justin Bieber", the giants of the industry "recognised there was value in royalties", and the space quickly "became more crowded". As a result, fund manager Mercuriadis "found himself paying ever higher prices for songbooks and the economics fell apart".

©Getty Images

Hipgnosis bought the rights to the songs of artists including Shakira

A crowded market wasn't the only thing that doomed Hipgnosis, says Pierre Briançon for Breakingviews. The era of "higher-for-longer interest rates" has lowered the value of music rights, as it shrinks "the net present value of future cash flows from catalogues often stretching decades into the future". Indeed, Hipgnosis "reckons a 0.5% increase in the discount rate used in those calculations knocks 8% off its worth". No wonder an independent review forced the firm to slash the value of its assets.

The sensitivity of music rights to interest rates, as well as the "industry-wide lack of transparency over the price at which catalogues are bought and sold", suggest that this type of alternative asset is "ill-suited to public markets", says Nils Pratley in The Guardian. Of course, it would be a shame to write off song royalties completely, as a "broad and constantly refreshed portfolio of music rights should be able to provide a stable source of income". However, pension funds, "with multi-decade investment horizons", seem "more natural" owners than a listed company.

Will Ocado cross the pond?

In what would be "yet another major blow to the capital's beleaguered bourse", Ocado has reportedly discussed with investors the option of moving its listing to New York, says Lars Mucklejohn in City AM. At least one top fund manager had told Ocado that "it wanted the firm to explore the idea properly".

The news comes as shareholders have criticised investors "for not fully recognising Ocado as a technology firm rather than principally an online grocer". A "number of big names" have already either delisted or snubbed a London flotation.

There is certainly a "huge gulf" between valuations in the US and the UK, with one recent study suggesting that "Britain's top 100 companies would be worth nearly £500bn more if they eloped to New York", says Ben Marlow in the Daily Telegraph. Such an uplift would be welcome for Ocado's shareholders given the 90% plunge in its share price since the pandemic. Still, Ocado's delivery tie-up with Marks & Spencer could prove an impediment to joining the "wave of departures". The relationship is "acrimonious", with Ocado threatening to sue M&S over the latter's withholding of a promised payment.

Instead of suing M&S, Ocado should negotiate a settlement over the disputed milestone payment based around Ocado selling its share of the venture to M&S, says AJ Bell's Russ Mould. This would allow it to "concentrate on being a pure-play tech company" whose future "lies in the provision of tech and robotic systems to power grocery warehouses", without having to be associated with "the little vans that deliver loaves of bread to Mrs Miggins".

Until it stops being seen "as a delivery company that just happens to help some other grocers behind the scenes", or it "ups sticks and moves to a different country", Ocado faces an "uphill battle" with how investors "judge the company".

Netflix shrugs off sector's struggle

Netflix has announced another three months of "blockbuster" growth in subscribers, says Dan Gallagher in The Wall Street Journal. It gained 9.3 million in the first quarter of 2024, nearly double the figure expected. This means that more than 31 million subscribers have joined up in the three quarters since it announced that it was cracking down on password-sharing, a sign that the move "still has legs". However, quarterly revenue growth barely exceeded Wall Street's forecast, while Netflix will "no longer report subscribers' data at all" starting from next year. These factors seem to have thrown a "wet blanket" over the shares.

It's no surprise that Netflix's decision to stop reporting data on subscribers has "spooked" the market, says AJ Bell's Russ Mould. Investors have judged the group on its success with subscriptions ever since it floated. Netflix's warnings that net subscriber additions may be lower in the next quarter will only fuel concerns that Netflix "has reached maturity in many regions", with some wondering whether the "easy wins" from ending password-sharing "might have now been achieved". Yet Netflix "always seems to have new revenue-generating ideas up its sleeve", including merchandising and "scooping up advertising dollars from carrying third-party promotions", while the release slated for the second half of the year "looks solid".

Netflix's overall position is strong compared with the "horror show" that is the rest of the streaming industry, says Jennifer Saba for Breakingviews. Netflix turns $16 of every $100 of sales it makes into free cash flow; at Disney the figure is only $9. This has created an "expanding cash pile", which allows it to spend $5bn to secure the rights to air WWE wrestling for a decade at a time when its rivals are "slashing production budgets and licensing movies to reach profitability". Netflix is also moving into the "promising area" of video games: it has "rolled out dozens of them already".

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

Six to buy

Centamin
Interactive Investor
Gold miners are a volatile, geared play on gold prices. That mining "roller coaster" is currently in steep ascent, with shares in this Egypt-focused miner up by 25% this year. The fruits of a three-year investment programme to raise operational efficiency and cut costs are coming through at just the right time. On a forward price/earnings (p/e) ratio of ten, the valuation still looks reasonable despite the rally. While there are political risks, for value investors the shares still appear "the best pick among London-listed gold miners". *124p*

Costain
The Sunday Times
Last year saw 4,400 (mainly smaller) building firms go bust, but easing inflation and a rise in contracts up for tender make for a brightening outlook. Costain's historic pivot from building houses to becoming an "infrastructure contractor" that works across roads, rail and nuclear decommissioning appears especially judicious given the state's priorities. With more than 80% of revenue

already booked for this year, management has had the confidence to restore annual dividends. On just five times forecast earnings, the shares look a decent bet. *75p*

Keller Group
Investors' Chronicle
Saudi Arabia's decision to scale back Neom, its linear city project, means this groundworks contractor won't enjoy the bonanza of contracts it had hoped for. Still, underlying operating profit doubled in North America last year, while falling net debt makes for a more robust balance sheet. On a trailing p/e of 8.9, the shares trade at a discount to the sector. The 4.3% dividend is appealing, not least given a "record of uninterrupted payouts" since 1994. *1,064p*

Marks & Spencer
The Telegraph
A turnaround plan is reaping rewards. The outlook for consumers is improving as inflationary pressures relent. That will boost supermarkets in general, and M&S in particular, as households feeling flush will buy more of its top-quality products. Declining net debt strengthens the financial position. On a forward p/e

of 11 the shares still look "excellent" value. *247p*

Mitie
The Mail on Sunday
From cleaning toilets in shopping centres to controlling platform access gates at train stations, Mitie staff keep a multitude of everyday services running. A recent full-year trading update revealed an 11% rise in revenue to £4.5bn. Mitie is pivoting from its base in "facilities management" to more lucrative work in "facilities transformation", meaning that it helps firms to achieve Net Zero targets or to analyse building-usage data. Wage-cost inflation remains a challenge, but strong cashflow and a robust order book mitigate the risk. The shares seem "relatively cheap". *116p*

Ultimate Products
Shares
With inflation finally cooling, a consumer revival looks to be in the works. That is good news for this homeware brands business, which owns Salter and Beldray, among others. Nearly 80% of UK homes are thought to own at least one Ultimate product, whether it be houseware, cleaning, floorcare or a small domestic appliance. The products enjoying a reputation for being high-quality and affordable. While recent trading hasn't been smooth, management has been using strong cashflow to slash debt. On a p/e ratio of 10.1 and yielding 4.9%, the shares look a bargain given scope for "years of robust growth ahead". *156p*

...and the rest

Investors' Chronicle
Sales at corporate e-learning business **Learning Technologies Group** fell by 4% last year. Rising interest rates on a big debt pile have hardly helped matters. Still, there is scope for margins to rise and on a forward p/e of 11 the rating is "undemanding". Buy *(77p)*.

The Mail on Sunday
Green power business **Ceres Power** licenses its hydrogen fuel-cell technology to manufacturers in return for royalties. The shares have plunged 90% since 2021 as ardour for speculative green technology has cooled. The business continues to make a loss, but on the plus side revenue is starting to come through on contracts and the shares should at least rally. Hold *(140p)*.

Shares
Long limited to use in factories, robots are now going domestic and can already mow the lawn (pictured) and vacuum the house. Advances mean that "within the next decade" they could be doing ever more human chores, aided by advances in artificial intelligence. The **iShares Automation & Robotics ETF** provides a quality, low-cost (ongoing charges are just 0.4%) way to gain exposure while spreading bets across the sector. Buy *(1,022p)*.

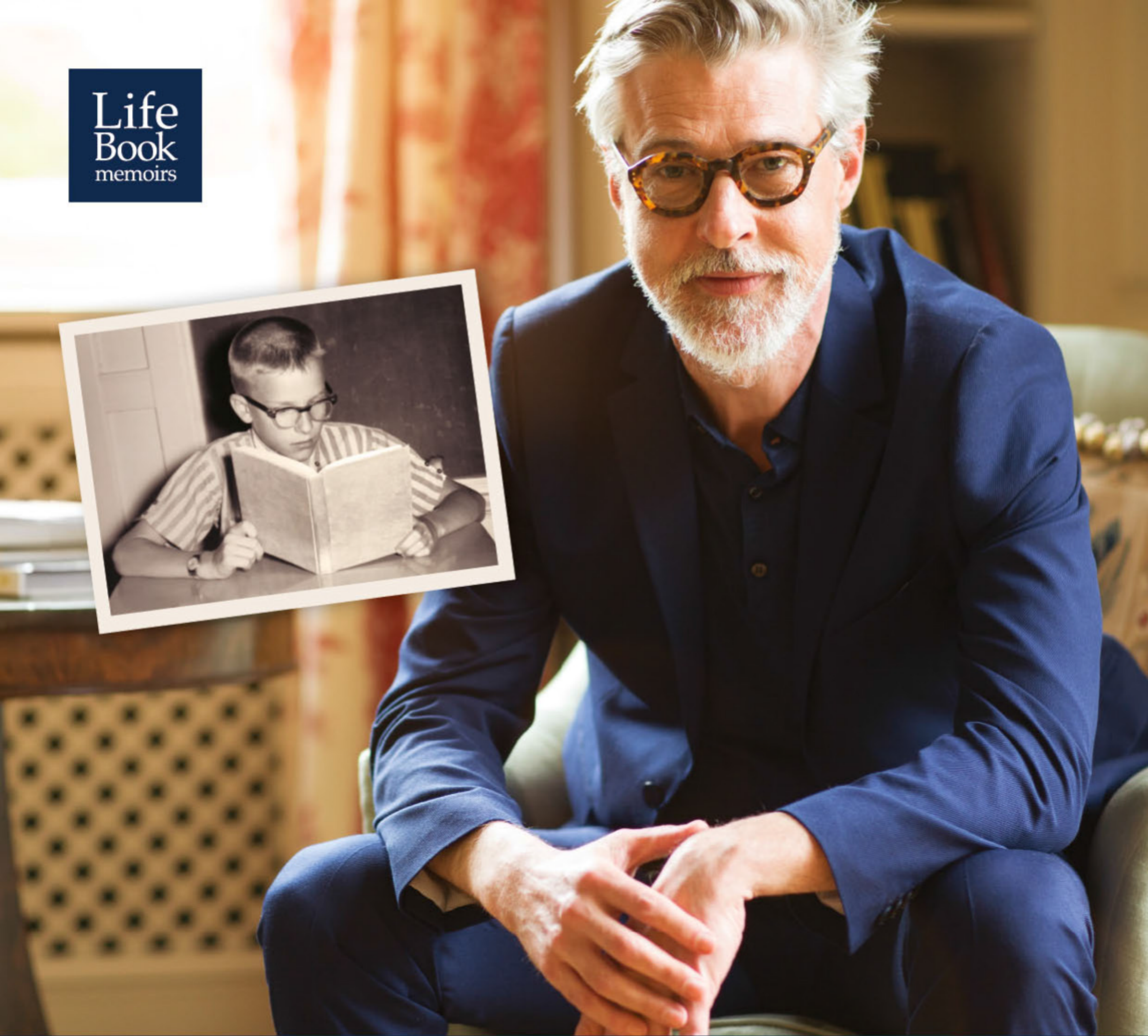
The Telegraph
Ethically conscious US shoppers are willing to pay a steep premium to buy the family-farm-produced eggs sourced by **Vital Farms**. The brand's "formidable pricing power" rests on a network of trusted farmers and distributors that adhere to its strict standards and its ability to sell a "lifestyle" as much as a product. While the valuation is steep, it appears less so when you factor in forecasts of 27% average annual earnings growth over the next three years. Buy *($25)*.

An American view

"Timken literally helps the world go round," says Barron's. It makes ball bearings and other components crucial to machinery used in sectors ranging from agriculture to aerospace. The stock has dipped owing to weak demand from China, but the outlook remains encouraging. The Middle Kingdom accounts for just 12% of sales, and in 2025 earnings per share are expected to climb by 13.5% to a new record, helped by the group's shift towards areas displaying fast growth – such as parts in conveyor belts – and away from cars, where competition is intensifying. At least 40% of Timken's business is recurring, as its sophisticated parts need replacing. New management should also provide a fillip.

IPO watch

Chinese bubble-tea chain Sichuan Baicha Baidao, known as ChaPanda, made a disappointing debut on Hong Kong's bourse last Tuesday, says Nikkei Asia. ChaPanda's shares opened at HK$15.74, 10% below the initial public offering (IPO) price of HK$17.50. The stock then fell by almost 40% by midday and closed down by 27%. ChaPanda's sluggish start was blamed on the lack of cornerstone investors wanting "to lock up their money". The underlying problem is poor sentiment in the Hong Kong market, which has fallen by 45% since 2021. It bodes ill for the other bubble-tea firms in the highly competitive domestic sector looking to raise cash for expansion by going public.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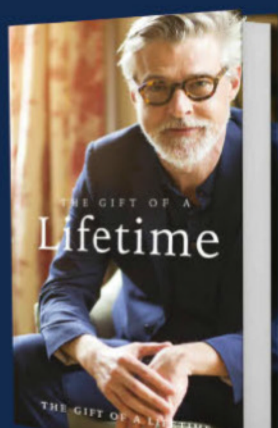

THE GIFT OF A
Lifetime

Why is Britain on the sick?

The prime minister is setting out to tackle "sick-note culture". Emily Hohler reports

Sunak: on a "moral mission"

©Getty Images

Rishi Sunak set out his "moral mission" to reform the welfare system in a speech last Friday, warning against "over-medicalising everyday challenges" and saying that the recent rises in spending on sickness benefits were "obviously financially unsustainable". His proposals were met with criticism. Disability charity Scope described it as a "full-on assault on disabled people" and the British Medical Association echoed Keir Starmer's calls to focus on lengthy NHS waiting lists instead, condemning Sunak's "hostile rhetoric on sick-note culture".

On the same day, the Department for Work and Pensions "quietly released updated forecasts", says Kate Andrews in The Spectator. It expects there to be 3.96 million working-age claimants by 2028-2029, up from 2.8 million in 2023-2024, while the number of those receiving disability benefits is forecast to rise to 1.16 million. Currently, 2.8 million people are registered as "long-term sick" and 5.6 million are on some kind of out-of-work benefit. Britain only has a low headline unemployment rate of 4.2% because the numbers don't include those who've stopped looking for work. As Sunak pointed out, we now spend £69bn on benefits for working-age people with a disability or health condition, more than we spend on schools, transport or policing. Spending on personal independence payments (PIPs) alone (an "indefinite award" worth up to £798 a month) is forecast to increase by more than 50% over the next four years (anxiety and depression are the main reasons people receive a PIP, notes The Times). Proposed changes include requiring more medical evidence to substantiate PIP claims and shifting responsibility for issuing "fit notes" away from GPs to a new class of specialists.

This is a "classic" Tory thinking," says Frances Ryan in The Guardian. Don't address the causes, just "get someone who is not a doctor" to declare people aren't actually sick. The non-means-tested PIP, introduced in 2013, is designed to help cover the extra costs that come with disability, which is why it is permanent. Offering people with mental-health conditions treatments instead of benefits is meaningless when there is a 1.9 million waiting list in England alone. Britain doesn't have a "sick-note culture". "It has a record-high NHS waiting list, widespread food poverty, stagnant wages, low benefit rates, crippling housing costs, a broken social-care system... and inadequate mental-health services." These are the predictable consequences of a government that has "vandalised" the public realm.

Few would "cavil" at the idea of helping disabled people, but given the figures, there "must be a suspicion that the common ups and downs of life are being treated as medical ailments", says The Times. Other countries don't have the same patterns, notes John Rentoul in The Independent, and though this may in part be due to our ailing health services, incentives are likely to be a factor, too. Most people on sickness benefits aren't required to seek work.

A recalibration is needed

A less discussed aspect is the tension between "compassion" and cost, says Matthew Syed in The Sunday Times. The peace and economic growth that the UK has enjoyed in recent decades has "recalibrated" our concept of compassion. A visitor from the distant past would be astonished at our triple-locked pensions and generous benefits system. Moving rapidly to net zero, housing asylum seekers in hotels, providing mental-health services for more than 400 "conditions" incurs costs that must be met by wider society. Social entitlements have become "uncoupled" from the means to finance them. This problem afflicts much of the West. What we really need is a "moral recalibration": to "cut our moral coat to the cloth of the age… Our future as a civilisation depends on it".

Defence secretary Grant Shapps is on a war footing

©Getty Images

Sunak hikes the defence budget

Rishi Sunak has pledged to boost defence spending to 2.5% of GDP by 2030 and put Britain's defence industry on a "war footing", with £10bn for ramping up domestic weapons production. His promise, made in Poland, which borders Ukraine, would steadily increase defence spending to £87bn a year by 2030, representing a cumulative extra spend of £75bn and making the UK "by far the largest defence power in Europe". He said that if all Nato nations followed suit, its budget would rise by more than £140bn a year. He also committed an extra £500m to Ukraine, the biggest package to date.

The government's reluctance to commit to defence spending until now is understandable, says The Times. "There's no spare money. Government debt and personal taxation are historically high, and most departmental budgets are scheduled to shrink." However, defence is also a "state's primary job". A greater commitment from Europe is "critical to Nato's survival". America is "flirting with isolationism" and, if Donald Trump retakes the American presidency later this year, he may "destroy the alliance behind the West's safety since World War II".

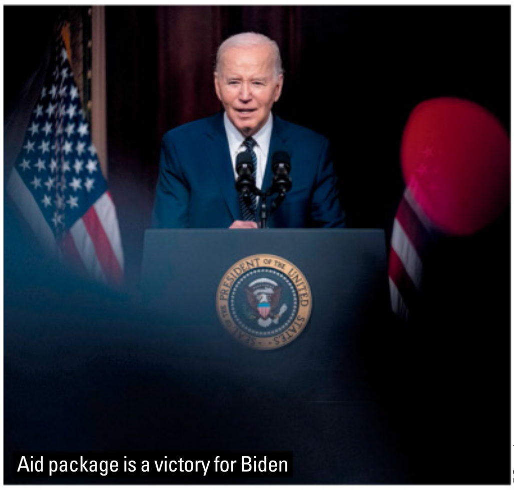
The 2.5% promised is also "modest", says Eliot Wilson in The Spectator. It's less than a sixth of what we spend on health. In 1991, we were spending 4.1% of GDP.

