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MONEYWEEK

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Trump's trade deals

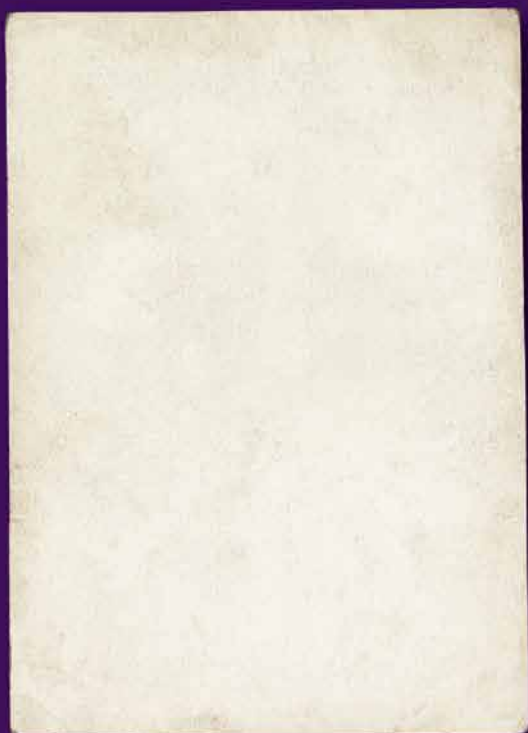
Their impact on markets and growth
Pages 4, 8 and 12



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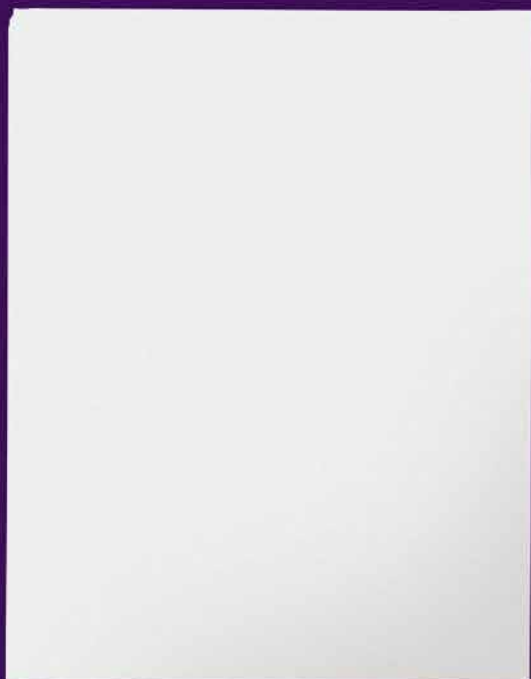
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The Mona Lisa



Hamlet



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From the editor...



Well, that was quick. Having fallen by almost a fifth after Donald Trump's tariff announcement last month, the S&P 500 index has returned to being technology-led, overbought and overpriced. America's benchmark index has made up its losses for the year (see page 4) thanks to the trading truce with China, while news of deals with Saudi Arabia (see page 8) and a decline in US inflation to a four-year low added to the good cheer.

But despite Trump's move to extinguish the fire he started, the underlying problems endure. The effective US tariff rate is still 13%, the highest level since 1941, as Barron's point out, and the Budget Lab at Yale, a research group, estimates that tariffs are still set to cost the average household \$2,300 a year.

An era of bilateral deals

On the global scale, globalisation is still going backwards and supply chains face upheaval. "Apple is not going to rethink its plans to speed up the shift of iPhone production from China to India," says Hamish McRae in *The Spectator*. Trade volumes through US ports will rebound, but not to their pre-tariff levels.

The most significant long-term trend, however, may be the gradual erosion of confidence in the US dollar as the global reserve currency and safe haven. Asian



The Taiwan dollar has rocketed against the greenback this month

"Investors should always beware of joining a club that wants them as a member"

currencies in particular have risen sharply against the greenback. Investors are selling because they are worried that the huge pile of dollars the region has earned from exports is now more vulnerable to depreciation. The Taiwan dollar has jumped by 6% against its US counterpart this month, reflecting some of the biggest daily moves in four decades.

One of the hallmarks of a reserve currency is that global demand for it helps the economic hegemon fund external and internal deficits at lower interest rates than other countries. According to Deutsche Bank, this has allowed the US to add an extra 25% to its debt-to-GDP ratio (currently around 122%). No wonder former French president Valéry Giscard d'Estaing referred to the "exorbitant privilege" of having the global reserve currency in the 1960s.

With the annual overspend rocketing to an estimated \$2trn (another 6% or so of GDP) this year, the debt pile continues to grow rapidly. Funding the shortfall is only going to get harder as investors sour on the dollar, while global trading friction will buoy prices. And if Trump spooks the bond market again, higher interest rates will become an acute, as well as chronic, problem.

Short- and long-term interest rates at elevated levels are now the main headwind for asset markets, especially opaque and risky ones. They certainly make

private equity, which has done extremely well over the past two decades thanks to the absence of interest rates, look far less attractive, as Merryn explains on page 19 – so it's a shame that chancellor Rachel Reeves is now keen for British pension funds to allocate more of their money to the asset class.

Cheap public equity is a much better bet: the UK market offers a cash yield – taking into account dividends and buybacks – of 5.3% (see also pages 14 and 18). Retail investors being tempted into private equity by the financial services industry over the next few years should remember, says Michael Lewitt in his *Credit Strategist* substack, "that they should never join a club that wants them as a member".

Andrew Van Sickle
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Never look a gift plane in the mouth

Ethical and legal questions have been raised over the Trump administration's planned acceptance of a "lavishly appointed" \$400m Boeing 747-8 jet gifted by the Qatari royal family, led by emir Tamim bin Hamad Al Thani (pictured). The jet would be upgraded by L3Harris, a military contractor, in Texas for it to be used "temporarily" to replace the ageing presidential aeroplane, known as Air Force One. That the US government could accept the jet and eventually pass it on to Trump for his personal use would be "the clearest example yet of how he [Trump] has further intertwined his personal and presidential business in his second term", says *The New York Times*. Trump bought his current personal jet, dubbed "Trump Force One", second-hand in 2011, but it first flew in the early 1990s. The president branded opposition Democrats "world-class losers" for insisting the government pay "top dollar" for the free aeroplane.



Good week for:

A group of **cryptocurrency** traders who bought \$MELANIA tokens minutes before Melania Trump introduced them to the world via a social-media post in January (hours before her husband's inauguration) made \$99.6m when the price surged, according to the *Financial Times*. One of the 24 digital wallets spent \$681,000 64 seconds before the online post and sold the tokens for \$39m within 24 hours and \$4.4m over the next three days.

Raymond Charles and Diana Eyre have won a £3.3m capital-gains tax (CGT) case brought by HMRC, says *The Telegraph*. The couple had bought a property in Chelsea for £9.8m in 2010, demolished it and built a new house on the site, which they then sold for £27.2m in 2014. The Eyres claimed the house had been their main private residence (they owned another) and so exempt from CGT. HMRC failed to prove the property had been a commercial interest.

Bad week for:

A judge has ordered **Rebekah Vardy** (pictured) to pay Coleen Rooney (both celebrity "footballers' wives") at least £1.4m in legal costs, says *Sky News*. In 2022, Vardy lost the high-profile "Wagatha Christie" court case she had brought against Rooney, whom she had accused of libelling her.

Parents are contending with a sharp rise in the cost of sending their children to state schools, according to research by the Child Poverty Action Group, a charity, and the Centre for Research in Social Policy. Higher food prices and the need for materials and technology, such as tablets, have raised the secondary school cost by 30% since 2022 to at least £2,300 a year, and by 16% to £1,000 a year for primary schools.