In a sign that the Tories will "try to hold Labour's feet to the fire" over this issue during the general election campaign, Sunak told reporters there would be a "choice on this topic" for voters, says Pippa Crerar in The Guardian. Sunak may also be hoping that his announcement will "ease" pressure on his leadership and "mollify" rivals. It comes after "months of pressure" from defence secretary Grant Shapps and comments by Penny Mordaunt, leader of the Commons, that the government's "first duty is to protect our nation".

US grants aid to Ukraine

The much-needed cash arrives after a long delay. Matthew Partridge reports

Following "a political logjam that had lasted for months", the US Senate has finally approved a $95bn bill to deliver security aid to Ukraine, Israel and the Indo-Pacific region, with "overwhelming bipartisan support", says James Politi in the Financial Times. The approval, a result of the Republican Speaker of the House of Representatives Mike Johnson changing his mind and allowing it to come up for a vote, represents a "legislative victory" for Biden. Ukraine should start receiving aid "within days".



Aid package is a victory for Biden

©Getty Images

A critical moment

The $61bn for Ukraine comes at a "critical moment" in the war, says Owen Matthews in The Spectator. The delaying tactics by Republicans in the House, which held up the aid for six months, has led to a "desperate shortage of artillery shells" – the Russians have been firing up to six shells for every one the Ukrainians shot back. A lack of missile defences has also seen Russian ballistic and cruise missiles "almost entirely destroy the electricity generation infrastructure of Kharkiv, Ukraine's second city, and severely damaged that of Kyiv", leaving "hundreds of civilians dead". More importantly, the delay has taught the Ukrainians that their security "is dependent on the political whims of their allies, and could once again evaporate".

Thankfully, the benefits from the American aid should be felt nearly immediately – and the US is confident it can supply enough shells "to last for a year or so", says The Economist. Larger weapons systems will take much longer to ship, but the immediate infusion of aid should be "enough to fend off a larger-scale Russian offensive that the head of Ukraine's military-intelligence service has said he expects in June". Worries remain that a Trump victory in the US presidential elections later this year could force Ukraine "to accept either defeat or a huge territorial loss in 2025"; it's clear this package has at least prevented this happening during Biden's term of office.

All is far from lost

It's no coincidence that the Republican decision to back Ukraine came at a time when the attention of Donald Trump, who has opposed aid to Ukraine until now, was focused elsewhere, says The Guardian. Trump's legal problems, including an ongoing trial, mean that the former president "won't be able to bully Republican lawmakers or rally his followers so effectively", as shown by his decision not to endorse calls for Mike Johnson's removal. Trump's "diminished status" will not have been lost on many Republicans, especially the 101 who showed by backing the bill that they "want America to be governed effectively".

What the episode shows is that "all is far from lost" for Ukraine and its allies, says Max Boot in The Washington Post. Ukraine still controls roughly 80% of its territory and the Ukrainian people remain "united in resistance". However, "more needs to be done", including granting more US aid, to convince Vladimir Putin "that he cannot win his cruel war of conquest". It is to be hoped that "next time Congress will move without first forcing Ukraine to the brink of disaster".

India goes to the polls

Indians have begun voting in a general election that "will last six weeks and zigzag across the country", say Tripti Lahiri and Vibhuti Agarwal in The Wall Street Journal. Polls suggest the result will be a third national victory for prime minister Narendra Modi (pictured) and his ruling Bharatiya Janata Party (BJP).

Voters approve of Modi's nationalism and the fact that "their country is finally being taken seriously on the world stage", despite "an undercurrent of economic anxiety" over unemployment and inflation.

The contest isn't exactly taking place on a level playing field though, says The Economist. Modi has "curbed the independence of the media, the courts and civil society", and tax and investigative agencies have targeted dozens of the opposition's politicians, arrested two of its party leaders and frozen bank accounts. The main opposition leader was suspended from parliament for four months in 2023 for mocking Modi's name. Indeed, the contest is so "uneven" that some have discussed boycotting it. Still, it's hard to dispute that Modi is popular, and the opposition has "struggled to identify a coherent message to compete with the BJP's combination of Hindutva (Hindu nationalism) and development".

That message may have cemented the BJP's grip on the northern and western states, but it holds less appeal in other parts of India, says Philip Sherwell in The Sunday Times. The south, the "engine room of India's current economic boom", is much less impressed, and its secular tech-based development "offers a model of a very different India" to Modi's – just why he made a breakthrough there a priority in his campaign.

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Betting on politics

With less than a week to go before the local elections in England, bookmakers and betting exchanges are finally starting to put up some more markets on the results. Betfair now has markets on the elections in the West Midlands and Tees Valley.

With £16,875 matched on the West Midlands, Labour's Richard Parker is favourite to win at 1.36 (73.5%), with the Conservative incumbent Andy Street at 2.4. In the case of Tees Valley, the Conservative Ben Houchen is the slight favourite at 1.73, with Labour's Chris McEwan on 2.04.

In both cases, I'd suggest you bet on Labour winning (though don't bet any more, if you've already taken my advice). The polls differ widely on the size of Parker's lead, with one survey putting him ahead by 3% and another by 14%, but both have him in front. With many voters looking to give the Conservatives a bloody nose, he should win.

Similarly, while the polls have Houchen and McEwan neck-and-neck, I think national anger at the Tories should help tip the balance towards a Labour win.

Another interesting contest is for mayor of the East Midlands. Ladbrokes has Labour's Claire Ward as the favourite at 1/4 (80%), with the Conservatives' Ben Bradley out at 11/4 (36.3%) and the Liberal Democrats out at 25/1 (3.8%).

Over the past 15 years the East Midlands has been a Conservative-leaning area – the party won the most votes in the 2010, 2015, 2017 and 2019 general elections. Indeed, at the last election it managed to win 38 out of 46 seats.

However, extrapolating from current opinion polls suggests that Labour stands to be the largest party come election time. I would therefore suggest betting on Ward to come out triumphant, even though the odds on her are relatively short.

London

Misdelivered: International Distribution Services (IDS), the owner of Royal Mail, is urging Ofcom, the communications regulator, to speed up its review of the postal service's plans to modernise as the company fends off a potential £3.1bn hostile takeover by Czech billionaire Daniel Kretinsky, says James Warrington in The Telegraph. IDS rejected an offer from Kretinsky, whose company, EP Group, is IDS's largest shareholder with a 27.5% stake. The takeover offer "significantly undervalues IDS and is highly opportunistic", said IDS's chairman Keith Williams. Fund manager Redwheel, IDS's third-largest shareholder with a 6.65% stake, backs the reform plans. Kretinsky, who also owns stakes in Sainsbury's and West Ham Football Club, was put through a national security review in 2022 after he increased his holding in IDS. He has until 15 May to make a new bid, which would probably be examined by regulators.

IDS wants to reform the universal service obligation, which requires Royal Mail to deliver letters six days a week. It plans to cut nearly 1,000 jobs and save £300m a year by reducing deliveries of second-class post to three days a week, while first-class post would continue to be delivered six days a week and parcels for seven days. EP Group criticised Royal Mail's "slow transformation", which was putting "unsustainable pressure" on the company. Williams blamed the "lack of reform… by the government and Ofcom over the past four years… [for holding] back Royal Mail's transformation". "Urgent action" was needed, he said. Ofcom, which is expected to publish an update on its consultation this summer, said some reform options would "require government and Parliament to change primary legislation, while others could be made through changes to Ofcom regulations".

New York

FTC handbags deal: The Federal Trade Commission (FTC), the US competition watchdog, has blocked Tapestry's $8.5bn takeover of rival handbag maker Capri on the basis that the merger would hand Tapestry too much power in the market for "affordable" handbags. "The quest to become an American luxury giant is turning out to be an uphill battle" for the owner of brands Coach, Kate Spade and Stuart Weitzman, says Jinjoo Lee in The Wall Street Journal. Tapestry and Capri, which owns Michael Kors and Versace, have a combined 17% share of the North American handbag market. But at the "affordable" end – where bags can still cost hundreds of dollars – their market share is 53%. That said, they both cater to a variety of budgets and, really, there is no shortage of competition at the cheaper end. Both companies intend to challenge the FTC's decision.

Meanwhile, French luxury group Kering expects operating income at Gucci to have fallen by around 45% in the first half of 2024, compared with a year earlier. Group sales fell 10% to €4.5bn (£3.8bn) in the first quarter.

Austin

Tesla hits the skids: Stock in electric-car firm Tesla rose 10% in after-hours trading on Tuesday after boss Elon Musk moved to reassure investors Tesla was committed to making "more affordable" cars, says Rebecca Elliott in The Wall Street Journal. The share price had fallen 40% so far this year, a situation not helped by net income in the first quarter falling 55% to $1.1bn compared with a year earlier. Revenue declined 9% to $21.3bn, the steepest decline since 2012, due to a fall in prices and deliveries.

Tesla is focusing on developing a fully autonomous car, with plans for a "robotaxi" model and a ride-hailing network. Musk emphasised the importance of achieving autonomy, urging investors to believe in Tesla's ability to solve this challenge. But the lack of detail and focus on robotaxis "seems an attempt to draw attention away from falling sales", says Lex in the Financial Times. Tesla projects growth in 2024 will be "notably lower" than previous years. The company is facing several headwinds, including falling car sales, cooling demand for electric vehicles, increasing competition, inventory piling up, and a reduction in US government subsidies. It has already knocked $2,000 off the price of several models in the US. Still, "investors seem keen to give Musk the benefit of the doubt" and "Tesla has climbed out of bigger holes than this one in the past. But to do that, it needs cheaper cars, not robotaxis".

The way we live now... the airline for jet-set pets

Bark Air, a new carrier dedicated to dogs and their owners, aims to alleviate the stress of flying with pets, says Lebawit Lily Girma on Bloomberg. Dog owners can now book flights on private jets, with dogs allowed in the main cabin. Bark Air, created by Bark Inc, the company behind BarkBox, a subscription service for dog products, will operate once-weekly flights from New York to Los Angeles and twice monthly from New York to London, using secondary airports. Fares start at $6,000 one way for US flights and $8,000 one way for transatlantic flights. The airline plans to limit bookings to ten people to ensure adequate space for pets. Pre-departure calls assess the furry passengers' temperaments and concierges ensure all required vaccines and paperwork are in order.

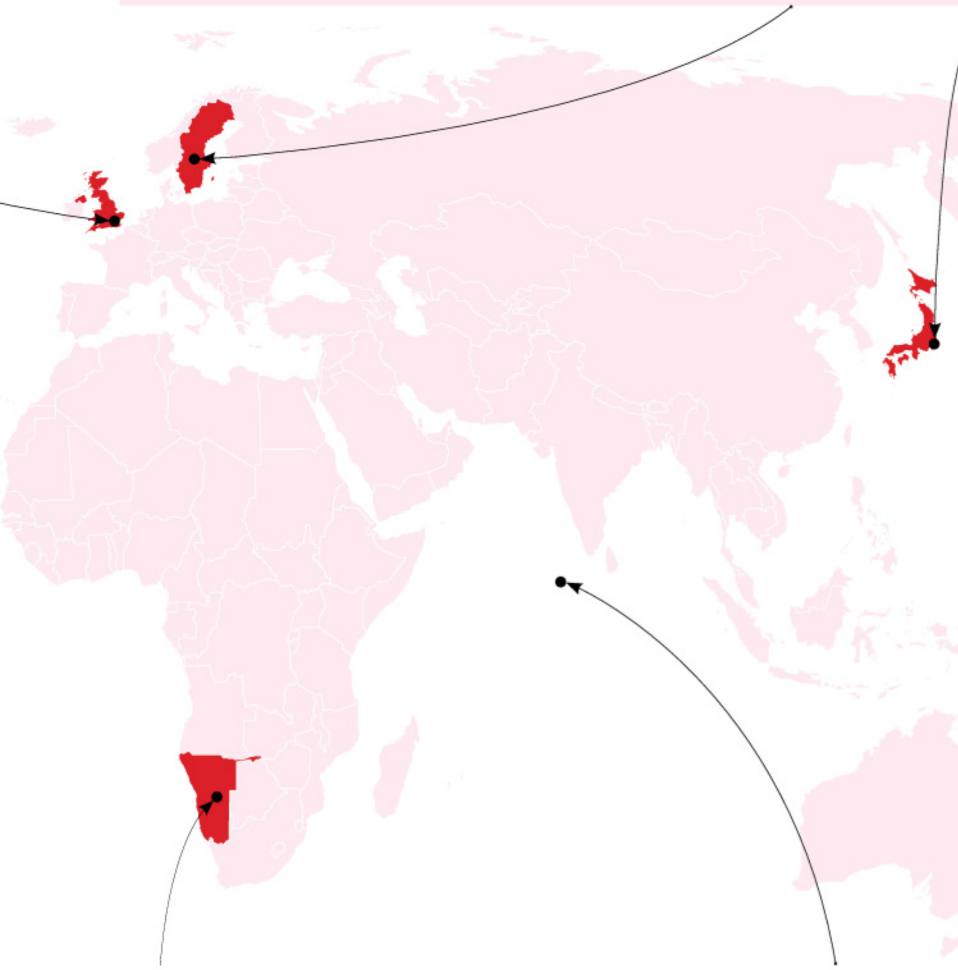
On board, a canine-specific menu is available, including dog "Champagne", as well as quick clean-up for pet messes. Bark Air plans to install replaceable carpet tiles and create an onboard play area. It hopes to cater to all pet owners, including those who own cats and rabbits, and build on programmes by other private airlines, such as VistaJet, which saw pet travel surge 86% from 2019 to 2021. While some industry analysts are sceptical about its profitability, Bark Air aims to engage its 2.3 million BarkBox subscribers and potentially grow its subscriber base. "We'll find out if this is a service that the world wants and values," says Bark's CEO Matt Meeker. "If not, we're going to have a heck of a time finding out."


"Tomb Raider" is a hit with gamers

©Alamy

Karlstad

Three-way split: Swedish video-game maker Embracer plans to split into three separately listed companies to trim its debt pile, say Dominic Chopping and Mauro Orru in The Wall Street Journal. Asmodee will focus on board games and The Coffee Stain & Friends will centre on mobile and titles that are free to play. Embracer, renamed Middle-earth Enterprises & Friends, will develop its marquee games and intellectual property, such as *Lord of the Rings* and *Tomb Raider*. Asmodee is expected to list on the Nasdaq Stockholm stock exchange within 12 months, and The Coffee Stain next year. Embracer went on an acquisition spree and enjoyed a "pandemic bump" as more people played video games during lockdown, with shares surging more than threefold between 2020 and 2021. But debt increased as revenue growth slowed in recent years and a multibillion-dollar partnership fell through, prompting asset sales and a restructuring plan. The company said earlier this year that it was unlikely to reach its target to cut net debt to SEK8bn (£590m) by the end of March. As part of the break-up plans, Asmodee, which has steadier revenues, will carry the existing debt burden. The company acquired a €900m loan secured against Asmodee's assets to pay down its debt. Shareholders representing more than half of the capital and votes have backed the plans.



Tokyo

Activist acts nice: US activist investor ValueAct Capital can "breathe a sigh of relief" in its dealings with Japanese retail group Seven & I, says Anshuman Daga on Breakingviews. Last year, it "turned heads" in Japan when it "publicly lost its temper" in trying to persuade the $34bn conglomerate to "rejig" its structure. That "unusual move" for a fund that normally "prefers to chide management… in private" appears to have been "vindicated". Ryuichi Isaka (pictured), Seven & I's boss, announced the group would consider an initial public offering for its loss-making superstores, along with separating the roles of chairman and CEO – not the spin-off of the convenience stores that ValueAct had wanted, but change nonetheless. The fund revealed in 2023 it had secretly built up a 4.4% stake in Seven & I and appealed to shareholders to remove Isaka and board members in favour of its own candidates. That approach failed and a "bruised" ValueAct resumed engagement "behind closed doors". At least "by playing nice", ValueAct has been able to recast itself as an "engagement fund rather than a greenmailer. That's important in a country where management is highly guarded, and where there are huge opportunities still to unlock".

Windhoek

Back to black gold: Portugal's Galp Energia is seeking buyers for half its stake in an exploration block off Namibia, where it has discovered at least ten billion barrels of oil and gas, say Ron Bousso and Sergio Goncalves on Reuters. The discovery in the Mopane field – among the largest in the Orange basin – could revive the oil industry in southern Africa. Galp has an 80% stake in the exploration licence, with Namibia's national oil company Namcor and exploration group Custos each holding 10%. The sale will potentially raise billions of dollars for Galp and it will include control of the project's development. Oil giants Shell, Total and Chevron could be in the running. All are drilling or planning to drill in the Orange basin and all "still seek oil growth", says Lex in the Financial Times. "Oil exploration is not dead yet." Galp says it is aiming to reduce its carbon emissions to net zero by 2050 and it will allocate half of its spending towards low-carbon energy by 2025. Namibia could well provide a new revenue source for the energy company, which also has assets in Brazil and Mozambique. It made over $1bn in after-tax profits last year, and following a 43% rally this year, its shares can no longer be said to be cheap, trading at a premium to its regional peers.

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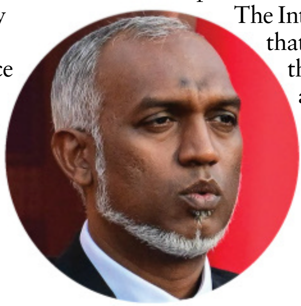
Malé

Victory for China: The People's National Congress (PNC) party of president Mohamed Muizzu (pictured) won a decisive victory in the Maldives' parliamentary elections on Sunday, giving the "China-friendly leader a stronger political mandate", says John Reed in the Financial Times. Muizzu came to power last November on a promise to send back Indian troops stationed in the Maldives and end the country's "India first" policy, looking to China instead for funds and military assistance – a shift Beijing appears "keen to exploit". The Maldives is strategically important, as its "vast maritime territory" is crossed by major international shipping lanes, says France24. The tourism-dependent country has recovered economically from the pandemic, but numbers of Indian tourists have "plummeted", while those from China are booming. The International Monetary Fund has warned that "without significant policy changes, the overall fiscal deficits and public debt are projected to stay elevated". Much of the debt is owed to China due to the Maldives having borrowed heavily from Beijing to fund construction projects.



Why are our elites so gouty?

We seem increasingly to be ruled by the elderly. Does that matter? Simon Wilson reports

Trump: the times they are a-dodderin'

What's gerontocracy?