Trump backs down from tariff lunacy



Alex Rankine
Markets editor

Neither America nor China “wants a decoupling”, says US Treasury secretary Scott Bessent. The world’s two largest economies stepped back from the brink this week, as negotiators meeting in Geneva unveiled a deal to slash tariffs. For the next 90 days, US import duties on Chinese goods will fall from 145% to 30%, with China cutting rates from 125% to 10% in return.

Markets surged in response, with the S&P 500 recouping all of its year-to-date losses. The US index has gained 18% since the worst point of the sell-off in early April. Other markets have also snapped higher, with the FTSE 100 rising 12% since last month’s nadir and Japan’s Topix up 20% (see page 5).

The markets have forced US president Donald Trump to “back down from his fever dream” of building a US “golden age” behind high tariff walls, says The Wall Street Journal. The golden age “didn’t last two months, and it was more leaden than golden”. Coming on the back of a “modest” trade deal with the UK, the China deal is more White House “surrender than Trump victory”. The deal marks “another substantial retreat” by the US, without securing any Chinese commitments on grievances such as exchange rates or trade imbalances in return, says Mark Williams of Capital Economics.

Calm restored, but for how long?

The “peak of trade war uncertainty” looks to have passed, says George Saravelos of Deutsche Bank. Indeed, with Washington turning “conciliatory” and oil prices falling, the outlook for the world economy



An uneasy ceasefire has been reached in the global trade war

is materially brighter. Markets feel they now have a good sense of the “cap” and “floor” on Trump tariffs, with the floor being the 10% universal rate applied to the UK (which has very balanced trade with America) and the cap being the 30% applied to China (which has very imbalanced trade).

The world is “past the point of maximum” tariff pain, agree Barclays analysts. The risk of a US recession this year, which appeared “more likely than not” just a few weeks ago, has started to fall, says Szu Ping Chan in The Telegraph.

An “epic party” is under way on Wall Street, says Matt Egan for CNN. Yet “we are far from out of the woods”, adds Douglas Holtz-Eakin of the American Action Forum. “There is a narrative that Trump did a U-turn. He didn’t.

We still have tariffs at levels we haven’t seen in a century. That’s a substantial tax increase.” The existing tariffs were unsustainable, with many small US businesses facing an “existential crisis”. This climbdown looks to be exchanging a disastrous outcome for merely a bad one.

Traders shouldn’t celebrate too soon, agrees Hudson Lockett for Breakingviews. “This is not a deal, it is a fragile truce... Doomsday has been undone, for now.” China’s leaders will take the win though. A prolonged trade war could have hit annual GDP growth by 2.4%, according to one estimate. The signal for all the other countries negotiating with Washington is clear. “The rest of the world has every reason” to hold Trump’s “feet to the fire now that he has blinked again”.

Frenetic trading in the forex markets

Trade uncertainty is driving dramatic currency swings. Last week the New Taiwan dollar recorded its biggest one-day gain against the US dollar since 1988, and has risen almost 10% since the start of April.

Currency traders believe the US might be pressuring Taiwan to strengthen its currency as part of trade talks, say Lauly Li and Cheng Ting-Fang for Nikkei Asia. A weak New Taiwan dollar helps exporters – especially in the world-beating semiconductor industry – but has drawn US charges of unfair competition.

Meanwhile, the Hong Kong Monetary Authority was recently forced to intervene “at the heaviest pace since 2020” to head off its own spike



The NT\$ notched up its biggest one-day gain against the greenback since 1988

against the US currency, says Katie Martin in the Financial Times. “Have-a-go” currency “heroes” have spent years betting in vain on the demise of Hong Kong’s 42-year-long peg to the greenback. They could be back to “try and fail” again.

A surge in Asian currencies has the potential to upend markets in unexpected ways. Stephen Jen and Joana Freire of Eurizon SLJ Asset Management estimate Asian exporters may have accumulated “as much

as \$2.5trn in dollar hoardings since the pandemic”, not all of it hedged against dollar declines. That was good when the greenback was rallying, but now some Asian financial players find themselves “sitting on large paper losses”.

Foreign-exchange (forex) markets are usually dull, with a 1.5% daily move considered dramatic trading in many currency pairs. So dull that traders joke that “FX” stands for “forgotten exchange”, says The Economist. Yet trading has been frenetic this year, helping big banks report robust trading profits and prompting some to hire more currency traders. At least one group is benefiting from global trade turmoil.

Korea is a cheap recovery play

South Korea is heading for a “rage election”, says Christoph Heuser for IPS Journal. Asia’s fourth-largest economy holds snap presidential elections next month following the impeachment and removal from office of president Yoon Suk Yeol. Yoon’s attempt to impose martial law at the end of last year plunged his country into “its most severe crisis since the transition to democracy”, leaving voters deeply divided. With US tariffs looming over exporters, Korea’s rise from “war-torn” poverty to “leading industrial nation” has rarely looked more precarious.

“Korea is certainly vulnerable,” with exports to the US representing 10% of GDP, says Craig Mellow in Barron’s. But the local Kospi share index has climbed more than 8% in 2025, supported by robust performances from computer specialists and defence firms. On an average price/earnings ratio of around seven, local stocks remain subject to the infamous “Korea discount”. But with “nearly half the voting population” now also stock investors, any incoming government will face pressure to accelerate long-stalled reforms to boost the local equity market, says Malcolm Dorson of Global X ETFs. The holy grail for Korean investors is an upgrade to developed-market status by index provider MSCI. That would attract fresh investment and is starting to look like only “a question of time”, Vincent Mortier of Amundi tells Bloomberg.

Global investors rediscover Japan

Foreign investors can’t get enough of Japan. Overseas buyers bought a record net ¥8.2tn (£42bn) of the country’s securities in April as they sought a safe harbour from chaos in US markets, say Leo Lewis and David Keohane in the Financial Times. Meanwhile, share buybacks by Japanese firms are soaring. Firms on the local Topix index announced ¥3.8tn (£19bn) of buybacks in April, a 200% year-on-year jump. Japanese firms have long been accused of excessive cash hoarding, but years of pressure for corporate Japan to pay more attention to shareholders is finally bearing fruit.

Foreigners now own almost a third of the Tokyo stockmarket, up from 5% in the 1970s, says Hyunsoo Rim for Sherwood News. Haunted by the implosion of the 1990s asset bubble, locals have been much more cautious than foreigners about buying back into the local bourse: 54% of Japanese household assets are in cash, compared with 31% in the UK and 13% in America.

Japanese shares have a number of attractions. For one thing, they are still “relatively inexpensive”, at least compared with US stocks, says Mark Robinson in the Investors’ Chronicle. The Nikkei 225 trades on a price-to-earnings (p/e) ratio of 18.1, compared with 24.6 for the S&P 500. On a price-to-book-value basis,



Confidence is growing and the stockmarket remains relatively inexpensive

Japan trades on a “reasonable” 1.4 times, compared with 2.1 for Europe and 4.8 for the US, says Ivailo Dikov of Eastspring Investments. There is also reason for optimism on the “domestic front”. In March, the annual wage negotiations between major unions and businesses yielded a 5.46% nominal increase, “the highest wage hike in over 30 years”. With extra cash in their pockets, consumers – historically a “weak link” in deflation-prone Japan – could be poised to fire up the economy.

Stable cash flows

The Japanese yen appears “the currency most likely to rally” as the dollar structurally weakens, Ian Harnett of Absolute Strategy Research tells Bloomberg. A strengthening yen is good news for foreign investors, but a mixed bag

for the Topix, which is full of exporters that tend to rally when the yen falls. Harnett prefers local property and infrastructure because of their “high dividend yields and relatively stable cash flow”.