Rule by the elderly. The term was coined in 1828 by Jean-Jacques Fazy, a Swiss republican, in his book *De la gérontocratie*. He complained that French elites had been "reduced to seven to eight thousand eligible individuals, asthmatic, gouty, paralytic, impaired, and only aspiring to rest". Yet the gerontocracy currently ruling the modern US seems even more doddery, says Fintan O'Toole in The New York Review of Books. Those 1960s 20-somethings who sang along with Bob Dylan when he warned, "Senators, congressmen/Please heed the call/Don't stand in the doorway/Don't block up the hall", are now themselves octogenarians clogging up a stagnant democracy. In 2020, the US elected its oldest Congress in history; the past two US presidents have been the two oldest yet.

How old are they?

Joe Biden is 81, and if re-elected he'll be 82 when he begins a second term. By the time he finishes it he would be 86, assuming he survives that long. Donald Trump turns 78 in June, and would be 82 by the time he's done. Biden is the oldest US president (he was 78 when he took office in 2021). The second oldest, Trump, was 70 on taking office in 2017. This time round, the potential third-party candidates who have publicly mulled running are also seniors: Robert F. Kennedy Jr, 70, Joe Manchin, 76, Jill Stein, 73, Marianne Williamson, 71, and Cornel West, 70. Over in the Senate, notes Edward Luce in the Financial Times, the median age is a comparatively sprightly 65, the age at which US airline pilots must retire. The Senate majority leader, the Democrats' Chuck Schumer, is 73; and the minority Republican leader, Mitch McConnell, is 81.

Hasn't McConnell called it a day?

Not quite. In February, following a series of public episodes of memory loss and disorientation, McConnell announced he would indeed step down as leader in November this year, but intends to see out the remainder of his current Senate term to 2027. His older colleague Chuck Grassley, who is 90, recently said he would run again in 2028. The late senator Dianne Feinstein often seemed confused in hearings and interviews, before announcing her retirement at the age of 90. Meanwhile, the Senate's standard-bearer for the US left remains Bernie Sanders, aged 82. The House of Representatives is more aligned with the US population as a whole: its median age is 58, compared to the nation's median age of 38.9, and the three most senior Democrats – all octogenarians, including Speaker Nancy Pelosi – made way last year for a younger generation. But in Congress as a whole, only 7% of politicians are aged under 40. In other words, Biden is "no frail outlier, but the gerontocratic norm", says Luce. "America is not past our prime – it's just that our politicians are past theirs," said the defeated Republican candidate Nikki Haley, 51. She supports a mandatory mental competency test for politicians over 75.

How does that compare globally?

According to the Pew Research Centre, of the 187 countries for which data is available, eight had leaders older than the US president. The oldest is Paul Biya, who has been president of Cameroon since 1982, and has just turned 91. Historically, there are well-known examples of leaders remaining effective into old age. Winston Churchill won his first (and last) general election in 1951 at the age of 77, and was 80 when he stepped down as PM. Konrad Adenauer, the great postwar chancellor of West Germany, was 85 when he won his last election in 1961, and 87 when he quit. In the 19th century, Gladstone completed his fourth term as PM at the grand old age of 84; Bismarck was pushed out at a relatively youthful 75. In recent decades though, among OECD democracies, the trend since 1950 has been for heads of government to get younger. The average age upon coming to power has fallen from 60.2 in the 1970s to 55.5 now.

"Biden is no frail outlier, but the gerontocratic norm"

Why does age matter?

Age might bring wisdom, but it also brings cognitive and physical decline. The succession of elderly and sick leaders of the Soviet Union in the late 1970s and early 1980s is widely cited as a factor in the Soviet Union's unravelling. Now, some say, it's America's turn to suffer gerontocratic sclerosis. Biden's slurring speech, verbal gaffes and frequent physical stumbles have been well-documented. Trump's own cognitive decline has been overshadowed by his legal woes, but is now getting more attention, following a series of blunders and speeches that were even more incoherent than normal. US voters are now faced with a choice they don't want: a majority think neither Biden (63%) nor Trump (57%) has the mental capability to complete a full term if elected. But there are other fears too.

Such as?

That "gerontocracy is a cousin to plutocracy", says Derek Thompson in The Atlantic. Power concentrated in the hands of older, richer, people will predictably lead to policies that benefit the old and the rich. As such, there's a kind of "gerontocratic fiscal trap", says Ross Douthat in The New York Times. As societies grow older, their fiscal commitments become steadily more costly as the "share of voters who benefit from those commitments (and turn out to vote) increases". Politically, this tends to mean policies that protect the old and "short-change the young – who, thus short-changed, start fewer families and deepen societal senescence".

In the US, for example, that means a Republican party that's afraid to embrace genuine free-market liberalism and fiscal reforms. In Britain, it means Tory politicians who can't push through the big building campaigns they constantly promise, because "their prosperous and ageing voters are invested in a low-growth but high-property-value status quo". The result, in both cases, is political alienation that will tend to undermine democracy. Millennials and Generation Z are already the least pro-democratic generations in US history, according to polls. Given the choice between Sleepy Joe and Doddering Donald, perhaps that's no surprise.

We need to believe in growth again

Britain is getting poorer in real terms, and that's a big deal. Policymakers must change their tune and act

Matthew Lynn
City columnist

Politicians keep talking about how we need to give growth a boost. Liz Truss made it the central mission of her short-lived government. The Labour leader Keir Starmer, as he prepares for government, has promised, somewhat implausibly, to make the UK the fastest-growing economy in the G7. Business leaders keep telling us we need to prioritise it. We can all disagree about how to achieve it. But the desirability of growth is taken as completely obvious.

It isn't. A survey by Public First found that, of 2,000 people questioned, 32% felt growth "made no difference" to their lives, and 42% felt it made "little difference". Only 13% felt they benefited "a lot", with 3% actually believing they suffer "a little" and 2% saying they suffer "a lot" when the economy expands. Virtually no one believes growth is beneficial anymore.

Major reforms are necessary

That is perhaps no surprise. The British economy has been in a rut for a long time now. If you measure GDP per capita, which is what matters for individual living standards, it has been going nowhere: we were on £33,200 of output per capita last year compared with £32,500 way back in 2007, and once you account for inflation in real terms the figure has actually gone down. Nobody under 50 in the workforce today has experienced what a genuinely growing economy feels like. The political class has forgotten what growth is, and spends most of its time debating how to divide up its proceeds, instead of worrying about whether it actually exists. Meanwhile, the green movement has actively preached that growth is bad for the planet. You can hardly blame people for not having a very high opinion of it.

Starmer: he's forgotten what growth is

©Getty Images

That needs to change, and soon if the UK is to have any hope of a sustained recovery. To start growing again we will need major reforms. The planning regime will have to be radically reformed, with swathes of the green belts around major cities ripped up, judicial reviews curbed, and many unnecessary regulations binned. We may have to lower taxes, even for those who are already rich, to restore incentives, and we might have to lower the burden on companies as well. We will have to curb our vast levels of welfare spending, making it harder to refuse work, even if that seems harsh, and we will have to stop handing more and more money to pensioners. We will have to take risks with deregulation now we are out of the EU, creating a more liberal regime than the rest of the continent to encourage innovation and entrepreneurship. And we will have to relax the obsession with net zero, reducing carbon emissions in line with the rest of the developed world rather than being a global leader, while making sure that we keep developing our own fossil fuels as we transition to alternative energies, instead of always importing expensive oil and gas.

Keep the faith

All of those are painful, difficult decisions, and there will be plenty of furious opposition to all of them. But if people are convinced that growth is vital, and they are confident that they will benefit from it as much as anyone, then a majority of voters can be convinced that those kinds of reforms are worthwhile. If they don't believe that growth is worthwhile, then what's the point? To make progress, we need politicians who make it clear that growth is vital if the UK is to remain a first-world country, and who are willing to explain that it is not just necessary to fund public services, but also to allow real wages to start rising again. We need a culture that recognises economic expansion as a worthwhile ambition.

The UK needs to grow. If we don't expand the economy, we have no hope of maintaining public services, or repairing infrastructure that is starting to fall apart. We won't be able to keep our debts under control. Living standards will stagnate and poverty levels will carry on rising. Many people may have lost faith in economic growth, but it remains essential. Until we start believing in it, however, it is not going to happen – and the economy will remain stagnant for a generation or more.

City talk

● The moral of Dr. Martens' five profit warnings in three years is "never trust a private equity-backed company that comes to market with a pitch that years of easy expansion lie ahead", says Nils Pratley in The Guardian. "If it were that easy, the backers wouldn't be selling." The fund managers who piled in at the "priced-for-perfection" debut price of 370p, or £3.7bn, and those who bought shares the following months at 500p, were "fools". The shares now trade at 67p.

Private-equity group Permira, which "didn't cash in all its chips" at the listing (it remains Dr. Martens' largest shareholder with a 38% stake) is now "surely obliged to sit on its rump holding and accept that it's in for the long haul." Dr. Martens is cash-generative and its brand name is strong, so an eventual recovery is plausible, "but the kicking received by investors will not be forgotten for a very long while".

● The UK asset-management industry faces "deep structural challenges", says Lex in the Financial Times. Sales are stagnant: money is moving to cheaper passive funds or to specialist and alternative ones that appear more likely to prove lucrative. "Traditional active managers are being squeezed in the middle." Fees are under downward pressure; one estimate suggests that asset managers missed out on $55bn of revenue based on assets under management in 2022. There are also mounting regulatory burdens. Abrdn's woes illustrate the danger of lacking scale when overhead costs are high.

The sector needs to consolidate, but this won't be easy: witness the turbulent 2017 merger that created Abrdn, Liontrust's cancelled acquisition of Swiss rival GAM, or the protracted talks to sell Natixis Investment Managers. "It will take more than a shifting macro backdrop to turn these shops around."

● International Paper's (IP) "investors seem wary" of the US packaging company's $7.4bn acquisition of British peer DS Smith, says Liam Proud in Breakingviews. IP's share price has declined by more than a tenth since March.

Investors may see the expected annual $500m cost savings as "overcooked"; alternatively they may "mistrust cross-continental empire building". But even if only two-thirds of the $3.4bn synergies actually came through, IP's return on investment would be about $950m in four years. The deal means IP hasn't been "strategically boxed in" as the sector consolidates.

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Going all-in on big tech

However you slice the market, the strategies that have been winning mostly rely on a few big names

Cris Sholto Heaton
Investment columnist

Factor investing is one of the most interesting ways to look at what's going on in stockmarkets and what kind of environment we are in. While groups of stocks with certain characteristics have tended to beat the wider market over the long term, there are frequent ups and downs that can tell us a great deal. Take the size factor: small stocks have outperformed large caps over time, but there have been long periods when they lagged – and the last few years have been one of them, as we discussed recently (see issue 1998).

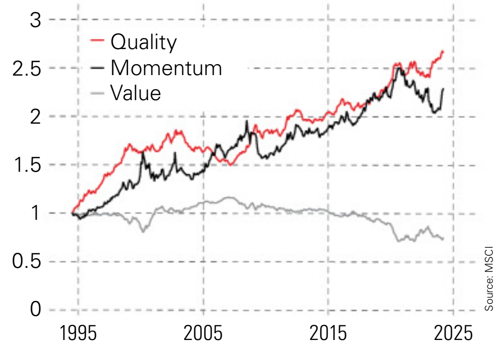
We can similarly look at value versus growth (cheap stocks have beaten faster-growing ones over time, but with frequent reversals); high-quality versus low quality (quality is typically defined as high return on equity, stable earnings and low debt); or other traits such as momentum – the tendency for stocks that have been going up over the past few months to keep going up.

Value still isn't back

The chart shows a total return index for each of these three factors relative to the MSCI World index, starting in 1994. At each point, if the line is going up, the factor is outperforming the MSCI World. If it's going down, it's underperforming.

You can see that while value is often viewed as a reliable source of outperformance if your horizon is long enough, it has now cumulatively underperformed the overall index over the past 30 years. The past decade has been a tough time in which it has given back much of its relative outperformance. You can also clearly see past short spells when value did poorly (the dotcom bubble) and well (the years before the global financial crisis), and also note that the apparent value revival after the pandemic has faltered.

Factor indices versus the MSCI World
Relative total return, rebased June 1994 = 1



On the other hand, quality and momentum have outperformed but in very different ways. Quality has been steady, which is why it's popular as a way to make portfolios defensive. It underperformed in the mid 2000s (quality stocks were still making gains – just less than lower-quality stocks) but has done very well since then.

Momentum always looks very attractive. Its key weakness is very high turnover: one must be sceptical about whether historical results from momentum indices could have been achieved considering how high trading costs used to be. It's also prone to sharp reversals during bear markets – look at the big spikes and drops in 2000, 2003 and 2008, which can be unsettling. Still, it has had an exceptional decade and coped very well in the pandemic. Performance slipped in 2021-2023 (again, this is relative – it still made gains in 2021 and 2023, just less than the overall market), but has come back strongly in the past few months.

However, on a cautionary note, dig into the top holdings in quality, momentum and growth right now and you'll notice a lot of overlap. There's the Magnificent Seven, some similar stocks and a few other hot growth themes (eg, Novo Nordisk and Eli Lilly). Concentration is high: the top ten covers 35-40% of each index. In short, everything that is working is focused on a very narrow set of investments (see right). If the tech boom falters, we are looking at a very different kind of market.

I wish I knew what the Magnificent Seven were, but I'm too embarrassed to ask

The Magnificent Seven is a nickname for the group of companies that has been responsible for much of the gains in the US stockmarket over the past year or so. The term became popular after Bank of America analyst Michael Hartnett used it in a research note in May 2023, and has largely taken over from the FAANGs – Facebook (Meta), Amazon, Apple, Netflix and Google (Alphabet) – as the preferred shorthand for the large-cap growth stocks that are dominating the market.

The Magnificent Seven has several names in common with the FAANGs – Alphabet, Apple, Amazon and Meta – and also includes Microsoft, which was already being treated as a member of the FAANGs in most analyses. Unwieldy attempts to expand the acronym to include it – such as FANMAG – never took off. The Magnificent Seven also includes Nvidia – a leading beneficiary of the AI boom and the hottest stock in the world when the term was coined – and Tesla. Netflix, which is smaller than the other FAANGs, is not included.

Six of the seven currently have a market capitalisation of more than $1trn, while Tesla also briefly passed that mark in 2021 before slipping back. Collectively, the Magnificent Seven represents 30% of the total value of the S&P 500 and 40% of the Nasdaq-100.

Informal labels such as Magnificent Seven or FAANGS tend to be short-lived, but these groupings can provide a better sense of what's driving the market than traditional sectors.

Magnificent Seven companies are typically described as tech giants, Tesla being the arguable exception. Their businesses revolve around digital technology – either hardware or software. Yet most are not listed in the tech sector. Index compilers class Apple, Microsoft and Nvidia as information technology, but Alphabet and Meta as communications services, while Amazon and Tesla are consumer discretionary.

Guru watch

Richard Bernstein, CEO and CIO, Richard Bernstein Advisors

©Getty Images

There's nothing really magnificent about the Magnificent Seven, says Richard Bernstein, the former Merrill Lynch strategist who now oversees $15bn at his own macro-focused investment firm. While the giant stocks that have been the main market drivers in 2023 and early 2024 have strong growth and strong balance sheets, they are not unique.

"There are a lot of other companies that share those characteristics," he tells Bloomberg. As of early February, there were about 140 stocks in the G7 economies that were forecast to grow earnings by 25% or more over the next year – and just three of them are in the Magnificent Seven.

"What we're really seeing is a more speculative, momentum-driven market that's focusing on seven stocks," says Bernstein. The dependence on a handful of companies is unwise from a diversification perspective – "There's no sound wealth-building strategy that says 'put all your eggs in seven stocks'" – and is blinding investors to other options.

"The whole world is under-followed relative to the Magnificent Seven," he tells CNBC. "Whether you're looking at a place like Japan… emerging markets… commodity sectors… there's really a ton of opportunities that people just refuse to look at."

Meanwhile, in the US, coverage of small caps is "woeful", even though they look relatively attractive, with profit growth poised to recover. Cyclical stocks – ie, lower quality companies – should also benefit from improving profitability. They tend to outperform higher-quality companies at this point in the cycle, yet most fund managers remain underweight energy, materials and industrials.

Lastly, the retreat from globalisation should drive the reindustrialisation of the US economy and long-term investment in infrastructure. Energy, transport, industrial real estate, steel and ship-building are among the most interesting themes.

A double discount on British stocks

Both investment trusts and UK equities are undervalued, making this fund a top tip

Rupert Hargreaves
Investment columnist

UK stocks are the cheapest they have ever been compared with global ones (as measured by the MSCI World index). Meanwhile, investment trusts are on some of the largest discounts to net asset value (NAV) in history. So if you're looking for value investments, investment trusts with exposure to UK equities are some of the best options.

The question is, where to look? Quality is key. Trusts have fallen out of favour for three reasons. The misreporting of costs (as I covered in issue 1201); exposure to illiquid assets, which are difficult to value; and size. Equity-focused trusts don't have a problem with illiquid assets as there's always a market for equities, but the cost and size difficulties are worth considering. UK equities have fallen out of favour with investors around the world because miners and banks, relatively low-quality businesses compared with the world's technology giants, dominate our biggest index.

UK stocks are on a record discount to their global counterparts

©Getty Images

Thorough research

The **Mercantile Investment Trust (LSE: MRC)** focuses on finding value in companies outside the blue-chip FTSE 100. The trust is run by the investment-trust team at JPMorgan, which is supported by the US investment banking giant's global equity research team (the bank's wealth management business has total assets under management of $3.4trn). The team at Mercantile is looking for "robust businesses that operate in growing... markets and possess the ability to invest capital at attractive returns and which can also adapt to the changing environments in which they operate". Last year, some of its biggest winners were tech stocks, such as Bytes Technology, Softcat and Computacenter, which have "benefited from robust corporate demand for IT infrastructure".

This focus on quality helped the trust outperform its benchmark, the FTSE All-Share (ex-FTSE 100, ex-Inv Companies), by a wide margin over its fiscal year to 31 January. Over the year the benchmark returned 1.8%, while Mercantile's NAV total return was 4.5%. Stock selection added 3.2% to returns, gearing 0.5%, and share buybacks 0.1%. The cost of debt and management fees detracted 1.1%. A management fee of 0.5% (debt costs totalled 0.6%) isn't much for 320 basis points of outperformance. The cost of debt is dragging on returns, but the ability to use leverage is one of the reasons MoneyWeek has always liked investment trusts. Borrowing money to invest when stocks are cheap makes sense, although it's not recommended for individual investors. Trusts can borrow money over longer periods at fixed rates than is possible for any individual investor. Some of Mercantile's debt isn't due until 2061 at rates below 2%.

At the end of January, Mercantile's gearing stood at 15%, the "highest level of gearing that we have applied in over a decade, which hopefully demonstrates most clearly our assessment of the opportunity before us". The trust owns some of the most exciting growth businesses in the UK, but thanks to the headwinds buffeting the investment-trust sector, it's currently trading at a deep discount of 12.5% to NAV. This seems unwarranted. With a market cap of £1.7bn, it's big enough to be included in wealth managers' portfolios, and its portfolio of UK equities is easy to value, so there is no ambiguity about its NAV.

The one glaring issue is fees. Of the three platforms I checked for this article, none had the correct management fee of 0.5% reported by the trust. All reported fees in the region of 1.4%, presumably counting debt costs and other charges. When regulators do get around to rectifying the cost-reporting issue, I expect trusts such as Mercantile to rerate as the market re-evaluates the value they provide. In the meantime, the trust offers a 3.4% dividend yield; management hiked the payout for 2023 by 7%.

Activist watch

Activist shareholder Sparta Capital Management is urging engineering-services firm John Wood Group to move its listing to the US or put itself up for sale, says Reuters. The call comes a year after US-based Apollo Global Management's £1.7bn takeover of Wood Group collapsed. Wood Group's shares have declined by 37% in a year; those of US-listed peer Jacobs Solutions are up by 24%. "UK mid caps have chronically underperformed global equities in recent years," Sparta said. Wood Group "could be best supported by different owners, and we urge you to undertake a strategic review and explore the best way to maximise shareholder value, including a sale". Wood Group now trades at a discount to Apollo's offer.

Short positions... exodus from the UK gathers pace

■ **Investors withdrew more than £6bn from Liontrust Asset Management in the year to 31 March 2024. This is more than the £4.8bn of outflows recorded the year earlier. The group lost £1.2bn in funds in the last quarter. Liontrust now manages £27.6bn, with the lion's share allocated to UK stocks. This is the latest example of money flowing out of London equities into international stocks in search of higher returns, says the Evening Standard. British savers took £14bn out of UK shares last year, the eighth consecutive year of outflows, according to the Investment Association. Funds that invest in UK companies have had 34 straight months of outflows, according to investment bank Peel Hunt. There are calls for the government to step up to curb the outflows. Chancellor Jeremy Hunt is launching a UK Isa with its own £5,000 allowance for tax-free investment in British shares, but it appears unlikely to make a difference.**

■ Exchange-traded fund (ETF) providers in the UK are still waiting for permission to bring European-domiciled funds to the UK market, says the Financial Times. It is now more than two months after the government said it would allow them to operate here. Interest from newer ETF issuers is fading as the UK overseas fund regime (OFR) has still not been implemented, and only determined providers are willing to go through the protracted and expensive process of listing their products in London. The UK is currently relying on an outdated recognition process brought in after Brexit, and investment managers have delayed registering new ETF ranges for sale in the UK in anticipation of the OFR. European ETF issuers are now going straight to Germany's bourse, the biggest ETF market in Europe.

A greener future *is* possible

Ambrose Evans-Pritchard
The Telegraph

In the debate around green energy and decarbonisation, misconceptions inflate perceived challenges and costs, says Ambrose Evans-Pritchard. The single huge and "silent fallacy that subverts all else" is the notion of "primary energy demand", which assumes that we need to "replace all the energy extracted from hydrocarbons". In truth,"we do not need to do any such thing. Two-thirds of fossil energy is currently wasted, mostly in thermal heat lost to air." Recent research shows that we will need just 40%-45% of today's total energy supply to "replace the old system, and to lift the global south, and to satisfy the voracious demand of data centres, all at the same time". To get an idea of achievable efficiencies, take the LED bulb, powered by wind, which uses 95% less energy than an incandescent bulb powered by an inefficient coal plant. Heat pumps cut demand for primary energy by almost 80%. The energy needed to extract, refine and transport oil and gas will also be enormously reduced. Valuable battery minerals can and will be perpetually recycled. "We can talk ourselves into paralysis, but once we grasp that the twin concepts of primary energy demand and exponential mineral demand are both false, the obstacles fall away."

Migrants can help halt decline

Editorial
The Washington Post

Immigrants have been slowing demographic decline in more than 1,100 counties in the US over the past three years, says The Washington Post. Viewed through this lens, immigration can be seen as "a powerful tool to lift vast swathes of America that prosperity has left behind". Support in Washington is in low supply, although Texas governor Greg Abbott's controversial strategy of bussing migrants to sanctuary cities could be "put to valuable use", encouraging migrants to "rekindle economic development in depopulating cities" such as Detroit. Arresting population loss before towns lose their economic rationale is vital. Depopulation can lead to a downward spiral of falling house prices and tax revenues as the labour force shrinks, businesses go bust and schools close. A solution might be a "state government resettlement plan" for asylum seekers that lures businesses into "sluggish" cities by guaranteeing workers. The prospect of jobs and cheap housing would attract migrants themselves, who tend to gravitate towards major cities. Legal work status would need to be secured. The rewards are worth it. The backlog in immigration courts stands at three million. If only the authorities would recognise the opportunity, it's a potential win-win.

The kids really will be all right

Editorial
The Economist

Generation Z, the two-billion-odd individuals born between 1997 and 2012, are coming of age, says The Economist. In the US and the UK, this group makes up 20% of the population; in India and Nigeria the young far outnumber the old. The popular narrative is that smartphones have made them anxious and depressed, they will be worse off than their parents and they face "looming dangers from climate change". Yet, looking at a wider set of measures, the picture is rosier. In emerging economies, the young are richer, healthier and better educated than their parents. In the West, there is "red-hot demand" for workers and Zoomers are "wisely acquiring marketable skills". Wages for Gen Z are also rising at a "much faster pace" than they are for older workers, meaning houses, while expensive, are as a multiple of earnings "roughly where they were for millennials a decade ago". Gen Z not only have greater bargaining power, but their growing influence is likely to reshape societal and political landscapes. They want climate action and "bigger government". They may be serious-minded and anxiety rates are rising, but they are also resilient and adaptable. Damaging social-media habits are shifting. The old will always fret; there is much to celebrate too.

It's time to simplify labour laws

Camilla Cavendish
Financial Times

In today's employment landscape, there is a delicate balance between protecting workers' rights and streamlining the dismissal process, says Camilla Cavendish. Although stories of exploitative employers abound, well-intentioned businesses find themselves entangled in processes to rid themselves of "underperformers". A common cycle is a worker who is asked to improve, takes sick leave and then brings a discrimination claim. The intricate web of employment law, with its nuances around discriminatory acts and the subjective realm of "injury to feelings" (employers have to make "reasonable" workplace adjustments yet are liable for treating people differently) has birthed an industry dedicated to advising on equality laws. There is an "inbuilt incentive to claim against the long list of protected characteristics because, while the amount that can be awarded for unfair dismissal is limited, there is no cap" on compensation for discrimination on this basis. This has ushered in an era of "quiet firing", where firms freeze out staff in the hope they will choose to leave. This is bad for team morale and staff-employer relations. "If lawyers are making lots of money from complexity, it's probably time to simplify." That time has come.

Money talks

"I started scheming. If I got somebody to knock me off, death by misadventure, [my children] would get the insurance... I wanted them to have a life. It was a hard moment... I literally thought of self-annihilation so they could survive. That's how low I was... The light at the end of the tunnel was *Breaking Bad*."
American actor Giancarlo Esposito (pictured) on being near-bankrupt in 2008 and considering arranging his own murder so his children could collect the life insurance, quoted in Variety. A year later he was cast in the TV show *Breaking Bad*, which became a huge hit

"The problem with progressive politics is very often that the radical people aren't sensible, and the sensible people aren't radical."
Tony Blair, quoted in The Times

"It's the wretchedness of being rich that you have to live with rich people."
Essayist and critic Logan Pearsall Smith, quoted on The Knowledge

"I was working a lot on TV and then I landed two adverts... and they paid ridiculously well. I frittered it all on clothes. I went to Donna Karan – the proper posh shop, not DKNY – in Bond Street and bought a coat for £300... I'm a spender. I hate meanness. My attitude is that, if the money's there, spend it."
Actress and comedian Helen Lederer, quoted in The Telegraph

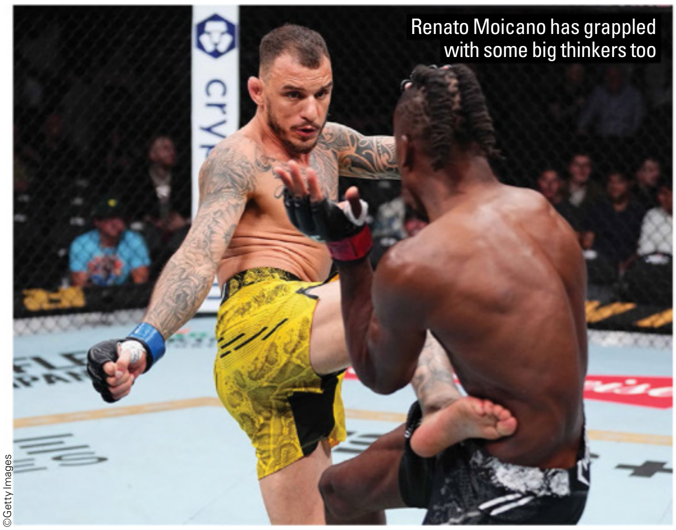
"[No one] missed a meal, nobody didn't send their children to university... I don't think that anyone in this whole story is guilty of much more than greed and ambition... I don't think any good business happens without ambition and I think greed is a natural human state. I'd feel a lot more guilt if I had been drink-driving or if I'd been selling drugs and someone had died."
Inigo Philbrick,who committed the biggest art fraud in US history, quoted in The Sunday Times

Insights from the Austrian school

capx.co

"If you care about your own ******g country, read Ludwig von Mises and the six lessons of the Austrian economic school, mother******!". So said Renato Moicano, a mixed martial artist who competes in the Ultimate Fighting Championship (UFC), in a post-fight announcement last week. "Wise words!" says Kristian Niemietz. The Austrian school of economics, which emerged in Vienna in the 1870s, has today fallen out of favour with the mainstream, but we still have a lot to learn from it. Here are three vital insights.

1. Profits are not exploitative. Marxists see capitalists as parasitic exploiters, the equivalent of a feudal landowner who does nothing but collect rents. Eugen von Böhm-Bawerk, the leading figure of the second generation of the Austrian school, showed that the role of the capitalist in a market economy is nothing like that. If you are a salaried employee, you are, to a large extent, insulated from the ups and downs of the company you work for. When it goes through a rough patch, you collect your salary just the same. You get paid from the first day even if it takes the company years to generate any profit. The flip side of this is that when the profits do arrive, you are not automatically entitled to any. "Employment contracts are like an insurance contract between risk-takers and risk-averse people. There is nothing 'exploitative' about that."



Renato Moicano has grappled with some big thinkers too

©Getty Images

2. There can be no economic calculation without market prices. Without market exchange, there can be no market-exchange ratios, no market prices. And without knowing that good X is worth three or five or ten times as much as good Y, there can be no rational economic calculation. This turns on its head the Marxist assumption that a planned economy without markets would replace the chaos of capitalism with rational planning. Ludwig von Mises, the leading figure of the third generation of the Austrian school, turned this on its head and showed that a planned economy must in reality be chaotic and unplanned. In the absence of prices, "the planners simply would not know what to do".

3. Low interest rates cause boom-and-bust cycles. If central banks manipulate rates downwards, it creates the impression of a society more willing to save than it really is. Previously unviable long-term investment projects go ahead. But the resulting boom is built on sand. Governments can't do much about the bust that must follow. "The malinvestment has already taken place and needs to be liquidated. The economy has to go through a painful adjustment."

Britain should learn from Greece

nixons.substack.com

When I was last in Greece in 2018, the country was three years into its third bailout programme, growth was weak, unemployment "sky-high", and the left-wing government "at loggerheads with its creditors", says Simon Nixon. "What a difference five years makes." Greece is forecast to grow by 2.3% this year, well above the eurozone average of 0.8%. Unemployment is down from a peak of 27.5% to 11%. Debt to GDP has come down from well above 200% to a forecast 152% this year. Its cost of borrowing is now lower than Britain's. This "remarkable renaissance is proof that there is life after populism". But it also shows "there is no ducking hard choices". Difficult reforms to the public sector, the social security and pensions systems, and to the labour market have been pushed through at a frenetic pace. The result is the biggest improvement in its business environment of any country over the past five years, according to the Economist Intelligence Unit. Foreign direct investment has soared. Exports have risen from below 20% of GDP in 2009 to above 50% last year. There are lessons here for the rest of Europe and Britain, too. Supply-side reforms are the key to delivering improvements in productivity. Without those, any country will "simply become poorer" – "as Britain is discovering".

Dune is a prophecy

bloomberg.com

Dune: Part Two, the second installment of Denis Villeneuve's adaptation of Frank Herbert's science-fiction classic, is "superb", says Adrian Wooldridge. It also has "something to tell us about the direction history is heading in".

That might sound absurd. The film is a "ridiculous mishmash of the hyper-modern and the medieval –of sword fights and nuclear arsenals, long treks on foot and hyper-sonic space voyages". Yet that is the point. Our world is just such a "mash up of supposed incompatibles". The "obvious message" – that we're destroying the world in pursuit of material

"We live in the age of Frank Herbert"

©Alamy

wealth – is "complemented by a more subtle one: that we live in a world dominated by dynastic families, holy wars and collective psychoses".

Thinkers in the 1990s said we were leaving all this behind for the glorious uplands of secular rationality and liberal progress. These days, however, "all that looks like a fairy story compared with *Dune*'s more sceptical philosophy". The film is not just a mesmerising and spine-chilling piece of cinema, but also an impressive piece of political analysis and prophecy. "We live in the age of Frank Herbert."

A wonder of the modern world

cityam.com

The variety of food on display in any modern supermarket would have "stunned" our forefathers, says Matthew Lesh. "The spice section alone has more flavours than would have been available to kings and queens in previous eras." Yet many do not appreciate this "wonder of the modern world". Earlier this month, Tesco doubled its pre-tax profits in a single year to £2.3bn. Rather than be praised for its success, it came under fire for "outrageous profiteering".

This is nonsense. Tesco's profit margin was just 3.4% last year and 1.4% the year before, significantly below the average UK private company's 9.8%. Tesco operates in a competitive landscape, and so has to earn its profits by luring customers with better offerings. "Profit is the prize" for keeping the shelves full, building and renovating stores, and investing in complex logistics systems that improve productivity and keep prices down. "It's entirely righteous to provide food for tens of millions of people, jobs for hundreds of thousands, tax for public services, and to do so while making a profit."

The vegan food fad is over...

...but does laboratory-grown meat have a brighter future? Alex Rankine reports

"We were promised flying cars and instead we got 140 characters," quipped Peter Thiel back in 2013. The Silicon Valley entrepreneur's dig at the banality of Twitter and other modern social media is a reminder that the future rarely turns out in the way we were promised it would – often it is rather more dismal. A 1960s futurist would be astounded to learn that not only do people in 2024 not holiday on the Moon, but also Man hasn't even been back there since 1972.

It's a similar story with meat substitutes. Around 2020 there was a boom in companies modestly promising to transform the way that humanity eats. According to their heady predictions, by now a decent chunk of us were supposed to be well on the way to eating mainly plant-based meals. The proposition made commercial sense: UK sales of meat substitutes rose 40% in the five years to 2019. Concerns about carbon emissions from the meat and dairy industry, plus a growing sensitivity to animal welfare, meant that more and more people were identifying as "flexitarians" – those who try to avoid meat, but do indulge in the occasional lamb chop.

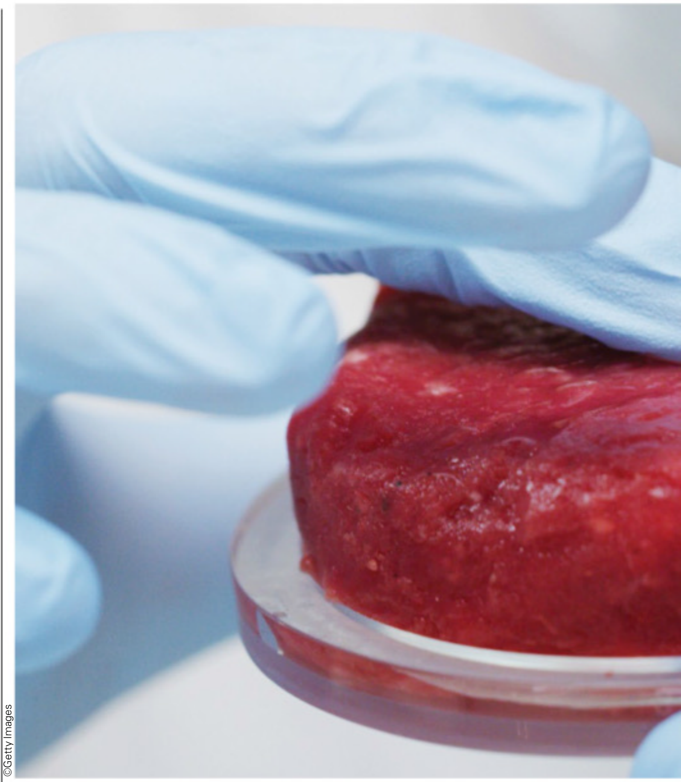
As with all good modern market stories, the dish was garnished with a generous dollop of "technology". The story went that these plant-based food businesses were not merely selling tofu and soybeans in pretty, recyclable packaging, but had instead achieved astounding scientific advances that made plants taste almost like meat. Food reviewers marvelled at American burger business Impossible Foods, whose boffins had found a way to transform soybeans into heme, one of the molecules responsible for making food taste "meaty". Burgers made by Beyond Meat, the listed business that more than any other came to represent the trend, became known for appearing to "bleed" – the result of a beetroot-juice extract – when they were cut. Beyond Meat listed in 2019 and briefly rocketed to a valuation of over $14bn. It has since crashed 97%. Similarly, shares in **Oatly (Nasdaq: OTLY)**, a Swedish maker of non-dairy milk, are down 95% since listing in 2021.

All sizzle and no steak

The problem, bluntly, is that shoppers don't seem to like these products very much, at least not enough to pay premium prices – pound for pound, plant-based burgers tend to go for about a 30% premium over regular burgers. In a cost-of-living crisis, that has started to seem like an imprudent luxury. US retail sales of plant-based meat and seafood fell 12% last year. Unit sales of plant-based foods peaked in roughly 2020-2021 and have fallen for the past two years. Not for the first time, consumers have stubbornly refused to follow a trend charted out for them by marketing analysts.