Interest from foreign investors is driving up valuations for flats in Tokyo, say Misaki Morikawa and Kosuke Iguchi for Nikkei Asia. On a price-to-annual-rent basis (similar to a stock p/e ratio) Tokyo property had historically hovered around 20, according to data from research firm Tokyo Kantei. However, prices have now risen for five years in a row, pushing the ratio to 28.93 last year. Indeed, with rents in Tokyo yielding just 1.88% of sales prices, local investors would do better by just buying the 2.2% yield on a 20-year Japanese government bond.

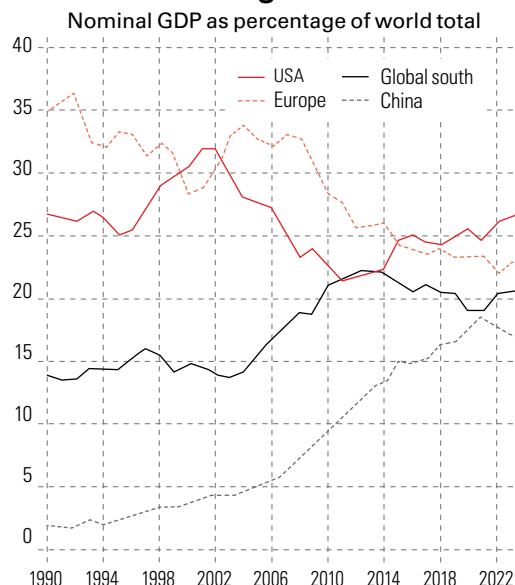
Viewpoint

“Warren Buffett... has been an epic compounding machine, turning a dollar invested at the start of his professional career into about \$365,000 today... But, compared with professional investors, it is much easier for a little bit of that magic to rub off on your portfolio. Buffett was never about making a quick buck, and everyday investors can play the same long game. The fact that Buffett wasn’t a portfolio manager... gave him incredible freedom... He ignored critics who said he had lost it, such as during the tech bubble... [In] his six-decade [investing] run Buffett has trailed the market a third of the time and lost money in 11 years. It surely bothered him, but much less than it would a pro fund manager facing career risk... Not only don’t you have to cave to the pressures faced by the pros, you also can buy and hold the dull stocks, or index funds... while ignoring the market’s fads and gyrations.”

Spencer Jakab, The Wall Street Journal

■ Top emerging markets gain strength

Share of global GDP



Much attention is lavished on the economic superpowers of America, Europe and China, but a fourth player in the global economy is ready for prime time, says Deutsche Bank. The “global south” – an informal group of the successors to the Cold War-era Non-Aligned Movement – is gaining strength. The block – which includes India, Indonesia, Brazil and Saudi Arabia – already accounts for 20% of nominal global GDP, outstripping China’s share. Almost two-thirds of the world’s working-age population lives in the global south, and it controls more than 40% of energy and transition metals. Yet despite these strengths, these emerging markets still only account for 11% of global equity market capitalisation, suggesting untapped investment potential.

A bitter pill for Trump?

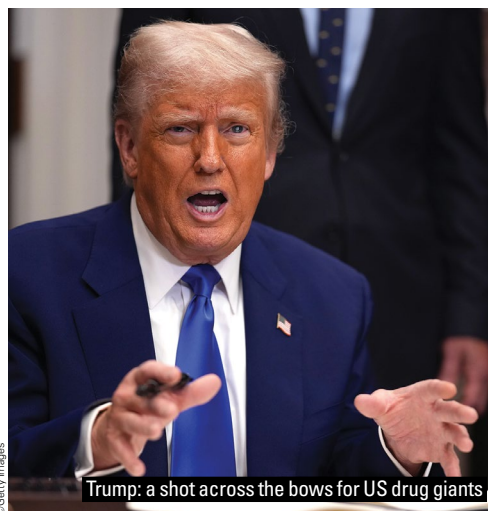
The president's attempt to cut US drug prices may soon run into trouble – as it did during his first term. Matthew Partridge reports

Shares in pharmaceutical companies fell worldwide on Monday after US president Donald Trump said he planned to order a cut in US prescription drug costs to bring them into line with other countries, says Bloomberg. As America pays the most in the world for medicines, this has raised concerns that profits “will take a hit”. It is primarily US companies that are at risk, but European ones that depend on the US for a large proportion of revenue are vulnerable too. Novo Nordisk, AstraZeneca, Roche, Novartis, GSK and Sanofi make between 40% and 60% of their sales in the US.

Trump may have suggested that the order would lower US drug prices by 30%-80% “almost immediately”, says Allison Gatlin in *Investor's Business Daily*. But experts are “doubtful”. The order only asks drug firms to lower prices, while health secretary Robert F. Kennedy Jr could propose Most Favoured Nation (MFN) status for the US: pharma giants would have to match the lowest price of a drug abroad when they sell to US consumers. Since similar moves by Trump in his first term were blocked by the courts on procedural grounds and he is unlikely to be able to implement this policy without Congressional approval, his threats seem to be “all bark” and “little bite”.

A discouraging precedent

Trump's previous plans were “knocked back by the courts”, so history “is not on Trump's side”, says Alex Brummer in the *Daily Mail*. In the end he may be reduced to following the example of Joe Biden, who launched a much more limited initiative that simply cut the price of ten common drug treatments. Still, the fact that Trump is even pushing this “is a shot across the bows” of drug companies, who “should be prepared for battle”. What's more, there is a possibility that negotiated deals with individual firms, such as AstraZeneca and GSK, could be rolled into wider trade agreements.



Either way, Trump has a point, says Lex in the *Financial Times*. Drug prices have been “a long-standing headache for successive US administrations”. Due to America's “complex” healthcare system, US drug prices in 2022 were at least 1.7 times higher than their counterparts in 33 other developed countries, even after discounts and rebates were factored in. It is hard to see a strong public-policy justification for such pricey US drugs, and there is probably much the government could do “to cut the profit pool before innovation takes a nosedive”.

There's another problem for the sector, says Jared Hopkins in *The Wall Street Journal*: “[Mass] layoffs” at the US Food and Drug Administration (FDA) are leading to long delays in the FDA's core functions, especially those related to clinical trials and drugs approval. This in turn is already causing drugs to take “longer to get through clinical trials and ultimately reach patients”, a serious problem given that “the testing and approval process can cost hundreds of millions of dollars”.

Centrica's challenging outlook

The share price of energy company Centrica, owner of British Gas, fell by 7% last week – despite a hike in the dividend. Centrica warned that the mild start to spring would lower first-quarter profits, says Ed Halford in *The Times*. Meanwhile, a shareholders' revolt at the annual meeting saw nearly 40% opposing a pay deal for senior executives. Investors are particularly irritated with CEO Chris O'Shea, who received £4.3m last year. Advisory group Institutional Shareholder Services criticised the pay rises as “materially above those given to the wider workforce” and unsupported by a “cogent rationale”.

Still, says Hargreaves Lansdown, the group is making “good progress” towards its medium-term profitability targets across its various divisions, with the majority of them set to deliver ahead of schedule. Customer-satisfaction scores are heading in the right direction. And even if profitability comes under pressure, the balance sheet “remains in good shape”, putting the dividends and buyback “on solid ground” and ensuring the group has a “sizeable cushion” for any “future bumps in the road”.

Centrica's gas and power arm has hitherto helped “transform its prospects” by delivering plentiful cash, which

has helped patch up the balance sheet and return capital to shareholders, says AJ Bell's Russ Mould. But as the spike in energy prices over the past few years has “ebbed away”, conditions will be more “challenging” in future, with big losses from Centrica's energy-storage operations centred around the Rough gas field in the North Sea.