For all investors' excitement and confident growth projections, plant-based alternatives "still only account for a fraction of a single per cent of the global meat market", say George Steer and Madeleine Speed in the Financial Times. Unless they start to match meat "on flavour, texture and cost", plant-based substitutes seem destined to remain niche players. The big winners have instead been the hedge funds that shorted Beyond Meat's stock, and that have "raked in more than $1.6bn since January 2021".

"The problem, bluntly, is that shoppers didn't seem to like the products very much"



©Getty Images

Laboratory-grown meat: it's possible, but will it scale?

Most of the basic ingredients used for "alt-meat patties" are inexpensive, Saba Fazeli, a former Beyond Meat employee, tells Irina Ivanova in Fortune. Grains, rice, seed oils and soy don't cost much. What makes the burgers pricey is the "chemical engineering" needed to transform plant fats into something approximating the characteristics of a true animal fat. The result is that the industry ends up "asking people to spend more money for worse-tasting products that aren't healthier than the real thing", says Brice Klein, co-founder of Choppy, a start-up that tries to solve the taste problem by supplementing plant-based products with real animal fats. That's "not a great way to drive repeat purchases".

Over the last dozen years "alt-meat start-ups raised nearly $15bn in venture-capital funding", says Ivanova. Their backers saw them as "the answer to human-health and climate-change" woes. "But they've now flamed out... funding for food-technology start-ups has fallen to the lowest level in nearly a decade."

The wheel of food-fad fortune

The wheel of food-fad fortune has turned against plant-based meat. One of the reasons alternative meat became trendy in the first place was that red meat was getting a bad press – research had linked it to an increased risk of cancer, says Ed Cumming in The Telegraph. But now the scare is all about "ultra-processed foods" – products that are industrially treated and so loaded with additives that they look nothing like real food. And as it happens, many of these new plant-based products, which must be "treated extensively to mimic their meaty brethren", are highly processed. As dietitian Renee McGregor puts it, "a vegan hotdog is probably no better for you than a meat one".

Healthy eating is a durable trend, but increasingly "consumers… want plants to look and taste like plants", says Eleanor Steafel in the The Telegraph. For processed foods, 2023 was the year that the vegan bubble burst. Nestlé withdrew some vegan ranges from sale in the UK. Sausage maker Heck Food cut the majority of its vegan ranges because of "lack of... appetite" from consumers.

> *"There are now 160 firms vying to bring laboratory-grown meat to market"*

Data from Kantar shows that alternative-meat sales dropped about 9% in Britain last year.

Some of this may just be a market clear-out. Andy Shovel of plant-based meat brand THIS argues that this sort of cull is unremarkable. He points to previous bouts of excitement over craft beer, smoothies and coconut water. Frenzy over a new consumer trend drives an "over-proliferation of brands", he tells the BBC's Jemma Dempsey. "A burger is complicated... It's quite tender, but crispy, it's hard to replicate that... Normally you'd take two to three years to deliver a product and these were being done in months. It was a bit of a bunfight." There was also experimentation for its own sake: "Getting a product to bleed, hats off. But just because we can, doesn't mean we should". He argues that the industry is suffering a "kink in the graph rather than a catastrophic failure in the market".

Real meat without the slaughter

Yet with concerns about processed food mounting, it's also possible that these plant-based alternatives will ultimately prove a commercial dead end. Instead, cultured meat – real meat, but produced without slaughtering animals – has a better chance of ultimately capturing consumers' hearts (and wallets). The method works by taking a biopsy of cells from an animal. These cells are then placed in a bioreactor and soaked in a liquid "growth medium", a "witch's brew" of hundreds of proteins, "macro-molecular 'growth factors' such as amino acids, sugars, lipids and hormones", as Chase Purdy puts it in his book *Billion Dollar Burger.*

Cultured meat is not quite so wildly science-fiction as it sounds. Dutch scientists made the first laboratory-grown hamburger in 2013, although it won't be competing with Big Macs anytime soon – it cost €250,000. Production costs have since been "slashed" 99% to about $17 a pound, says Alexander Fabino in Newsweek. Yet even the sector's supporters don't think laboratory meat will be able to match the costs of "conventional meat" until 2030.

A major cost inflator is the growth medium, which "can cost anywhere from hundreds to thousands of dollars" a litre, says Christine Hall for TechCrunch. Medium costs can be cut by switching from "ultra-pure, pharmaceutical-grade ingredients" to cheaper "agricultural-grade" ones, says The Economist. But there is a second problem: bioreactors require "a lot of power" to control temperature. One study found that "per kilogram of meat produced, tank-grown meat is likely to use much more energy than farm-grown protein". Still, with regulators beginning to approve laboratory meat, there are now 160 firms vying to bring it to market, each with their own recipes and methods. Prohibitive costs mean most firms "are now more focused on hybrid meats, which combine cultivated animal protein with that derived from soya or wheat". Cultivated meats will first appear on supermarket shelves as hot dogs rather than ribeye steak.

Laboratory-grown meat has faced opposition, not least in Europe – Italy banned it last year and the farming lobby is pressuring some other EU member countries to do the same. But it has been sold in Singapore since 2020 and last year was approved for sale in the US, a major milestone. The sector is even attracting state support: the Good Food Institute reports that governments worldwide have cumulatively put $1bn into alternative protein in pursuit of food security.

That cash might help solve the industry's scalability problem, although there's a long way to go. For now, production runs remain almost artisanal, with inflated unit costs to match. Eat Just, a San Francisco start-up, sells less than 5,000 pounds of its cultivated chicken annually in Singapore, a drop in the global ocean of the 350 million tonne meat market, say Kristina Peterson and Jesse Newman in The Wall Street Journal.

One industry backer says "it will be the mid-2030s" before laboratory "meat is produced in significant volumes". Sceptics might note that that is sufficiently far away to sound like there are still significant technical hurdles to overcome – much like the observation that nuclear-fusion power seems to be permanently stuck "30 years in the future". The day may come when the practice of raising and slaughtering animals for food seems to have been not only cruel, but also inefficient – why not grow only the bits we want to eat? But only time will tell whether a future of laboratory-grown meat disrupts agriculture on a scale comparable to the internet, or whether it turns out to be another flying car.

What to buy

As highly speculative, experimental technologies, cultured-meat start-ups rely on venture-capital funding rather than direct listing on public markets. British investors are able to gain access via investment firm **Agronomics (Aim: ANIC)**. The fund spreads the risk across stakes in more than 20 businesses, including Mosa Meat, the company founded by the Dutch creators of the original laboratory burger. Management took the prescient decision to steer clear of most plant-based meat alternatives and focus instead on cell culture. Yet this is a volatile sector and the shares are off three-quarters since a 2021 high as investors' enthusiasm diminishes. Chair Jim Mellon argues that, with regulatory approvals coming through in the US, there are better days ahead, says Elliot Gulliver-Needham for City AM. While performance has been disappointing and the risks are high, the shares are still worth a punt as an opportunity to get in on the ground floor of the food of the future.

US meat-packing giant **Tyson Foods (NYSE: TSN)** has also moved into the sector to hedge its bets. It holds a stake in Upside Foods, one of the two firms so far approved to sell cultured meat in America, and once invested in Beyond Meat.

Beyond Meat may have led the charge for alternative meat stocks, but now this chronic loss-maker is fighting to keep its business model viable. With the market for plant-based meat still contracting, it is one that even bottom fishers should avoid.

Reading the runes in the retail sector

Investors often dismiss the industry as staid and dull, yet there are plenty of opportunities. Michael Taylor of Shifting Shares assesses the key names in the small-cap and blue-chip segments

Many investors turn their noses up at retailers, thinking that superior returns can't be found in boring businesses that sell everyday products. They couldn't be more wrong. Many retailers have had huge share-price rallies at some stage in their trading histories. One market darling is **Shoe Zone (Aim: SHOE)**, which featured in my article in MoneyWeek highlighting "four stocks for 2022" at 110p. It has since reached highs of 290p. But it released a profit warning on 12 March. The stock fell like a stone and currently sells for 200p.

The company blamed an unexpectedly large increase in the national living wage and a rise in container costs owing to the Suez Canal situation. It also cited rising expenses relating to upgrading its property portfolio and noted that sales at the end of the autumn/winter season were slower than anticipated.

The first two factors are not company-specific. However, mounting costs to refurbish units and customers not spending as much are very company-specific indeed. Many investors may take the view that they are temporary problems and the shares could therefore be a bargain, but I would want to see further clarity on the business first.

Pick this card

Card Factory (LSE: CARD) is another stock in the low-cost niche. It offers cards and gifts such as personalised mugs, confectionery and flowers at competitive prices; it manufactures its own cards. Remarkably, the company managed to get through the pandemic without any additional fundraising.

Profit after tax is forecast to be £47m for the year ending 31 January 2024, putting the business on a price/earnings (p/e) ratio of seven. That seems too low for a growing enterprise – the expansion into gifts has only just begun – although I do accept that growth is pedestrian. Investment management group Teleios Capital Partners, the company's largest shareholder with an 11% stake, has also been selling down the stock for some time, perhaps creating an artificially low price.

I would favour Card Factory over its rival Moonpig, despite being a customer of the latter, where signing up for £9.99 a year gives you discounts on cards and you can set email alarms for birthdays, which makes life easier. With post-tax profit for 2024 forecast at £35.5m I don't feel the valuation of almost 17 times earnings at Moonpig leaves much upside, so I'd much prefer Card Factory.

A few weeks ago, I wrote about **Currys (LSE: CURY)** and the 62p per share offer that had been announced by Elliott Advisors UK. At the time, JD.com also confirmed it was in the preliminary stages of an offer, but without any certainty one would be made. Elliott has now withdrawn its offer, while JD.com hasn't made one. Yet the price of Currys has remained around 62p.

This is probably because the market has now realised Currys could be in play, and therefore other potential suitors may be running the slide rule over the business. My view, though, is that buying a share in the hope of a takeover is a foolish strategy.

A takeover should be something that occurs because you have picked your stock well, and someone with deep enough pockets to take it out shares the same view. People have been touting Fevertree Drinks as a takeover target for years, but it has yet to announce any approaches.

"People don't like paying for what they used to have for free, which is bad news for Asos and Boohoo"

A big boost for the bottom line?

However, Currys is forecast to deliver £81.6m in post-tax profit for the year ending 29 April 2024, and so at a market value of £692m that leaves the stock on a single digit p/e. Granted, it has a weak balance sheet, but we are told that the business will be "in a net cash position" following the disposal of the Greek and Cypriot business, and despite the environment for household spending the business has held firm.

Currys has nearly £9bn in sales so any improvements in its margins would imply a large jump in the bottom line. My view is that there is upside here but anyone holding the stock needs to be comfortable with the thin margins. In the previous financial year Currys made only £165m of operating profit on £9.5bn of revenue.

Two retailers that could be taken over are Boohoo and Asos. These firms were both market darlings in the late 2010s but their stock prices are now shadows of their former selves; they are at nine- and 15-year lows respectively. Will the stocks ever recover?

Both of these companies are facing structural shifts in the market that has significantly altered their business models. Chinese competitor Temu offers heavily discounted clothing, while Singapore-based Shein is taking business away from Boohoo and Asos.

Both companies historically relied on customers ordering and sending much of the basket back with free returns. When interest rates were low, people had plenty of disposable income, and freight was cheap, so this business model made sense. But now there are plenty of rivals who embraced the same approach, and such are the costs of carriage that several businesses in this sector are now charging for returns.

I think they will find that revenue goes down because people don't like paying for what they used to have for free, much like a new £2 parking charge can stop a family spending hundreds of pounds at a shopping centre. I think these two businesses are not the same as they once were, and so I'd avoid them.

Another retailer in trouble is Superdry. It is a prime example of how brands can lose their magic. Superdry was once cool, and now it's worn by uncool dads (so perhaps I should be a customer?).

The turnaround has taken far longer than expected since Julian Dunkerton's return as CEO role in 2019. Capital has been a key concern, with Superdry selling off intellectual property in India for cash; the company is now hoping to negotiate an increase in its lending facilities. Dunkerton also wants to take the company private. Avoid.

However, Marks & Spencer has been a completely different story. It was one of the star performers in 2023, rocketing by 121%. CEO Stuart Machin has pushed a strategy for growth with a focus on food and revamping clothing.

It's clearly working, as the business has regained its place in the FTSE 100. That said, I think there are better opportunities in terms of risk-reward ratios, though I

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Next boasts pre-tax profit margins of 19% and has led its sector for many years

wouldn't be surprised to see the stock trade higher. M&S's partner Ocado has been a volatile stock over the years and is currently trading near 450p, having hit highs of 2,900p in September 2020. The business is now Ebitda-positive, yet it has cut back on expanding its distribution centres. It has said it has the capacity to process 700,000 orders per week but has been delivering fewer than 400,000 recently.

Grocery-delivery numbers are on the retreat following a Covid-induced spike, and customers are ordering fewer items, driving average basket value down. A business that isn't growing and makes a huge loss is unappealing; the stock price is trending downwards too. Ocado is another one to avoid.

The best in the business

At **Next** (**LSE: NXT**), it is a different story. Next is widely held up by institutions and private investors alike as the poster child for communication with markets. Its commentary is second to none and management take the time to explain the group's strategy and evaluate whether it's working. I'd highly recommend looking at their results announcements to see for yourself.

But of course, good communication isn't everything and in January the business said it would be raising its guidance for profit before tax for the year ended 31 January 2024 to £905m – a £20m increase. Next also boasts pre-tax profit margins of 19%, showing why it's clearly the best of breed in its sector. With a p/e of just under 14 Next isn't cheap, but it has been a market leader for many years now and while that remains true, it's unlikely it ever will be.

Another stock in the retail sector performing well is **Kitwave** (**Aim: KITW**). This is an independent wholesale delivery business specialising in selling things we buy on impulse, such as chocolate, snacks, frozen and chilled foods, tobacco and soft drinks – typical items from your local corner shop. It's a rival to Booker, and has been growing by acquiring smaller businesses through cash generated by its operations (not through issuing new shares, a tactic often used in buy-and-build strategies).

The forecast for post-tax profits for the year ending 31 October 2024 is £21.4m and, with a market capitalisation of £234.2m, this means the firm is trading on a p/e of just below ten. The founder and CEO Paul Young retired last year but still retains 15.7% of the company, which suggests he is satisfied with his replacement and overall progress. Kitwave was one of my three favourite stocks for the second half of 2023. With the shares breaking through all-time highs I see no reason why the price can't go higher.

Another stock I took a positive view of in the same article was **McBride** (**LSE: MCB**) at 30.5p. Given that the current price is 108p I think I have been vindicated. McBride supplies private-label household and personal-care products – for example, items such as bleach, washing-up liquid, powders and aerosols.

McBride had been in danger of breaching its banking covenants. But when it was announced that trading had become more encouraging and net debt was beating investors' expectations, the share price failed to fully appreciate this.

And even though the stock has tripled since I highlighted the opportunity, I think there is further to go. The company's targets for the next five years include a return on capital employed (Roce, a key gauge of profitability) of more than 25%.

Should the company achieve anywhere near this, it will get high returns on the money it invests in itself, which could propel the firm's performance even higher. It's no longer the bargain opportunity it once was as investors are starting to wise up, but we could still be at the start of the growth story here.

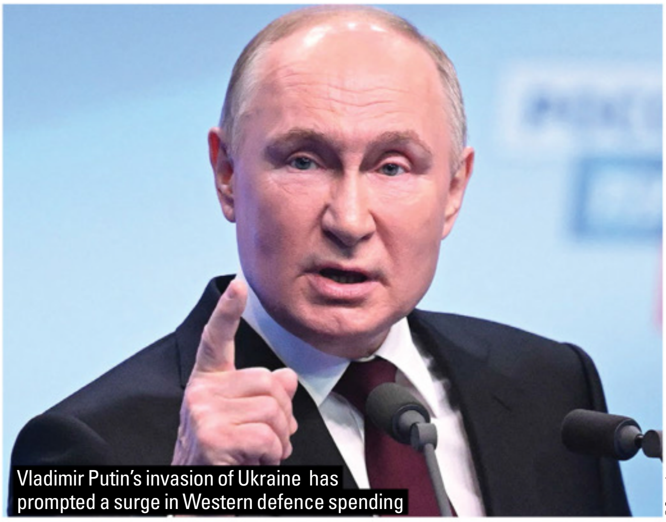
You can download Michael's UK Stock Trading Handbook at shiftingshares.com/newsletter; follow Michael on Twitter @shiftingshares

"Since I highlighted the potential of McBride, the shares have more than tripled"

Fortified by the flight to safety

British defence group Chemring's offering ranges from chemical detection to missile defence

Dr Michael Tubbs
Investment columnist



Vladimir Putin's invasion of Ukraine has prompted a surge in Western defence spending

©Getty Images

The world is becoming a more dangerous place due to the activities of China, Iran, North Korea and Russia, with fighting in Ukraine and the Middle East. Western countries realise that they must increase defence spending to deter aggressors and this is benefiting defence companies. Large defence firms' share prices have risen substantially in the past few years. But there are several smaller, specialist defence firms that offer better value, particularly those that are winning new orders.

One such firm is Britain's **Chemring (LSE: CHG),** whose Norwegian subsidiary, Chemring Nobel, last month won a £57m contract from the European Commission as part of its ammunition-production programme, which is helping deliver ammunition and missiles to Ukraine, and refilling member states' stocks. The Norwegian government has given Chemring £32m to increase production capacity at Chemring Nobel, which makes explosive materials such as those used in artillery shells. Large numbers of shells are, of course, being used in Ukraine. And 2024 sees the start of deliveries for a £43m UK Ministry of Defence contract for critical components for the UK Next-generation Light Anti-tank Weapon (NLAW) system. Deliveries will continue into 2026.

A bursting order book

Chemring's AGM update said that the order book stood at £991m on 30 January 2024, so with the new Norwegian awards of £89m, the total is now £1.08bn. That is more than twice the company's 2023 turnover of £473m. And order intake in the year to 31 October 2023 was £756m (the equivalent of 160% of sales), with growth in orders in both divisions of the company.

Chemring has two divisions: sensors and information (S&I, 40% of revenue) and countermeasures and energetics (C&E, 60% of revenue). S&I covers chemical and biological detection, improvised explosive device (IED) detection, electronic warfare (EW) and data science. C&E comprises advanced infra-red, radio frequency (RF) and naval countermeasures; space launch, missile and aircraft components; explosives and propellants, and a range of other devices. S&I protects land forces against IEDs and electronic warfare, and provides active cyber defence. The C&E arm's countermeasures protect air and sea platforms against a range of different missile attacks – such as from missiles using infra-red homing devices.

Chemring operates in four markets (the UK, the US, Australia and Norway) and exports products to more than 50 countries. In 2023 43% of sales were to the UK, 38% to the US, 15% to Europe and 4% to Asia Pacific. Chemring Roke, the electronic warfare, active cyber defence and data science subsidiary, accounted for £183m of 2023's £756m order intake, up by 9% from 2022; sales have doubled in five years. Roke USA has put on successful demonstrations to the US Department of Defence of Roke UK's man-portable mission-analysis software. The pitches have generated interest in the US in a modified system that meets the country's requirements. Roke US has already established a presence in the US, providing research and development services focused on advanced electronic-warfare algorithms.

Chemring's Chicago facility (which does engineering, manufacturing and testing for the energetics business) has a record order book of $165m, with more orders received in the final month of 2023 than in any previous year. Given the large size of the US defence market, Chemring's emphasis on growing its US subsidiaries is a sensible strategic move.

Chemring is also investing heavily in its sites in the US, Norway and Scotland, which will involve £209m of capital expenditure over three years, which it says will add some £85m of revenue per year – and about one quarter of this sum to operating profit from 2026-2027 onwards.

A mid cap maintaining momentum

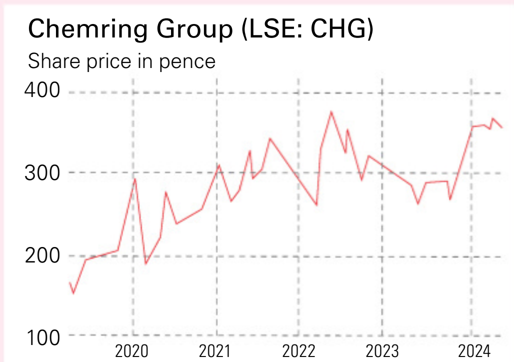
Chemring is a FTSE-250 company with a market value of £943m. Its results for the year to 31 October 2023 were released last December. They revealed the largest order book for over a decade, revenue of £473m (up by 19%), underlying operating profit of £69.2m (up by 21%) and net debt of only £14.4m (0.16 of underlying Ebitda).

Underlying operating profit is calculated by excluding acquisition-related items; a one-off impairment of £18.5m resulted in statutory profits of £45.4m. The total dividend for the year was 6.9p per share, giving cover of 2.9 times. CEO Michael Ord said that trading in the current financial year is in line with plans, while 79% of expected revenue is covered by the existing order book.

He added that "the outlook for global defence markets in increasingly robust, with continued growth expected over the next decade. This growing visibility gives us the confidence to continue to invest for the future". A further update was given at the annual general meeting in late February, when Ord said that order book's momentum has been maintained.

Order cover for the year to 31 October 2024 has already reached 87%. The next update will be on 4 June when the interim results to end April are released.

Chemring's share price is 346p, some 27p below the highest price of the last five years (373p) reached early this month. The trailing 12-month price/earnings (p/e) ratio is 26.6, but the forward p/e is only 18.4.



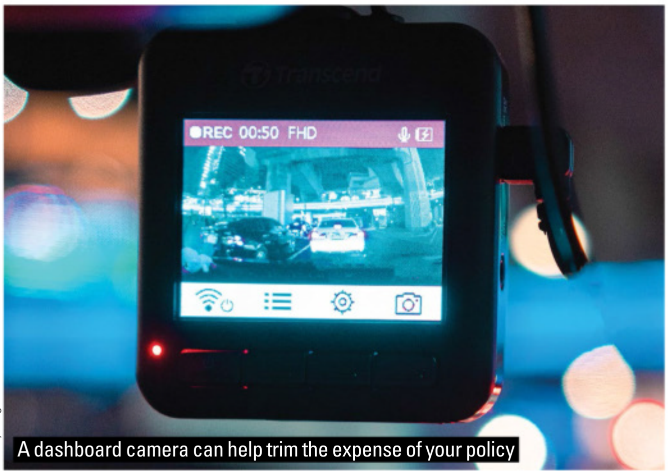
Analysts' one-year share-price target price is 429p, 24% above the recent price.

Chemring expects continued growth in defence markets over the next decade and it offers investors profitable growth with a reasonable forward dividend yield of 1.95%.

Cut car-insurance costs

Premiums have rocketed in recent years. Here's how to reduce yours

Ruth Jackson-Kirby
Money columnist



A dashboard camera can help trim the expense of your policy

©Getty Images

Car-insurance premiums have risen across the board in recent years. The rising cost of everything from spare parts to labour means payouts have gone up. But older drivers are seeing the biggest rise in their car insurance bills. Compare the Market has found that a comprehensive policy for a driver over 80 has jumped by 47.1% over the past year to an average of £671. Those aged 65 to 79 will have seen their premium rise by 42.1% to £425.

"Insurers typically view older drivers as higher-risk because their reactions are considered to be slower, and if they are involved in a crash, their medical bills can be higher," says Lucy Alderson in The Sunday Times.

So, what can you do if you are facing a steep rise in your premiums thanks to your age? Firstly, and most importantly, never simply accept the premium your existing car insurance provider offers you. It is highly likely you'll pay a loyalty penalty for staying with the same firm.

Do the legwork

You need to shop around when it is renewal time. If you don't want to leave your current insurer, shop around anyway, and then contact them to ask why they are charging you more than the quotes you've found online. Remind them that existing customers cannot be charged more than new customers.

When you are surfing the web for a new car-insurance policy make sure you accurately estimate your annual mileage. Many older drivers don't use their car as much as they used to – no daily commute makes a big difference, for a start – so reducing your annual mileage can help cut your premiums.

If you only use your car occasionally you may be able to cut your premiums drastically by opting for a pay-as-you-go policy. With this type of insurance, you are usually given a small tag or black box that tracks your car's mileage. You then pay a monthly premium based on the number of miles you drove.

Consider installing a dashboard camera in your car, too. It can help prove you didn't cause a collision, which means it may protect your no-claims bonus. That can lead to significant reductions on your car insurance premiums. There are also some insurers who offer discounts to dashcam owners.

When you are renewing, try to pay for your new policy upfront in one annual payment, it is usually far cheaper than paying monthly. The Financial Conduct Authority, the City regulator, is meant to be cracking down on firms charging high interest on monthly payments, but they continue to do so.

A recent study by Which found that the average interest charged is 23.4%. They also found that two providers don't charge interest on monthly payments: Hiscox and NFU Mutual. But if you aren't with those two, you'll save money by paying annually.

The balance-transfer boom

Are you paying interest on your credit-card debt? You really shouldn't be. With plenty of balance-transfer deals available there is no excuse not to be taking advantage of a 0% balance-transfer credit card. Balance-transfer credit cards allow you to move your debt from other credit cards onto them. You can usually enjoy a set interest-free period. This gives you the chance to clear your debt without interest causing it to grow any further.

You are likely to be in the minority if you aren't using a balance-transfer deal to cut the cost of your debt. Balance transfer activity hit its highest levels in nearly 20 years in January. A massive £1.8bn of credit-card balance transfers took place in January, the highest amount since February 2005. People "are taking advantage of lenders' competitive balance-transfer offers and paying down their outstanding balances", Janine Randolph, head of data management at UK Finance told The Independent.

The longest 0% deal is offered by Barclaycard's Platinum card. It has a 28-month balance transfer period with a 3.45% transfer fee. You usually have to pay a balance transfer fee of around 3% but you may be able to avoid this too. If you only have a relatively small balance to clear, then look at credit cards with shorter balance-transfer deals and you could find one with a lower or zero balance fee. NatWest's balance-transfer card offers a 0% period on transfers for only 13 months but there is no transfer fee.

Pocket money... early-bird Isa investors' juicy worms

- "Every year from the beginning of March to the end of May is the period where people will make most decisions about their tax-free savings. Rates tend to get competitive," Andrew Hagger from consumer site Moneycomms told The Sunday Times. The average rate on an easy-access cash individual savings account (Isa) is 3.38%, according to Moneyfacts. But you can get as much as 5.17% on an easy-access Isa with Plum. If you want to lock your money away for a year, then the average rate available is 4.52%, up from 3.69% a year ago. But the best rate is 5.05% on Virgin Money's one-year cash Isa.

- Revolut has been revealed as the bank prompting the most complaints concerning disputes over fraud. The Financial Ombudsman Service (FOS) received 3,048 complaints about the bank between April and December 2023. "The data shows that Revolut had seen a huge leap in customers complaining about fraud since 2022-2023, when 1,947 went to the adjudicator with a scam complaint," says Charlotte Gifford in The Telegraph. The top-five banks that the FOS received fraud complaints about also included Barclays, Monzo, Lloyds and HSBC.

- Britain's health-insurance market has expanded by £385m in a year as more people seek private treatment, says Julia Kollewe in The Guardian. The market's average annual growth was 6.1% between 2020 and 2022, compared with 1.7% between 2008 and 2019. The fast growth coincides with NHS waiting lists lengthening. England's NHS waiting list reached 7.8 million last September and is still at 7.5 million. More than 50% of patients wait more than 18 months.

- Early-bird Isa investors moved fast with the dawn of the new tax year. Bestinvest has revealed that its first Isa subscription for the 2024-2025 tax year was received at three minutes past midnight on 6 April. The first client to invest their full £20,000 Isa allowance for the new tax year did so at 52 minutes past midnight. Those who invested their full allowance in global equities on the first day of the tax year over the 25 years since Isas' inception could potentially be more than £67,000 wealthier than those investing on the last day of each tax year, says Vicky Shaw in The Independent.

The best of both worlds

Fixed-term annuities can be an appealing third option for retirees

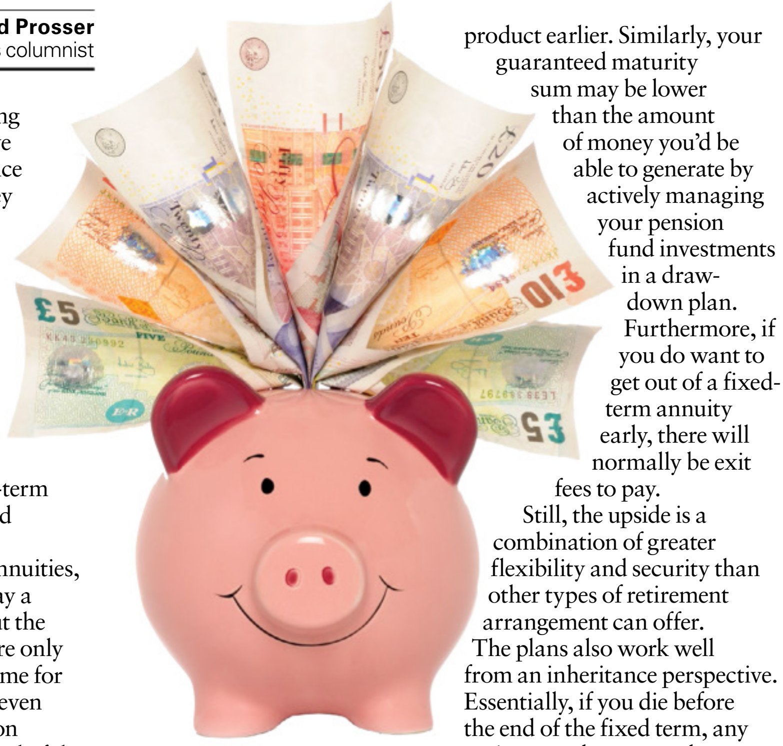
David Prosser
Business columnist

Most savers reaching retirement believe they have a binary choice to make about how they start taking income from their pension funds. But while most people opt either to buy a lifetime annuity – paying a guaranteed income until death – or to draw down income directly from their funds, there is a third option. A fixed-term annuity could be a good compromise option.

Like conventional annuities, fixed-term annuities pay a guaranteed income. But the difference is that you are only signing up for this income for a limited period: five, seven or ten years are common arrangements. At the end of this fixed term you get a guaranteed sum back, with flexibility about how you arrange your finances from then on. You could buy another fixed-term annuity, move to a lifetime annuity, or go into a drawdown arrangement.

This can offer the best of both worlds. You're not committing yourself to an annuity for good, with the pension fund cash not needed to finance your income remaining invested. But you are getting guaranteed income for a period, and certainty about how much pension fund you'll have remaining at the end of this term. Income-drawdown plans do not offer this security.

Fixed-term annuities can therefore work really well for savers not ready to commit to a lifetime annuity, but nervous about managing their money in a drawdown plan. You even have the option of taking no income at all during the period of the annuity – and therefore receiving a larger guaranteed maturity value at the end of the term. Alternatively, fixed-term annuities could also be useful for savers facing an income shortfall for a period. Perhaps you're retiring a number of years before you're eligible to claim your state pension, for example. A fixed-term annuity could be a good way to bridge the gap.



You receive a guaranteed income for a limited period, usually five, seven or ten years

"This is still an evolving area of the pensions market"

These arrangements do have potential disadvantages. For example, if annuity rates fall during your fixed term and you're looking to buy a lifetime annuity at the end of this period, you'll get less income than you might have been able to purchase by choosing the latter product earlier. Similarly, your guaranteed maturity sum may be lower than the amount of money you'd be able to generate by actively managing your pension fund investments in a draw-down plan. Furthermore, if you do want to get out of a fixed-term annuity early, there will normally be exit fees to pay.

Still, the upside is a combination of greater flexibility and security than other types of retirement arrangement can offer. The plans also work well from an inheritance perspective. Essentially, if you die before the end of the fixed term, any savings you have not taken as income are available to your heirs.

As far as tax is concerned, you're still entitled to take quarter of your savings upfront as a tax-free cash lump sum. Your fixed-term annuity payments will then be taxed as income in the normal way.

Finally, it's worth saying that this is an evolving area of the pensions market, with three insurers leading the way. The fixed-term annuities offered by Canada Life, Legal & General and LV all come with slightly different features, but it is worth getting quotes from all three. And if you're unsure about the best options, take independent financial advice.

The benefits of salary sacrifice

Does your employer offer a salary-sacrifice option as a way of making pension savings? If so, it's very likely to make sense for you to take them up on the offer. With these schemes you agree to sacrifice some of your salary, with your employer paying this money into your pension fund instead, rather than the conventional arrangement, whereby you make pension contributions from your salary.

The advantage is that you pay no income tax or national insurance on the salary you give up. By contrast, when you make pension contributions from your pay, you can claim income-tax relief, but you're still paying national insurance. Employers also save on national insurance, with no employers' contribution to pay on the salary sacrificed.

Some even agree to share this saving with staff, typically by topping up their pension contributions. It's a win-win situation in most cases. You need to tread carefully if you're applying for a mortgage, however. Your reduced salary may affect how much you can borrow . And if you have benefits linked to your salary, check how these will be affected. But for most people, salary-sacrifice schemes are a more efficient way to contribute to an employer-run pension scheme.

News in brief... the cost of retiring abroad

● More than 40,000 savers have made claims for compensation of almost £2bn from the Financial Services Compensation Scheme (FSCS) since 2019 following the collapse of their pension provider or financial adviser. The FSCS is urging people to check whether their providers and advisers are properly authorised by financial regulators. The FSCS only covers losses from failures of authorised firms, so this is crucial. You can check the status of your providers on the scheme's website at fscs.org.uk.

● Planning on retiring abroad? If so, and you move to a country that does not have a reciprocal pensions agreement with the UK, don't underestimate how much you will be giving up in state-pension benefits. Hundreds of thousands of pensioners who have retired to countries including Australia, New Zealand, Canada and South Africa aren't entitled to the annual increase in state pension their peers back home receive. The cost of missing out adds up over time. Interactive Investor says the lost income could total £160,000 over a 30-year retirement.

● New rules aimed at giving savers a more accurate idea of how their pension investments will grow could actually mislead many people, advisers are warning. The new regulations, introduced last October, require pension providers to estimate the value of people's pensions according to the volatility of their funds over the past five years – rather than assuming an industry-standard return rate, as was previously the case. Some providers are worried that periods of unusual investment returns will have a potentially misleading effect. Returns on gilts, for example, have been unusually volatile over the past five years; savers with gilts in their pensions are therefore currently being told these assets will produce higher returns in the future than has typically been the case in the past.

Cash in on chips with companies harnessing the future of technology

A professional investor tells us where he would put his money. This week: Matthew Page, fund manager, Guinness Global Innovators Fund, highlights his favourites

The Guinness Global Innovators Fund focuses on firms able to grow profitably and boasting sustainable competitive advantages that lead to high returns on capital both today and in the future. We like companies with high levels of recurring revenues, a global opportunity and pricing power. We seek to filter out short-term fads and hype and instead focus on firms whose valuations do not take into account their growth potential. We select 30 stocks and tend to hold them for the long term. For example, we have owned chip giant Nvidia for more than 15 years.

While Nvidia has been grabbing the headlines over the past 18 months, semiconductors jumped out to us as an area of interest in 2018. Historically, many semiconductor companies have had very cyclical earnings profiles, but we thought that cyclicality was likely to be dampened in the future and growth prospects were likely to increase. Following three years of very strong revenue growth amid the pandemic, the semiconductor industry did face a downturn during 2023 – the seventh since 1990. But semiconductor stocks outperformed the broader market.

While we are certainly bullish on the long-term outlook for semiconductor stocks, our overweight position is a result of our bottom-up stock selection. Our six semiconductor holdings are exposed to many of the growth themes we have identified and boast the growth, quality, and valuation characteristics we seek. They include three of the semiconductor-equipment manufacturers, an area set to benefit from both the wider application and increasing complexity of chips, raising the requirements of the equipment used to manufacture them.

One-stop chip shop

Applied Materials (**Nasdaq: AMAT**) is the largest semiconductor equipment manufacturer by sales. It covers most of the chip-fabrication process and is the leader in several segments, offering diversification and real-time insight into customers' needs. AMAT has peer-leading levels of research and development (R&D) and a range of solid competitive advantages. Valuation multiples have risen, but management expects operating margins to expand, which should facilitate robust earnings growth.

"All three firms benefit from trends such as AI and cloud computing"

Lam Research (**Nasdaq: LRCX**) also boasts wide coverage of the fabrication process and is a leader in different segments. It benefits from relatively high recurring revenue from servicing its installed base of equipment. Margins, already at robust levels (net margin 22%), are expanding. Its wide-ranging expertise and R&D expenditure reinforce its competitive position against more focused rivals such as KLA Corporation (**Nasdaq: KLAC**).

The semiconductor industry's 2023 downturn was its seventh since 1990

©Getty Images

KLA dominates the process-control segment, used to detect defects in the semiconductor fabrication process. KLA boasts a wide economic moat (an enduring competitive advantage that deters potential rivals), thanks to its proprietary technology. It also benefits from strong relationships with customers, allowing it to generate high recurring revenues from the largest global foundries, for whom switching costs are high. Gross margins have exceeded 50% and revenue growth is expected to reach 5% annually until 2030.