Any hopes that it will be able to make up the earnings shortfall in the second half of the year are like “a football team going 2-0 down and expecting to score three goals after half time”. It would therefore “not be a major surprise” if Centrica was forced to cut its guidance.

BA's owner splashes cash

Last week, International Consolidated Airlines Group (IAG), which owns British Airways, announced a multibillion-pound spending spree on dozens of new long-haul aircraft, says Robert Lea in *The Times*. It has agreed to buy 53 new intercontinental aircraft, from both Boeing and Airbus, with an option to acquire a further 23. These are the “most expensive commercial aircraft on the market”, with a list price of more than \$10bn. But the actual cost to IAG should be far lower as bulk-buying of aircraft comes with big discounts. The idea is to “bulk up” IAG's fleets on its core transatlantic routes, increase the capacity of the group's budget long-haul operation, and replace pricey short-term leases.

No wonder IAG is expanding its fleet, says the *Financial Times*. It has reported a series of record yearly earnings since Covid, mainly thanks to robust demand from business and first-class passengers for long-haul flights, particularly across the Atlantic. IAG says the appetite for flying has “remained strong despite macroeconomic uncertainty”. However, the group has faced questions from analysts and investors over the strength of the transatlantic market owing to both the uncertainty caused by Donald Trump's tariffs and concerns that travellers will be deterred by more hostile US border patrols. Even IAG has admitted that there has been “some recent softness” in economy tickets bought by holidaymakers in the US.

Nonetheless, says Morningstar's Christopher Johnson, for now IAG's “bullishness” seems justified, as it has had a “strong start” to the year: a pre-tax profit of €239m, a big jump from a loss of €87m from last year's first quarter. Revenue rose 9.6% to €7bn. Note too that even if demand from regular passengers drops, IAG has other sources of earnings, ranging from its “profitable and less economically sensitive premium offering” to its expanding credit-card and loyalty division, “in addition to its maintenance, repair, and overhaul business”.

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

Five to buy

J Sainsbury *The Telegraph*

J Sainsbury's stock yields 5%, with payouts rising by an "inflation-beating" 3.8% in the supermarket giant's latest financial year, and there is scope for even higher dividends. Full-year sales rose 3.1% and earnings grew 4.5%. A supermarket pricing war could reduce cost savings, but earnings are set to expand in 2027, while lower inflation and interest rates bode well. 273p

Raspberry Pi *The Times*

Raspberry Pi may benefit from US president Donald Trump's "oscillating" tariffs, having moved manufacturing from China to South Wales over a decade ago. Many of its US competitors source products and components from China. However, this advantage depends on US demand for semiconductors not declining amid economic tumult. Full-year revenue rose 10% in the Americas, the group's second-largest market. It sees potential in microcontrollers, with analysts predicting increased sales. 470p

The Gym Group *This is Money*

The Gym Group has 250 branches in the UK, providing low-cost, no-frills gyms with flexible membership. Will Orr, CEO since 2023, has grown sales and underlying earnings; membership now stands at almost one million. He aims to open 50 more gyms in three years. Analysts expect strong sales and profit growth this year and next. Orr recently bought 22,000 shares for £30,000. "Follow his lead." 151p

Impax Asset Management *Shares*

Impax Asset Management invests in opportunities from the transition to a sustainable global economy and has "borne the brunt" of the backlash against environmental and social governance (ESG). Despite a recent profit warning, its "investment risks are low, while the chances of a bounce-back are high". Impax's low valuation is "unsustainable and is likely to attract a predator or opportunistic buying from institutions" as it earns good returns. Although the US has watered down its net-zero



ambitions, the rest of the world hasn't. The negative sentiment surrounding ESG is likely to have "run its course, and with investment performance on the up", Impax is a "great buying opportunity". 160p

Whitbread

Investors' Chronicle
Premier Inn-owner Whitbread's full-year pre-tax profit fell by a fifth owing to softer demand in the UK, especially for impulse trips. Yet the hotelier announced capital expenditure plans of £500m-£750m this year and a £250m buyback. It intends to recoup about £250m-£350m through property sales while delivering £60m of cost savings and adding more rooms. Whitbread offers "reasonable" value given its long-term growth prospects. 2,825p

One to sell

Dr. Martens *The Times*

Dr. Martens' shares have fallen 87% since they listed in 2021. The bootmaker has issued multiple profit warnings and "faces a fresh threat from the US trade war at a time when its own North American strategy is still under repair". The supply chain relies on countries such as Vietnam, which faces hefty duties. It could rebalance production towards Europe and absorb tariff costs, but it's unclear how tariffs will affect



consumers' confidence in the US, its second-largest market. It is a recognisable brand with impressive margins and access to liquidity, but until investors see evidence that it can navigate risks, "the prudent move is to sit this one out... Avoid". 55p

...and the rest

Investors' Chronicle

Keystone Law generated double-digit full-year revenue and profit growth as recruitment returned to pre-Covid levels. Its self-employed lawyers earn around 75% of what they bill, and in return for the rest they receive office space, IT infrastructure, and access to lawyers in the central office. Since its 2017 listing, Keystone has returned £45m to shareholders. Professional services firms don't always thrive on the public market, and growth is unlikely to be explosive. Yet Keystone



has a "lean, cash-generative model" and its defensive qualities "could attract greater appreciation". Buy (560p).

Shares

Jet2 will buy back £250m of stock and says fiscal 2025 results will be in line with guidance. The package-holiday

provider also launched new bases at Bournemouth and London Luton airports amid "encouraging" demand. Jet2 has the right strategy for looking after its customers and growing market share. Fiscal 2026 pre-tax profit is expected to rise slightly and the company boasts a strong balance sheet. Hold (1,691p).

The Telegraph

Genus helps animals grow faster and be more resistant to disease. The shares have slid following the end of pig-herd restocking in

China in the wake of a swine-fever outbreak. Yet the animal-genetics specialist's first-half results suggest it has turned a corner, with the US regulator approving Genus's porcine reproductive and respiratory syndrome programme, thus potentially boosting sales and profits. US tariffs are a headwind, but Genus imports little and has US sites. Europe's foot-and-mouth outbreak is a short-term difficulty, but a severe event could boost profits as farmers restock. Buy (2,110p).

A German view

Germany's top aircraft engine manufacturer, MTU Aero Engines, achieved a record profit of €764m in 2024, says *WirtschaftsWoche*. And there should be plenty more growth to come. According to Airbus, the number of commercial aircraft operating worldwide will double to 48,000 over the next 20 years. That presages further growth for the company's maintenance division, which already makes up 66% of turnover. Servicing European fighter-jet engines should also prove lucrative in future now that the continent is spending more on defence. The group's order backlog has reached €28bn, around four times annual sales. The bottom line should rise to around €800m this year.

©Alamy: The Gym Group

IPO watch

Cobalt Holdings plans to list in London in June, says the *Financial Times*. The company, which buys and holds physical cobalt, aims to raise \$230m, with commodity trader and miner Glencore and investment firm Anchorage taking a combined 20.5% stake. They are betting on the clean-energy transition increasing demand for cobalt, which is used in electric-car batteries, despite a drop in the price last year owing to oversupply. CEO Jake Greenberg said the group gives investors exposure to the metal "without the direct risks and liabilities associated with cobalt exploration, development or mining operations".

A thaw in the trade war

Investors cheered the news, but the outlook is still murky. Emily Hohler reports

The 90-day pause on “reciprocal” tariffs announced by the US and China on Monday prompted a “collective sigh of relief from investors and businesses alike”, says Szu Ping Chan in *The Telegraph*.