A risk factor for all three companies is high exposure to China, potentially exposing them to trade disputes, while the size of chip manufacturers such as TSMC leads to a degree of customer concentration. All three benefit from increasingly diverse markets with strong long-term growth prospects such as artificial intelligence (AI), cloud computing and mobile technology, leading to lower sales volatility.

The wolf in cashmere

Bernard Arnault is the world's richest man and leads a luxury-goods conglomerate, LVMH, that now looks too big to fail. His succession plans have relevance beyond the firm. Jane Lewis reports

©Getty Images

The world's richest man, Bernard Arnault, likes to describe LVMH as "*une affaire de famille*", says The Economist, which, given he presides over a €400bn luxury-goods empire, is "both a humble brag and true". All five of Arnault's children now work for the family business – a fact cemented last week when two of his younger sons (Alexandre and Frédéric) joined their older siblings from his first marriage (Delphine and Antoine) on the LVMH board. Only the youngest, Jean, 26, who has a senior role in the group's watch business, is now without a seat – yet. "He has time, he is young," observed the patriarch.

A lupine litter of grafters

Having recently raised the company's retirement age to 80, the 75-year-old "wolf in cashmere", as the billionaire is known thanks to his killer dealmaking instincts, shows no sign of loosening his grip on LVMH – whose august heritage brands (75 in all) range from Louis Vuitton and Christian Dior, to Moët & Chandon, Fendi and Tiffany. The Arnault family controls 48% of LVMH's equity and 64% of the voting rights. Still, the boardroom reshuffle suggests that succession plans for his "lupine litter" are well under way. No one can say they're an indolent lot, says The Telegraph. "We raised them to be grafters, and they are," says Arnault. In a famous story, retold by Le Monde, 14-year-old Antoine sent one of his baby brothers a wry postcard when he was born. "Dear Alexandre, I hope your birth went well. I advise you to start working right away, because otherwise…"

"Arnault perfected the paradox of selling exclusivity by the millions"

Arnault views his children rather like his brands, says the Financial Times. "Take a fine name and nurture it over decades, ensuring that it has both surface polish and business competence." It's a lesson he probably assimilated young. Growing up in Roubaix – the historic textile region of northern France – he witnessed the collapse of many old family firms as their heirs squandered their legacies. His own inheritance was his father's construction firm, Ferret-Savinel (later Ferinel), which he took control of in his early 20s in 1971.

Arnault's education had fitted him for the role – he graduated from Paris's École Polytechnique with a degree in engineering – but he soon shifted tack, first into real estate and then, in partnership with a Lazard's partner, into the deal that would set the course of his career. In 1984, they raised $80m to buy a bankrupt textile house, Boussac Saint-Frères, which also owned Christian Dior. Three years later, Arnault was invited to invest in Louis Vuitton.

There followed a slew of deals, which saw Arnault invent and perfect "the paradox" of "selling exclusivity by the millions", says The Economist. But few would have guessed the juggernaut that LVMH would eventually become. Last week it emerged that the group's exports (fuelled by lucrative inroads into China) have now eclipsed those of France's entire agricultural sector, says the FT. No wonder there are mutterings about LVMH being too big to fail. The company, as politicians are all too aware, is now "a state within a state", observes Le Monde.

A dangerous moment

That, of course, has considerable bearing on the succession stakes. Arnault's five heirs join their father every month for a family lunch/mini directors' meeting, and outwardly appear to have a harmonious relationship. Perhaps they will amicably agree on who will take the lead when their father steps back, says The Telegraph. "But you wouldn't want to bet your last bottle of Moët on it." This opaque set-up is no way to run a public company, let alone one of LVMH's heft – any rift would make the internal machinations of *Succession*'s fictional Roy family look tame. This is "a dangerous moment for France". If Arnault gets this wrong, "it is far more than just one family fortune that will come crashing down".

Maverick MP who wanted to shake up the welfare state

Frank Field, the Labour MP and backbencher known for his campaigning on poverty, died of cancer this week at the age of 81, says The Times. A devout Anglican and the MP for Birkenhead for 40 years, Field was one of the longest-serving members of the House of Common.

Field (pictured) was invited by the incoming Labour government of 1997 to "think the unthinkable" on welfare and made a minister of state, but the unthinkable proved unpalatable to Tony Blair – Field believed the state should have no major role in the provision of benefits and thought continental-style social-insurance schemes and mutual societies were better options, says the BBC. He was dismissed just 15 months into the job.

David Cameron also made Field an adviser to the coalition government of 2010. His advice went unheeded then too. Yet despite his unsuccessful stints as minister, Field wielded considerable influence as a backbencher and member of parliamentary committees, wrote pamphlets and booklets, and enjoyed a close friendship with Margaret Thatcher. He was "the ultimate unbiddable maverick, a genuinely independent and expert voice who enjoyed great respect at Westminster", says The Times.

Field was born in north London in 1942 to working-class, Conservative parents who "believed in the importance of moral character and pulling yourself up by the bootstraps", says the BBC. Field too initially joined the Young Conservatives, but was "shoehorned" out for his support of anti-apartheid campaigns. After studying economics at the University of Hull, he was elected to the safe Labour seat of Birkenhead in 1979. Field was an admirer of Enoch Powell – his infamous "Rivers of Blood" speech was one of his few errors, Field believed – and shared with him a belief that political struggle was all about achieving long-term goals, not riding current events.

That struggle kept him busy right up until the end. A couple of years before his death he told The Spectator he was involved in setting up "citizens' supermarkets" with cheap food for the poor and advisers to help with practical problems, and chairing a review of modern slavery law. It was work that he loved. "My father had a factory job and hated every day," he said. "I get up and love every day. And that is such a privilege."

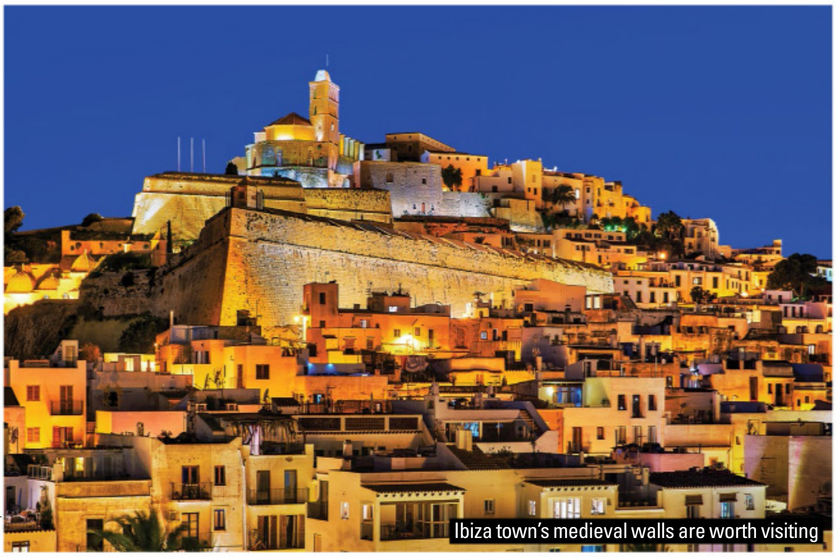
©Getty Images

Spanish island fun in the sun

Whether you're in the mood for a fiesta or a siesta, there's lots to do on Spain's islands

French flair in Ibiza

Les Terrasses Agroturismo's "pretty countryside setting [in Ibiza] means it feels like a relaxed, off-grid escape despite being only minutes away from the nearest towns", says Abigail Lowe in The Telegraph. "The seaside hub of Santa Eulalia is just a short drive away, while Ibiza town, with its Unesco-protected medieval walls and clutch of shops, bars and restaurants, is around 15 minutes away by car." Les Terrasses "oozes" Gallic charm thanks to its French origins. "Al fresco terraces are lined by lush foliage and bedecked with wrought-iron tables and chairs… The vibe is laid back and unhurried, perfect for lounging with a book." There are only 12 rooms, each with crisp white walls, sandblasted wooden furniture and "large, comfy beds". "From gorgeous exotic gardens to an island-famed Moroccan feast [in the restaurant], Les Terrasses Agroturismo is a shroud for many secret treasures." *From £175, lesterrasses.com*



©Alamy

Ibiza town's medieval walls are worth visiting

Meliá doubles up with Rafael Nadal

©Zel Mallorca

Zel, in Palma, Mallorca, is the first hotel property developed by the Meliá group in partnership with Spanish tennis legend Rafael Nadal, says Sophie Bates for Hello. The hotel opened last summer, "combining the carefree nature of the ocean sprinkled with a hint of the exciting city life". Each of the 165 rooms has been "carefully thought out to encourage sheer relaxation. The large king-sized bed and standalone bathtub that both overlook the sea are without a doubt the highlights". There is also a private balcony "offering panoramic views of the beach". Palma isn't short of places to eat and that is equally true of Zel. The hotel's Beso Beach restaurant "serves up Mediterranean cuisine with a twist, and guests can enjoy fresh lobster, paella [or] croquettes… while taking in the relaxed beach setting". Otherwise, the old town is "easily accessible". *From £95 a night, melia.com*

An adults-only sanctuary on Mallorca

"This was my first time at any all-inclusive resort… [and] I didn't really know what to expect," says Chaise Sanders for Cosmopolitan. But the view from the room at Secrets Mallorca Villamil Resort & Spa was gorgeous – and "I immediately knew that my stay at Secrets was [going to] be unforgettable". All of the rooms are luxurious, airy and bright. "But the best part was 100% the private balcony looking out towards the beach – an ideal spot for the welcome Champagne waiting in my room." The outdoor pool, sun deck, private beach, luxurious cabanas and the spa are the other places worth visiting at this adults-only resort. The last offers "everything from hydrotherapy and Turkish baths to a full gym" and "relaxing massages". All in all, Mallorca is "just downright stunning". *From €205, hyattinclusivecollection.com*

©Secrets Mallorca Villamil

Blending in with the volcanic landscape

Barcelo Playa Blanca, which opened in October on Lanzarote, was designed to blend in with the island's volcanic landscape, says Hope Brotherton in The Sun. "And it does so effortlessly, from the azure-blue rock pools dotted throughout the complex to the red and black volcanic gravel." There are 720 rooms in the "sprawling" resort, laid out over two complexes. Upgrading to Royal level provides an "extra air of exclusivity, with a private restaurant, adults-only bar and infinity pool". Additionally, the "swim-up" rooms enjoy direct access to "a wonderful meandering pool". The decor is "calm and luxurious, with neutral colours, a king-size bed and comfy sofa overlooking the terrace". The main buffet restaurant "sits at the heart of the hotel" and there are also two à la carte eateries serving Asian and Mexican cuisine – "a great spot to order a spicy margarita". *From £120, barcelo.com*

©Barcelo Playa Blanca

A resort for all the family

The location in the southwest of Tenerife is one of the best things about Hovima La Pinta Beachfront Family Hotel in Costa Adeje, says Richard Jones in Luxury Lifestyle Magazine. The hotel looks straight out onto the beach, from where you are "just feet away" from dozens of bars, restaurants and shops. Most of the rooms have views on the ocean and, "as well as the beach, our room looked down on [the]... chic swimming pool". The Excellence Family Room was "huge", providing mod-cons and a kitchenette. Each of the two "sizeable" bathrooms had rain showers. The resort is all-inclusive, but there is plenty of choice in the main buffet restaurant. There is also a poolside à la carte restaurant, serving "tasty" fish and seafood dishes. Hovima is "a haven", but it's worth "strolling down past the harbour" and beyond to explore the rest of the island. *From €269, hovimalapinta.com*

©Alamy

A work of art on wheels

Aston Martin's new DB12 Volante convertible has the power and the looks

"Don't think of the Aston Martin DB12 Volante as the softer, squishier option," says Alan Taylor-Jones for Car magazine, because the drop-top is every bit the equal of the hard-top DB12 coupe that was launched last year. They were developed side by side and share the same design, engineering and technology advances. That makes this "the most dynamic" Volante since the first was introduced in 1965 and "possibly one of the best sports cars out there". Aston Martin calls it "the ultimate open-top super tourer" and "it lives up to the billing", says Ray Massey on This is Money. It's "a delight to drive with the added bonus of wind-in-the-hair motoring".

Under the bonnet there is a "feisty" 680-horsepower, four-litre V8 twin turbo petrol engine linked to an eight-speed automatic gearbox. The Volante "accelerates with gusto" from standstill to 62mph in 3.7 seconds, which makes overtaking "effortless". "But what I really enjoyed was the chance to chill – just because the power may be there in spades, it doesn't mean you have to use it… This is a super-hot super cruiser in which to be super cool."

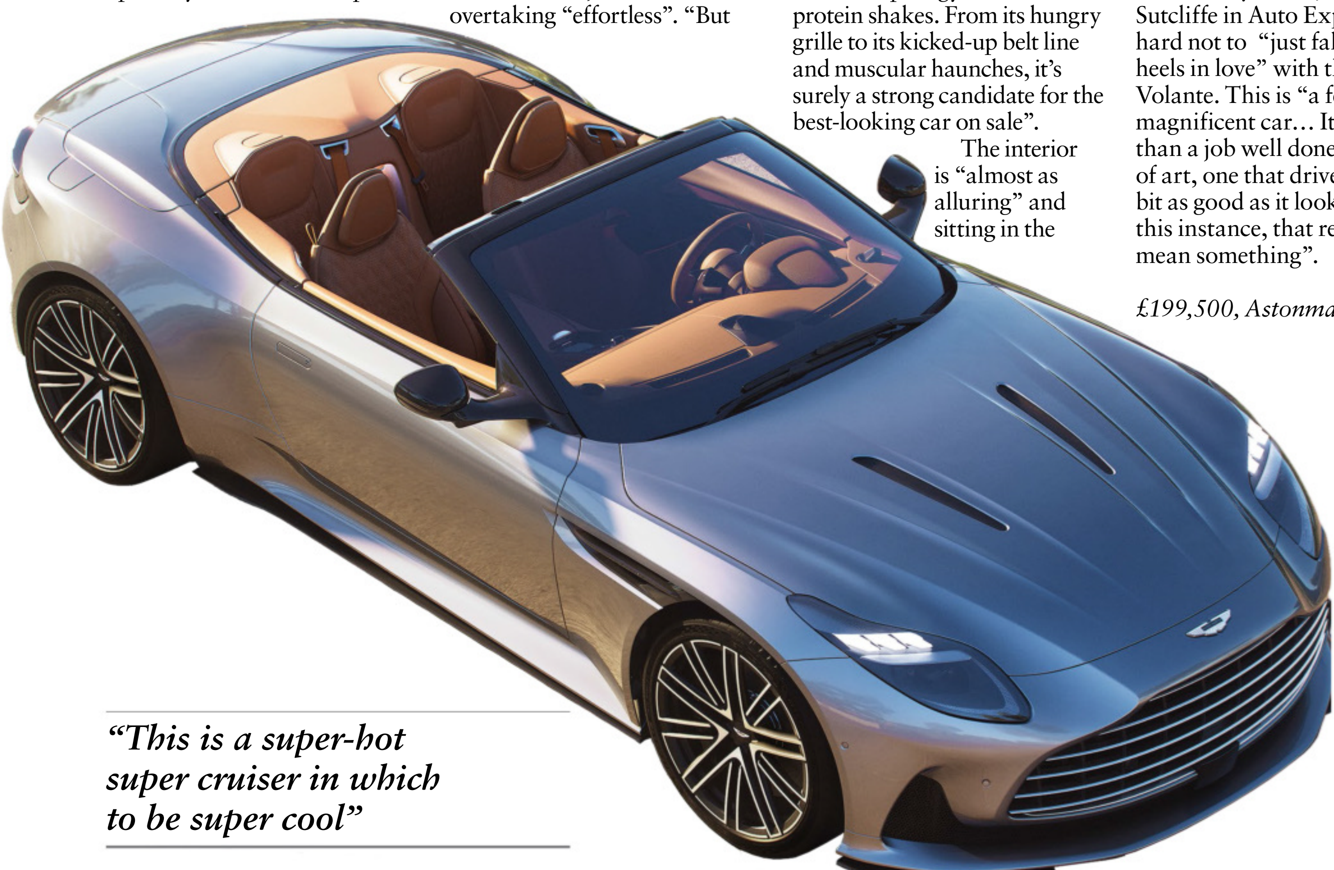
Looking the part

"Indeed… the Volante [looks] so arresting that you might buy it on that basis alone," says Tim Pitt in City AM. It resembles its predecessor, the DB11 – only "bulked up on gym sessions and protein shakes. From its hungry grille to its kicked-up belt line and muscular haunches, it's surely a strong candidate for the best-looking car on sale".

The interior is "almost as alluring" and sitting in the driver's seat feels "snug but comfortable". There is also a "nice mix" of touchscreen and physical controls. As for the 15-speaker Bowers & Wilkins audio set-up, you could make yourself heard in the neighbouring county with the volume up and the top down. But "who needs music when you've got a four-litre V8"?

"It's so potent that you don't often use full throttle for anything longer than momentary blasts," says Steve Sutcliffe in Auto Express. It's hard not to "just fall head over heels in love" with the DB12 Volante. This is "a fearsomely magnificent car… It is more than a job well done. It's a work of art, one that drives every bit as good as it looks. And in this instance, that really does mean something".

£199,500, Astonmartin.com



"This is a super-hot super cruiser in which to be super cool"

Wine of the week: the finest rosé this season

2022 Château d'Esclans, Les Clans Rosé, Côtes de Provence, France

£69.95, finewinedirect.co.uk

Matthew Jukes
Wine columnist

Rosé season has well and truly kicked off, and here is a selection of the very finest so far this year. The 2023 L'Exuberance Rosé du Clos Cantenac (£19.75, privatecellar.co.uk) is a delicate flower with an enchanting cranberry, rose petal and sour-cherry nose and vice-like freshness and verve on the finish. The 2022 Ninfalia Rosato La Fiorita Tuscany (£63.42, stannary wine.com), a magnum no less, is a scintillatingly beautiful sangiovese from Montalcino that will cause keen rosé lovers to go weak at the knees with its aromatic complexity, effortless restraint and enchanting wistfulness. Provence is, not surprisingly, well served with a handful of epic new 2023 releases, with 2023 Minuty Cuvée Prestige Rosé (£24.95, finewinedirect.co.uk) seeping into one's senses with its creamily textured watermelon and pink grapefruit-smooched fruit, while 2023 Château La Mascaronne Rosé (£24.90, noblegreen wines.co.uk) builds on its stratospheric reputation with its silkiest and most alluring wine to date.