Following weekend talks in Geneva between US Treasury secretary Scott Bessent and vice-premier He Lifeng of China’s State Council, both countries agreed to slash tariffs by 115 percentage points, and a “consultation mechanism” has been established to help resolve ongoing trade disputes.

Beijing also agreed to “suspend or cancel” non-tariff retaliation imposed since 2 April, including export restrictions on critical mineral exports, says the *Financial Times*. This “thawing” of relations between the world’s two largest economies will “buoy households, businesses and financial markets at home”. Stockmarkets surged on the news, as did the dollar, and trans-Pacific trade flows resumed.

Did China win it?

The truce is “undoubtedly a very big deal”, says Ed Conway on Sky News. Tariffs of more than 100% amounted to a “total embargo” on imports from America’s main trading partner, and they would have had “enormous economic implications” for the rest of the world. Nevertheless, optimism should be tempered, say David Lynch and Abha Bhattarai in *The Washington Post*. The trade war is far from over and tariffs remain historically high.

According to the consultancy Teneo, the effective US tariff on Chinese goods now stands at 41%, while China’s tariff, at 28%, is twice what it was at the start of the year. Most other countries face



Trump took on Adam Smith – and lost

an effective rate of 8%-14%. US taxes on imports from all countries are the highest they have been since 1934, according to Yale University’s Budget Lab. Nor does the truce address concerns such as China’s huge trade surplus with the US, intellectual property theft or its exchange-rate policy, says Lily Kuo in *The Washington Post*. Although Chinese leaders have been careful not to crow, Beijing

will view this outcome as validation of its “never kneel down” policy. It may also help it to “woo new friends that may be disenchanted with Trump”. On Tuesday, China’s president Xi Jinping offered the Community of Latin American and Caribbean States (CELAC) a \$9bn credit line as delegates from roughly 30 countries visited Beijing.

At least both sides have been spared an “economic crack-up”, says *The Wall Street Journal*. US consumers faced higher prices and widespread shortages while manufacturing was being undermined. China was worried about growing unemployment. But a “tragedy” of Trump’s approach has been to damage his chances of “rallying a united front against Beijing’s mercantilism”. By targeting allies with tariffs, Trump has “eroded trust in America’s economic and political reliability”. Four months into his presidency, Trump has rowed back on most of his threats but left uncertainty and higher trade costs in their wake. The “landing spot coming into view” is a 10% global tariff, higher for China. There is “scant” evidence of his promised trade deals. “Trump will not want to admit it, but he started a trade war with Adam Smith and lost.”

Trump woos the Middle East

Day one of Donald Trump’s four-day visit to Saudi Arabia, Qatar and UAE saw the unveiling of a \$142bn arms deal, alongside other investments that Saudi crown prince Mohammed bin Salman said could eventually be worth \$1trn.

The “whirlwind tour”, aimed largely at wooing foreign investors to the US to boost the American economy, is Trump’s first major foreign trip since taking office in January, say Sarah Smith and Bernd Debusmann on the BBC.

President Trump, who was accompanied on the trip by a number of business leaders including Elon Musk, Sam Altman and Larry Fink, said that commerce and economic development would help the Middle East “transcend violence and division”.

During his speech, Trump voiced his wish that Saudi Arabia would sign the Abraham Accords, a deal he brokered in 2020, which saw relations between Israel and some Gulf countries normalise, although Bin Salman has said this would not happen until the war in Gaza ends and there is a “clear path to Palestinian statehood”.

In what was the first high-level meeting between the two countries for 25 years, Trump also met Syrian president Ahmed al-Sharaa in Saudi Arabia and urged him to sign the accords, too, says Joshua Thornton in *The Times*.

A day earlier, Trump had announced that all sanctions on Syria would be lifted to give the country a “chance for greatness” after the fall of Assad regime.

The three countries on Trump’s itinerary are places where the Trump Organisation is involved in large real-estate projects, notes Connor Stringer in *The Telegraph*. He is expected to announce deals relating to artificial intelligence and energy at “all three stops”.

Starmer acts tough on immigration

Unveiling his government’s white paper on immigration on Monday, Keir Starmer promised to cut net migration by 100,000 a year by 2029. The sweeping set of reforms include raising English-speaking requirements, making it harder to stay in the UK, stopping companies, including care homes, from recruiting abroad, and doubling the path to citizenship from five to ten years.

His warning that Britain risks become an “island of strangers” triggered “howls of outrage” from the left, but now that he has broached the culture issue, he should explain “what the cultural costs are and how he intends to address them”, says *The Telegraph*.

In terms of numbers, his measures to limit future flows are “thin gruel”, but the “issues of... division” are already here on our streets. Does he have a plan, or “is he hoping that a few harsh words will be enough to win over Reform-curious voters”? Nigel Farage’s response was swift. “Starmer is a hypocrite who believes in open borders,” he wrote on X. “Nobody believes a word he says.”

The government’s plan to reduce legal migration has long been in the pipeline, but the language Starmer used did seem to be a “calculated response to the nationalist-populist surge” in the recent local elections, says the *Financial Times*. Net migration hit 906,000 in 2023,

and many voters “blame spiralling housing costs” and a shortage of GP appointments on an “influx of newcomers”.

The problem is that some of the reforms could hinder Labour’s ambition to fix public services and ignite growth. Without a properly funded social-care system in place, providers may struggle to recruit enough care workers, for instance.

Nor does the white paper address the “small boat” migration that “drives much anti-immigration sentiment”. High immigration has been a “symptom of skills and labour shortages, not a cause. To bring it down, Labour will have to address those causes.”

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London

Cloudy outlook: The Bank of England has cut interest rates by 0.25 percentage points to 4.25%, but Clare Lombardelli (pictured), the deputy governor, warned wage growth was “still too high”. Average pay, excluding bonuses, rose 5.6% year-on-year in March, outpacing the 2.6% annual rise in consumer prices (CPI) that month. Yet, “ever since last year’s Budget shocked employers with a chunky increase to national insurance, businesses have been warning that increased labour costs

would affect their ability to hire and retain staff”, says Danni Hewson of AJ Bell. Unemployment has risen and job openings have “dwindled to significantly below where they were before the pandemic”. The “big question” is how many employers made their adjustments before the higher taxes kicked in last month, and how many have yet to do so. While “the [recent sunshine] has cast a rather lovely glow over everything... it’s impossible not to... wonder if dark clouds are already gathering

ready to douse the economy with a great British storm”.

In the US, meanwhile, rising CPI slowed to 2.3% in April. “The upward impact on inflation from the tariffs will build rapidly over the coming months,” say Samuel Tombs and Oliver Allen of Pantheon Macroeconomics. But a cooling of services prices should allow the Federal Reserve to “ease policy” in the second half of the year.

Minnetonka

Witty resigns: UnitedHealth’s chief executive, Andrew Witty, has stepped down for “personal reasons” and he has been replaced by Stephen Hemsley, who will be returning to the top job after seven years as chairman. The US healthcare giant is in a “more vulnerable position” than it was when Hemsley started his first stint as CEO in 2006 in the wake of a stock-options-backdating scandal, says Anna Wilde Mathews in *The Wall Street Journal*. Since Witty was appointed to lead in 2021, UnitedHealth has been contending with a hack of its technology unit, the fatal shooting of the CEO of its insurance unit that unleashed a consumer backlash, and government investigations on competition grounds and Medicare (the state health-insurance plan) billing practices. Last month, the company’s shares declined over a third, wiping out \$190bn in its market capitalisation, after its quarterly earnings disappointed. Under Hemsley, UnitedHealth grew into a diversified healthcare conglomerate, parent of the largest US health insurer and a sprawling network of doctor groups with tech and data assets. With acquisitions and rising revenue, Hemsley’s UnitedHealth was a “Wall Street favourite”, despite a few missteps, becoming a leader in Medicare. Yet, “UnitedHealth will struggle to overcome parasitic medical costs that Warren Buffett once called a tapeworm eating away at US economic competitiveness”, says Robert Cyran on *Breakingviews*.

San Francisco

OpenAI looks for an IPO: OpenAI and software giant Microsoft are revising the terms of their multibillion-dollar contract, which could pave the way for an initial public offering (IPO) for OpenAI, the maker of the AI chatbot ChatGPT, says the *Financial Times*. Microsoft, as OpenAI’s main investor, is crucial to the start-up’s plans to move away from its original non-profit model aimed at developing AI to “benefit humanity”. The amount of equity Microsoft would receive for its \$13bn investment in OpenAI is a key point in the negotiations, as is the level of access Microsoft will have to OpenAI’s intellectual property and revenue-sharing arrangements covering the next five years, as set out in a previous agreement. Microsoft says it may be willing to reduce its equity stake in exchange for access to new technology beyond 2030.

OpenAI’s co-founder and CEO Sam Altman (pictured) aims to create artificial general intelligence, surpassing human abilities. Under current plans, OpenAI’s business will also become a public benefit corporation, balancing profit with social good, allowing OpenAI to attract investors. However, OpenAI’s pursuit of business customers and other partnerships, such as with Japanese holding company SoftBank and software firm Oracle, to build its own computing infrastructure has created friction with Microsoft. If OpenAI cannot establish its business arm along the proposed lines, it could face challenges raising capital.



The way we live now... fried-chicken sandwiches take over America



“For decades, the fried-chicken sandwich was an also-ran [compared with hamburgers], and then it was a meme, and now it is America’s favourite thing to do with meat and bread,” says Ellen Cushing in *The Atlantic*. From 2019 to 2024, fried-chicken sandwich consumption grew 19% at US restaurants, while burger consumption fell 3%, according to analysis firm Circana. Over that same period, about 2,800 chicken fast-food spots materialised across the US, while around 1,200 burger joints disappeared. The frenzy was triggered by US fast-food chain Popeyes in 2019, dubbed the year of the chicken sandwich (“*anno pulli*”) and the expansion of rival Chick-fil-A.

McDonald’s released the McCrispy in 2021, selling around \$1bn worth of it annually. Meanwhile, Michelin-starred chefs have elevated the sandwich by smothering it in Kaluga caviar, cloaking it in salted duck-egg yolk, and selling it “with a claw still attached... for \$19 a pop”. The fried-chicken sandwich has experienced such growth in popularity because it suits Americans’ changing eating habits, such as the tendency to eat while sitting in one’s car. Americans also prefer boneless, crunchy food, while chicken consumption more generally has significantly increased since the 20th century due to concerns related to health and cost.

Milan

No rush to buy: “Many bank-watchers assumed that UniCredit’s CEO Andrea Orcel, a former [mergers and acquisitions] adviser, would define his tenure through acquisitions.” As it turns out, the veteran dealmaker may have to “sit on his hands” at the €87bn Italian bank. That “might be a good thing for shareholders”, says Neil Unmack on Breakingviews. Since taking over UniCredit in 2021, Orcel considered buying Banca Monte dei Paschi di Siena, but backed out. He acquired a stake in Frankfurt-based Commerzbank and offered to buy Italy’s Banco BPM. Neither strategy worked out in the way Orcel had hoped. But there are “other possible deals” he could pursue. “The best option” would be to buy Italian investment bank Mediobanca, which is fending off the advances of lender Monte dei Paschi, as it would allow Orcel to create an “Italian investment banking powerhouse and bring valuable fee-based income”, although there won’t be any cost savings. Otherwise, lowering his acquisition return target could allow him to buy BPM or gatecrash other deals. Still, “Orcel is not a forced buyer”. In the first quarter, UniCredit generated a 22% return on tangible equity, beating peer Intesa Sanpaolo, and it can make higher returns from expanding in Greece or Romania than from risky deals at home. Shareholders should see Orcel’s lack of acquisitions as an “an acceptable failure”.



Orcel can afford to bide his time

© Getty Images

Seoul

Samsung gets spending: Samsung Electronics, the appliances subsidiary of the Samsung manufacturing conglomerate, is buying German heating, ventilation and air-conditioning (HVAC) product maker FläktGroup from European investment firm Triton for €1.5bn, says Kwanwoo Jun in The Wall Street Journal. The deal, the South Korean firm’s biggest acquisition in eight years, is Samsung’s bid to capitalise on the growing need for cooling products at data centres amid the artificial-intelligence boom. Last May, Samsung partnered with US HVAC company Lennox International to grow its presence in the North American market. The deal shows Samsung’s de facto leader, Jay Y. Lee, is “thinking creatively as he seeks to regain the \$265bn company’s technology lead,” having lagged on AI, says Robyn Mak on Breakingviews. But it will do little to revive Samsung’s struggling chip business, which has fallen behind smaller rival SK Hynix, and it won’t be a financial game-changer. FläktGroup generates around €700m of annual sales, roughly 4% of Samsung’s forecast 2025 revenue for its digital appliances unit. Demand, however, is growing and the HVAC market is expected to grow to \$99bn by 2030. Lee has also set his sights on expanding in other areas, including robotics, medical technology and consumer audio, so “other deals will surely follow”, given Samsung’s “swelling cash pile”.

Hong Kong

US investors shut out: US onshore investors have been excluded from the world’s biggest initial public offering (IPO) this year – the \$4bn secondary listing in Hong Kong of Chinese electric-vehicle battery maker Contemporary Amperex Technology (CATL), says Katrina Hamlin on Breakingviews. That will help to shield the \$158bn company founded by Robin Zeng (pictured) from “potential legal headaches should the Sino-American relationship deteriorate”. In January, the US government added CATL to a list of firms working with the Chinese armed forces, despite CATL’s assurances to the contrary. US banks JPMorgan and Bank of America have also ignored calls not to underwrite the IPO. Fortunately for CATL, thanks to its size as a market leader, it has been able to “draw on Middle Eastern connections” instead. “Petrodollar sovereign funds are increasing investments in Asia, a region still hungry for oil.” Those US investors are “dodging a bullet” anyway, says David Fickling on Bloomberg. “CATL’s growth has been dazzling... [but] cutting-edge materials science can be an unforgiving business.” Such companies in China have to invest “aggressively” to stay ahead of the competition and the cost of “winning that game can be brutal for investors”.



Manila

Family feud deepens: The “unexpected results” of the Philippine midterm elections, in which the sitting president Ferdinand “Bongbong” Marcos Jr lost support to his main rivals, the family of vice president Sara Duterte, has “left the nation’s politics even more uncertain than before”, says Ramon Royandoyan on Nikkei Asia. Before Monday’s election for 12 of 24 senate seats, “sentiment was very much against” Duterte, who was impeached in February on charges including corruption. She is due to face trial in the senate in July, and if two thirds of the 24 senators convict her, she will be barred from running for the presidency in 2028 – an outcome that now looks less probable. The election became a “critical barometer” of the strength of the Philippines’ two great political dynasties, the Marcos and Duterte families, says Jonathan Head on BBC News. That relationship has been deteriorating almost since the start of the current administration three years ago, but the gloves came off after the decision to begin the impeachment process against Duterte and Marcos’ decision to send her father, the still-popular former president Rodrigo Duterte, to the International Criminal Court to face charges of crimes against humanity over his “brutal war on drugs”.