Flamboyant followers of fashion will be able to relax in the knowledge that 2023 Whispering Angel Rosé (£19.95, finewine direct.co.uk) is a thriller in 2023, but the prize for the finest release this season goes to Whippie's big brother – 2022 Les Clans. This is a spectacular work of art with swaggering charm and heroic depth of flavour. The finish alone takes you into next week, and it does all this with freshness, bounce and epic integrity.

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

This week: penthouse apartments – from a two-storey penthouse in the centre of Henley-on-Thames,

Ulwell Road, Swanage, Dorset. A contemporary duplex penthouse in a beachfront property with terraces overlooking Swanage Bay. It has floor-to-ceiling windows, a spiral staircase and a state-of-the-art kitchen with a vaulted glass ceiling. 2 beds, 3 baths, 2 receps, Jacuzzi room, 2 balconies, parking. £1.4m Fine & Country 01202-076297.

Southampton Street, Covent Garden, London WC2E. A duplex apartment with two terraces overlooking Covent Garden's piazza. It has large sash windows, an open-plan living area with a state-of-the-art kitchen, a reception and marble-clad bathrooms. 3 beds, dressing room, 3 baths, recep, lift access, concierge. £8.95m Savills 02-7578 5100.

Gun Wharf, Wapping High Street, London E1W. A penthouse apartment in a converted warehouse with views over the River Thames towards the Shard. The flat has wood floors, a balcony, a large south-facing terrace and a north-facing terrace, and secure parking that comes with an electric-car charging point. 3 beds, 3 baths, recep, state-of-the art dining kitchen, consierge service. £3m Hamptons 020-3918 1175.

to a duplex apartment overlooking the piazza in London's Covent Garden

St. James's Street, London SW1A. A fifth-floor penthouse in a building designed by the modernist architect Rodney Gordon, just moments from St James's Park and Green Park. It has wood floors, sloping floor-to-ceiling skylights, a turret-style bay window, a principle bedroom with an en-suite Jacuzzi-style bath, and a 750 sq ft private roof terrace with a kitchenette that makes it ideal for entertaining. 4 beds, 3 baths, 2 receps, kitchen, lift access. £6.15m Knight Frank 0207-647 6612.

The Woodlands, Shrewsbury, Shropshire. A penthouse in a period property with communal gardens next to the Reabrook Valley Nature Reserve. It has a modern kitchen and bathrooms, and a mezzanine. 2 beds, 2 baths, recep, open-plan kitchen and living area, garage. £340,000 Samuel Wood 01743-272710.

Thameside, Henley-on-Thames, Oxfordshire. A three-bedroom penthouse apartment set over two floors and situated in the centre of Henley-on-Thames. The flat comes with a covered veranda that runs the full length of the building and overlooks the River Thames. It has an open-plan kitchen and living area with vaulted ceilings, a mezzanine and bi-fold doors that lead onto the veranda. 3 beds, 3 baths, gated secure parking. £2.3m Knight Frank 01491-844901.

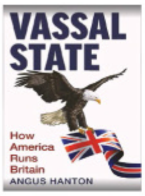
Piccadilly, York, North Yorkshire. A duplex two-bedroom penthouse flat in an award-winning development situated within York's city walls, overlooking the river and Clifford's Tower. The flat has large windows, wood floors, a contemporary kitchen and bathroom, a study area and French doors that open onto a large private roof terrace. 2 beds, 2 baths, recep, garage and storage unit, lift access. £475,000 Savills 01904-617818.

Sarno Square, Abergavenny, Monmouthshire. A spacious three-bedroom penthouse apartment in a Grade II-listed converted Victorian hospital, just a short walk from the town centre. The building is set in landscaped grounds and commands far-reaching views over Blorenge mountain. The apartment has exposed stonework and a refurbished breakfast kitchen. 3 beds, 2 baths, recep, shared access to landscaped gardens. £330,000 Roscoe Rogers & Knight 01600-772929.

Book of the week

Vassal State

How America Runs Britain
Angus Hanton
Swift Press, £25



During World War II, Britons grumbled (in the words of comedian Tommy Trinder) that the Americans were "overpaid, oversexed and over here". The GIs responded that the British were "underpaid, undersexed and under Eisenhower". Not much has changed in the years since, at least according to Angus Hanton. American troops may have helped save us from Hitler, but American economic domination and ownership of British firms rips off British consumers, stifles the growth of British companies and generally makes us subservient to our cousins on the other side of the Atlantic.

Hanton begins his argument in the supermarket, where he points out that a whole host of brands, including those we tend to consider "British", are actually owned by American conglomerates. He then broadens his argument to other industries, before looking at the statistics on American ownership of UK assets. He goes on to consider some of the sharp practices pioneered by US tech firms and the financial sector, aimed at maximising the amount of money extracted from the wallets of UK consumers (and the government), while minimising the amount of tax that they have to pay to the Treasury.

A lively polemic

Some of Hanton's arguments are a bit hyperbolic. US tech firms may have made lots of money from their subscription models, but these have now been copied by others, and in any case only succeed because people value the products on offer. Indeed, Hanton admits late on in his book that US business success is at least partly due to genuine innovation and entrepreneurship. Hanton laments the failure to agree a post-Brexit US-UK trade deal, but this is not so much a sign of domineering American power as a demonstration that the British public is (thankfully) unwilling to make the concessions (over food safety regulations, for example) needed to get one agreed. Hanton also decries the lack of British national champions, but the dismal experience of trying to create some in shipbuilding and car-making in the 1960s and 1970s shows the limits of that strategy.

Hanton does uncover some genuine misbehaviour. Many of the largest tech firms routinely avoid tax and a chunk of what they do pay goes to the US Treasury via a charge on money repatriated from their UK subsidiaries. The US can also be incredibly sharp-elbowed when it comes to defending the interests of its major companies, but our government has let US firms get away with some shocking failures when it comes to delivering outsourced public services, for example.

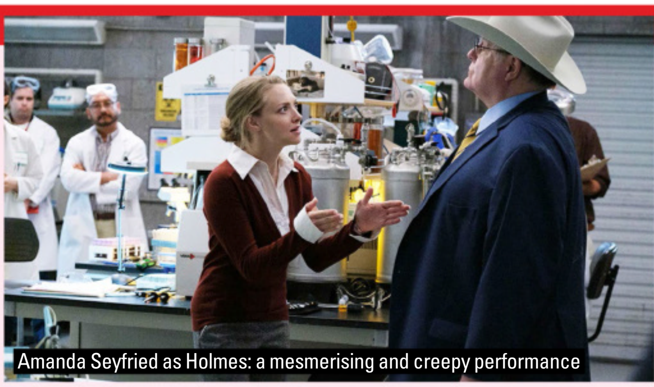
US ownership of British companies isn't all bad, however, and it is certainly better than having them bought up by dictatorships in the Gulf or China. Yet there are certainly ways in which our relationship with overseas companies could be improved. *Vassal State* is a lively polemic that asks some timely questions.

Reviewed by Matthew Partridge

Drama of the week

The Dropout

Created by Elizabeth Meriwether
Available on BBC iPlayer


Amanda Seyfried as Holmes: a mesmerising and creepy performance

©BBC

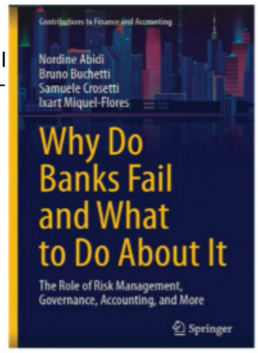
The rise and fall of Elizabeth Holmes and her start-up Theranos was one of the most notable financial and business scandals of recent years. It has all the elements of a compelling story of fraud on a grand scale – a charismatic founder, who was compared to Steve Jobs; high-profile investors, including Rupert Murdoch, Henry Kissinger and George Schultz; and the promise of a technological revolution, in this case in the way illness is diagnosed. Holmes' grandiose vision of instant home blood tests dissolved, along with investors' cash, when it was revealed that the company was simply running blood samples through existing machines from competitors. *The Dropout* is an eight-part mini-series that tells the story of the scandal that ultimately resulted in Holmes and her sometime partner Sunny Balwani being jailed.

The drama debuted two years ago on the Hulu streaming service, but its appearance on the BBC will be the first chance that most people in the UK have to see it. Those who do are in for a treat thanks to a mesmerising, almost creepy, performance by Amanda Seyfried as Holmes. Initially the portrayal is sympathetic as Holmes struggles to make it in the cut-throat world of Silicon Valley, but it quickly becomes clear she is no ingénue as she sheds all scruples to manipulate and intimidate her way to the top.

Seyfried is supported by a tremendous cast, which includes Naveen Andrews as Balwani, Stephen Fry as Theranos's chief scientist Ian Gibbons and William Macy as patent troll (and Holmes' eventual nemesis) Richard Fuisz. Andrews is particularly memorable as Balwani, who initially supports Holmes, then attempts to control her, only to find that when it comes to deception, the apprentice is no match for the master. What we learn is that a combination of venture-capital cash and self-help clichés can sustain a multi-billion-dollar deception for more than a decade. This a superb telling of a modern morality tale.

Why Do Banks Fail and What to Do About It

The Role of Risk Management, Governance, Accounting and More
Nordine Abidi et al
Springer, £119.99



Last year was a tough one for parts of the global financial system – the collapse of Silicon Valley Bank in the US and Switzerland's Credit Suisse provided a reminder that the regulations brought in after the 2007-2009 have not completely removed risk from the system. In this book, economists and bankers Nordine Abidi, Bruno Buchetti, Samuele Crosetti and Ixart Miquel-Flores set out why stopping banks going under is so important for the financial system as a whole, and the various ways in which regulators have tried to do this, as well as the risks that still remain.

The book can be divided into three parts. The short opening chapter looks at the role that banks play in the financial system. The next three chapters focus on the reasons for bank failures, ranging from poor risk management to the ways in which financial statements can fail to represent the true situation, through to the inherent conflict of interests between shareholders, who want to maximise returns, and depositors and creditors, who want to minimise risk. The final chapter, which accounts for roughly half of the book, considers the various tools regulators and central banks have at hand to try to resolve these difficulties.

The prohibitive price of this relatively short monograph, not to mention the blizzard of charts, diagrams, equations and acronyms that it contains, makes it clear that this book is aimed more at university students (or more specifically, at deep-pocketed academic libraries) than at general readers. But the authors do a good job of explaining the theory behind bank regulation, and what the pros and cons are, in relatively simple terms. It would be ideal for anyone wanting to learn more about the banking system, but lacking a background in economics.

Bridge by Andrew Robson

Knave needed

This week's deal is a defensive test for West.

Dealer West — Both vulnerable

North:
♠ Q953
♥ A876
♦ A2
♣ A96

West:
♠ KJ4
♥ Q4
♦ K1065
♣ Q1082

East:
♠ A10872
♥ 10932
♦ 74
♣ 43

South:
♠ 6
♥ KJ5
♦ QJ983
♣ KJ75

The bidding

South	West	North	East
	1♣*	Dbl**	pass***
2NT§	pass	3NT	end

* 11-13 balanced or natural. I'm not sure I would have opened this Aceless 11-count, vulnerable.
** Holding both four-card majors more than counterbalances the lack of a third Diamond.
*** A case for a skimpy One Spade – likely to be a helpful contribution to partner.
§ Expecting partner to cover Spades.

West found the reasonable but unfortunate lead of a low Diamond, which ran to declarer's eight. Declarer crossed to the Ace of Diamonds, returned to the King of Clubs (the Club finesse was surely doomed on the bidding), then led the Queen of Diamonds. West won his King and East threw an encouraging eight of Spades. Can you spot the one winning card for West at this juncture?

East's helpful signal has told West to switch to Spades, but only the lead of the Knave will see the defence scoop up all their tricks. If dummy plays low, the Knave wins, whereupon King and another Spade sees East score the Ace-ten; if dummy covers with the Queen, then East wins the Ace, returns a low card to West's King, and scores his ten-seven over dummy's nine-five. One down.

Yes, East's high Spade discard cost the second undertrick – but a small price to pay to secure the winning switch.

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

Sudoku 1205

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

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.

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

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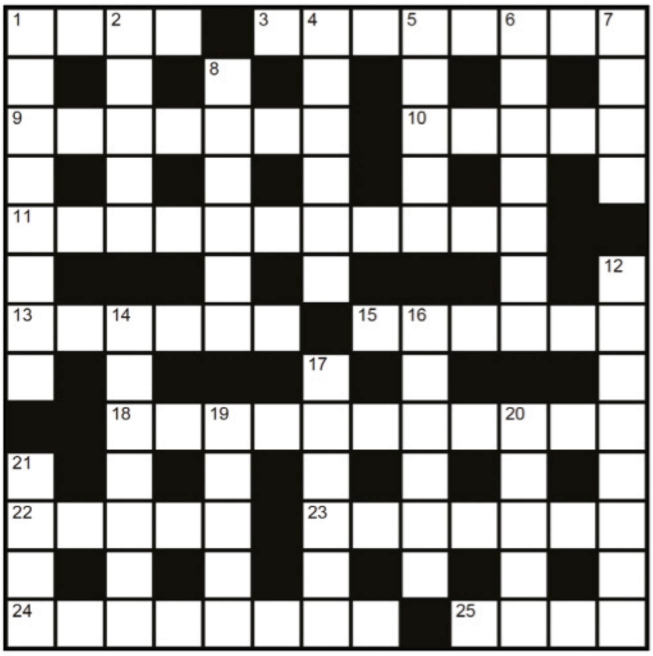
Tim Moorey's Quick Crossword No.1205

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 6 May2024. By post: send to MoneyWeek's Quick Crossword No.1205, 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.1205 in the subject field.

TAYLOR'S PORT



Across clues are cryptic while down clues are straight

ACROSS
1 Misses prodigal son? Not entirely (4)
3 Think back on part (8)
9 Still bald after leaving hospital (7)
10 Mug from Belgian city, a name forgotten (5)
11 Prominent, intemperate speech in favour of the Underground? (11)
13 Nurse in Guys is terrific (6)
15 Look good in France mostly in summer house (6)
18 Hopelessness? A rope ends it sadly (11)
22 Caught in temptation getting money (5)
23 Fresh oil needed on journey in African capital (7)
24 Pop back into almost enlightened, secret connections (8)
25 Neat holder recalled by delivery boy (4)

DOWN
1 Upright in soccer (8)
2 Slow passage in music (5)
4 Holiday island (6)
5 More (5)
6 Expire (7)
7 Sales agents (4)
8 Rubbish (6)
12 Sailors' dance (8)
14 Attachment to a motor cycle (7)
16 Flowering tree (6)
17 Be quiet (4,2)
19 Perfume (5)
20 Sardonic wit (5)
21 Defect (4)

Name

Address

email

Solutions to 1203

Across **1** Cock *cock(neys) balm oral* **3** Balmoral **9** On a roll *two defs* **10** Towed *homophone toad* **11** Commissioned *mission inside Coed* **13** On edge *o+N edge* **15** Toulon *(c)ool (p)unt anag* **17** Headshrinker *anag* **20** Titan *Titan(ic)* **21** Nearing *(y)earning* **22** Port Vale *port + vale* **23** Wees *homophone.* **Down** **1** Chop-chop **2** Charm **4** At last **5** Metropolitan **6** Raw deal **7** Lido **8** Boris Godunov **12** Inert gas **14** Eventer **16** Chanel **18** Knife **19** Stop.

The winner of MoneyWeek Quick Crossword No.1203 is: Maria Clements of Edinburgh

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

Glimmers of hope?

Countries can emerge from debt crises – so why not the US?

Jamaica was in a debt bind, but pulled up its socks and got to work

©Getty Images

Bill Bonner
Columnist

Our columns have been full of doom and gloom recently about the prospects for the US economy. But is there not a glimmer of hope? Isn't Javier Milei turning Argentina around? Didn't Greece pull out of its crisis successfully?

Or consider the case of Jamaica. Only a few years ago, it was on the edge of a financial breakdown. It had spent too much and borrowed too much. Lenders refused to provide more credit. Inflation was running riot. The currency was losing value. But Jamaica pulled up its socks and got to work.

Jamaica halved its government debt-to-GDP ratio from 144% between 2012 and 2023 by sustaining a primary surplus (an excess of revenues over spending, excluding interest payments) exceeding 7% of GDP for seven years. For reference, the US is currently operating with a budget deficit of about 6% of GDP. It was, according to an academic study quoted in the Financial Times, Jamaica's "hard-won tradition of consensus building" that did the job. Somehow, the government was able to get nearly everyone to go along as it pulled the budget belt tighter.

Greece is another case (see also page 19). Greece's public finances were absurdly mismanaged and notoriously corrupt. The government had been in almost continual default for the entire 19th century and much of the 20th century. It spent money it didn't have, and then lied about its numbers so you couldn't tell what was actually going on. But in 2009 it hit the Doomsday Trigger – with debt over 130% of GDP.

Under normal circumstances, people might not have extended it so much credit. But Goldman Sachs had helped it disguise its real situation so as to gain membership in the EU. As a member, it was able to borrow in a stable currency, the euro, and appeared to have the backing of Germany and France. Then, when the trouble began, the Germans protested: they didn't want to bail out the lazy, profligate Greeks.

> *"The two things that bring down a nation are war and debt"*

So, the Greeks did what they always did: they became the first developed nation ever to default on an IMF loan. There were riots, bank closures, chaos and turmoil. By 2011, Greece was in a depression, with GDP declining at a 7% rate. More than 100,000 companies went broke and the unemployment rate hit 23%. The debt-to-GDP ratio hit 177% in 2014. And by 2016, Greece seemed to be hitting bottom, with one out of three Greeks said to be living in poverty.

But Greece has been lucky. It could have bolted from Europe and told the IMF, the World Bank, and the EU to get lost. It could have gone back to its own currency, the drachma, as Paul Krugman advised, and gone on a bacchanalia of money-printing and hyperinflation. Instead, it buckled down, cut spending, raised taxes, fired deadbeat "public servants" and actually managed a budget surplus of about 4% of GDP. Its debt-to-GDP ratio has come down from as much as 180% to 160%. It seems to be holding things together as it reduces its debt.

Sadly, it seems doubtful whether the US can learn very much from the experience of Jamaica and Greece. They are small countries – and their democracies work better. And, unlike the US, they were never able to borrow large amounts in a currency whose value they controlled. So they couldn't "inflate away" their debts. As we have seen in recent columns, the main two things that bring down a great nation are war and debt. The US is not backing away from either of them.

For more from Bill, sign up to his Substack newsletter at bonnerprivateresearch.com

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Email: editor@moneyweek.com

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