Brexit Britain's new trade deals

Some of the promised benefits of Brexit are in. What do they add up to? Simon Wilson reports

What's in the India deal?

The core of it is big reductions in tariffs on goods, but not much progress on services. India agreed to reduce tariffs on 90% of products – the most open agreement on goods it has struck – to be phased in over ten years. UK sectors getting the biggest reductions are cosmetics, clothes, food and drink. Indian tariffs on Scotch whisky and gin will fall from 150% to 75% immediately, and to 40% after ten years. And Indian tariffs on cars will fall from 100% to 10%, subject to a quota (to be confirmed). In return the UK is cutting its tariffs on Indian clothes, shoes and food. Total trade between the two countries is expected to rise by £25.5bn, or 38.8%.

Will it give the economy a boost?

More a gentle nudge. The deal is projected to add £15.7bn to UK exports to India by 2040, up from the current £17bn, adding about 0.1% to GDP. Moreover, a lot of the detail is still to come. Except for some cherry-picked examples (whisky, salmon, cars) it will only become clear exactly what tariffs the Indians are cutting, and on which products, when the full deal is published in the coming months. Trade policy minister Douglas Alexander says the deal will put UK banks and financial firms on a par with Indian suppliers. But again, details are sparse, and most analysts think looser restrictions on procurement will benefit mainly UK goods exporters, rather than services. The Law Society has warned that there are no concessions that would open up the Indian market to Britain's big law firms.

So a good deal for the UK?

It's certainly evidence that the UK can negotiate a trade agreement quickly outside of the EU, says Neil Unmack on Breakingviews. After stalling under the Tories, talks only picked up again in February, so they've moved fast. Yet the wins for the UK are "underwhelming" and will take years to materialise – highlighting the "limited benefits of leaving the bloc". The government says UK exports to India will roughly double to about £33bn a year by 2040. But exports are "already increasing rapidly". If exports were to maintain their historic growth rate, they would total nearly £60bn by that date, according to Breakingviews analysis. Moreover, it remains to be seen what the EU and US – both expected to land India deals in coming months – manage to negotiate with New Delhi. The UK hopes it has secured

a competitive edge in the world's fast-growing, fourth-biggest economy. That optimism may prove short-lived.

What about the US deal?

For all Donald Trump's bombast, and Keir Starmer's exuberant delight, the US "deal" is even more modest – more a blueprint than a trade deal, and explicitly a precursor to a more detailed "Economic Prosperity Deal" still to be negotiated. The published terms run to just five pages, and the first page stresses that "this document does not constitute a legally binding agreement". Still, under the sort-of agreement, Trump's blanket 10% tariff on most British goods exports will remain in place. In a "win" for the UK, tariffs on cars will be 10%, rather than the 27.5% other nations are facing. That's good news: vehicles are the biggest UK export to the US, worth about £9bn last year. Alas, the 10% rate will only apply to the first 100,000 exports, in effect capping the flow of vehicles into the US at just below last year's 102,000 level (though it will be possible to renegotiate this, the government says). In addition, steel, aluminium, and plane components (such as Rolls-Royce engines) will be exempt from tariffs. In exchange, the UK will open up its markets for US agricultural goods, including beef (if it meets UK food standards) and will slash tariffs on imports of US ethanol. Overall, its tariffs on US goods will fall from 5.1% to 1.8%.

So not a big win for Britain?

More a "damage limitation" exercise, says The Times. "When the spin is subtracted the UK still faces a far more hostile trading environment with the US than it did pre-Trump." Tariffs on British cars, for example, will still be four times the 2.5% they were before Trump's "liberation day" tariff announcement. And the US president's "lack of fidelity to trade deals with Canada and Mexico is also less than encouraging" – there's a chance that Trump will bank his gains and come back



Has Starmer mastered the art of the deal?

for more. Another putative win is that the UK will also enjoy preferential treatment if further tariffs are imposed as part of US investigations in various sectors, though nothing is set in concrete. And Britain managed – for now – to hold firm on its digital services tax on big tech, a prime target of US negotiators. But there was a lack of clarity on pharmaceuticals, a crucial area in UK-US trade. Britain exported £8.8bn of drugs to the US last year, but so far has only the vague promise of future preferential treatment. And there was nothing on Trump's planned 100% tariffs on foreign films – a potentially crippling blow to the UK's thriving production sector.

Will there be a deal with the EU?

That would be the real prize given the disastrous post-Brexit slump in trade, says the Financial Times – and there's good news in the UK-US agreement on that front. The government's refusal to grant the US significant concessions on food and animal welfare standards has limited the scope of its agreement with Trump, but it strengthens the chances of a more wide-ranging deal with the EU – still by far the UK's biggest trading partner. At next week's UK-EU summit in London, the parties are expected to sign a defence and security pact, says Andrew Rawnsley in The Observer. On trade, the best to be expected is a "road map" for future talks. But given the economics and politics of this Trumpian moment, there's no time to waste. Both London and Brussels "need to be much more creative and flexible about fashioning an agenda that promotes growth in the EU and the UK. Rebuilding that relationship is the real test of whether Sir Keir has mastered the art of the deal."

Investors discover a magic money tree

Streaming services are in full bloom and laden with profits, but beware – winter is coming



Matthew Lynn
City columnist

Streaming television and music has started to turn into a seriously profitable industry. Last week, Disney reported a 7% rise in overall profits. It made decent returns from its films and theme parks, but it was the figures from its Disney-Plus service, with hits including *Rivals* and *Andor*, that stood out, with the unit reporting that it had signed up an extra 1.4 million subscribers. Its rival Netflix has been doing even better. Earlier this year it punched through 300 million paid subscribers globally, a 15% year-on-year rise, and, even better, it is getting them all to pay more as well.

Netflix had successfully clamped down on “password sharing” – allowing lots of people to use the same account – and it has pushed up prices, with the standard plan in the UK now costing £12.99 a month, a £2 increase year-on-year. In the US, the standard advertising-free plan is now \$17.99, and there have been similar price increases in all its over major markets.

Over in the music industry, Spotify is doing just as well. In the UK, it increased the cost of its standard plan last May from £10.99 per month to £11.99, with similar price rises across the board for shared plans. In the US, it added a dollar a month to its plans. It is now reported to be planning a new premium tier, with better sounds and exclusive content and access to tickets, for another \$6 a month. One point is already clear. Its 263 million global subscribers will accept price rises without cancelling.

It seems as if a handful of streaming giants have discovered a magic money tree. They lock in hundreds of millions of subscribers, getting them used to daily streams of high-quality television and

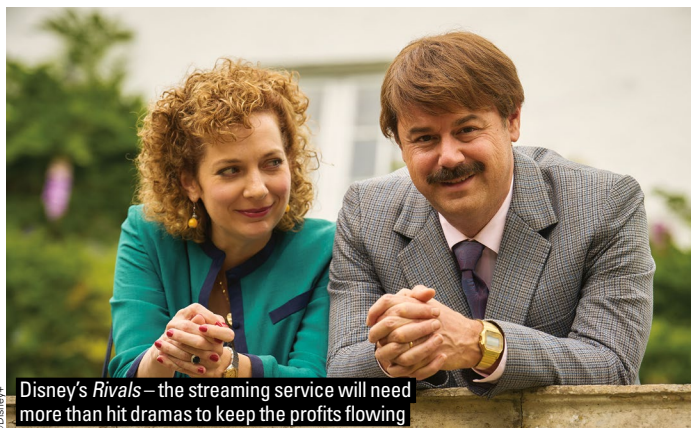
music. And then, once they are hooked on it, they keep raising their prices. Given that costs only rise very marginally as the price rises, the extra cash is pure profit. It drops straight down to the bottom line, generating huge sums for the owners.

We can see the impact of that on share prices.

Spotify's are up by 114% over the last year as investors work out it is sitting on a digital gold mine. Netflix's are up by 25% over the last 12 months, even after starting from a high level and getting caught up in the crash in tech stocks. Disney's shares are up by 4% over the same period, although of course it is a far more diverse company, with streaming being only one part of its portfolio. Investors can see the amount of money streamers are making and want a slice of it.

Two big problems

Here's the snag, however. This can't last forever. There are two big problems. First, at some point the streaming services are going to hit resistance from customers. Streaming prices were subsidised for almost a decade by the venture-capital industry and the stockmarket, with investors throwing billions of dollars at companies that were mainly interested in building market share. That allowed them to offer a fantastic product at a very low price. Most subscriptions were so low that people barely noticed the monthly fees coming out of their



Disney's *Rivals* – the streaming service will need more than hit dramas to keep the profits flowing

bank account. But now they are starting to add up. With a couple of premium television subscriptions and a music streaming service, people can easily be spending £50 or £60 a month on digital content. At a time when living standards have been squeezed, that can be a lot, and it is an easy cost to cut when money is tight. So far, the streaming giants have been very good at raising prices without losing customers. At a certain point, however, that will change, and there could be a huge wave of cancellations.

Next, the talent will demand more money. If the streamers are making huge profits, then the music artists will soon demand a larger pay-out, and the film stars and directors will want a bigger cut. After all, the streamers need the content, and in the end they will have no choice but to pay up. A little like football clubs, they will find that, although there is lots of cash swilling through the industry, much of it has to be spent on a limited pool of exceptional talent. That eats into profits. Right now, streaming is a licence to print money. But it won't for long remain anything like as profitable as it looks right now.

City talk

● Wealth manager St. James's Place (SJP) “defies the idea of efficient markets”, says Nicholas Megaw in the Financial Times. People pay a premium to invest their money with the firm, even though low-cost funds achieve similar results. “Wealth management is more about making customers feel wealthy than actually maximising wealth.” That helps explain why SJP has been the best-performing stock in the FTSE 100 over the last year on the back of CEO Mark FitzPatrick's efforts to “rebuild a reputation damaged by criticism over opaque fees and complaints about

poor service”. Customers are “flocking back”, even before a new, “more user-friendly” fee structure has come in. This is a warning for “the phalanx of banks and asset managers looking to break into wealth management”. Attracting the “mass affluent” will be crucial, but while retail banks think their digital platforms give them an edge, SJP excels at projecting exclusivity. Yes, opening an investment account with your existing bank may be cheaper. “But where is the snob value in that?”

● “Keeping the wheels on deals in these roller-

coaster markets can be tricky,” says Alistair Osborne in The Times. Yet the “clapped-out” scheme to sell UK car-parts maker Dowlais to American Axle is “progressing well”, according to CEO Liam Butterworth. Investors might feel less sure. When the cash-and-shares bid emerged, it valued Dowlais at 85.2p per share – already a mere 25% premium to the undisturbed price. With American Axle shares down and the dollar weaker, the bid is now worth about 73p – even further below the 146p that Dowlais traded at when it was spun off from Melrose in 2023. The takeover may well still happen: Dowlais' investors get 49% of the merged group and they share

in \$300m of hoped-for synergies. “Yet, it does look a bit of a car crash of a deal.”

● Where are Shell's “animal spirits”, asks Chris Hughes on Bloomberg. The oil major is said to be mulling over a bid for rival BP, but is waiting to see if the shares fall further or another suitor emerges. That makes sense. Bidding first is only an advantage if it helps Shell win backing from the government to deter any foreign challenger. Yet state support is more likely if an overseas bid arrives first and lets Shell position itself as a white knight. “Deals are often won on knowing when or when not to bid, and Shell appears to have a neat second-mover advantage.”



A cyclical case for the UK

Depressed margins and relatively low valuations mean the market could rally strongly as conditions improve



Cris Sholto Heaton
Investment columnist

China is undoubtedly the major stockmarket least popular with foreign investors (see right and also this page last week). Yet there is another economy with consumers who are reluctant to spend, an unhealthy obsession with residential property, and more than a decade of anti-business governments with no idea how to boost growth – but where valuations are low (relative to other markets) and sentiment has been at rock bottom.

To be fair, that could describe a number of countries – but I am, of course, talking about Britain. My comparisons are more than a little glib (for a start, China has built too much housing, while the UK cannot build enough). Still, just as there is a case for at least a cyclical rally in Chinese stocks, you can make one for the UK.

High savings and lower rates

The UK savings rate has risen significantly in recent years (ignoring the distortion caused by the pandemic). Starting from that high level means that there are savings and income that might be freed up to drive solid gains in consumer spending once people feel more confident, as Julian Cane of CT UK Capital and Income Investment Trust (LSE: CTUK) and James Thorne of CT UK Smaller Companies Fund point out.

With inflation seemingly coming down – at least for now – there is plenty of scope for interest-rate cuts. This should benefit housing-related businesses in particular: firms involved in property sectors are saying that if rates fall to 3.75% or so, the market should take off again, say Cane and Thorne. However, lower rates should reduce the blow for mortgage holders who are having to refinance expiring deals, which should be good for sentiment and consumption broadly.

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

Gearing refers to the extent to which debt rather than equity is used to fund an investment. The term can be applied to a business – which might issue bonds to help pay for the construction of a new factory or take out a mortgage to allow it to buy an office building – but equally to the use of borrowings by an investment trust or hedge fund to increase returns.

Gearing is also known as leverage – the former term is more common in the UK, while the latter is preferred in the US. The extent of a company's gearing can be measured through ratios such as debt/equity. Let's assume that a company has assets worth

£100m and debt totalling £30m. Shareholders' equity, which is equal to assets minus liabilities, will be £70m. Then its debt/equity ratio is $30 \div 70 = 43\%$. The debt/assets ratio, another common measure of gearing, will be $30 \div 100 = 30\%$.

The company then buys a rival for £50m and finances the deal using a bank loan. Total assets are now £150m, debt is £80m and equity is unchanged at £70m. However, its debt/equity ratio is now $80 \div 70 = 114\%$ and its debt/assets ratio is $80 \div 150 = 53\%$. It is now more highly geared. You should also look at interest cover, which is earnings before interest and tax (Ebit) divided by interest

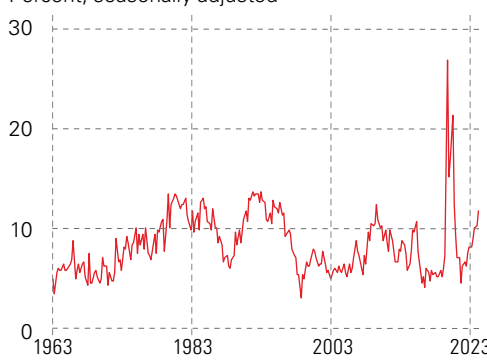
payable. So if the firm had Ebit of £5m and paid £2m in interest, it would have interest cover of $5 \div 2 = 2.5$.

Gearing for a fund is usually calculated in a similar way to debt/assets. Assume an investment trust has £100m in capital from investors, borrows £5m and invests the full £105m. It will then start with gearing of 5%.

If the investments then rise by 10% to £115.5m, the level of gearing will drop to $5m \div (£115.5m - £5m) = 4.5\%$. If they fall by 10% to £94.5m, gearing increases to $5m \div (£94.5m - £5m) = 5.6\%$. Since the debt must be repaid before investors get their capital back, gearing will boost gains when the investments rise, but amplify losses when they fall.

UK households' saving ratio

Percent, seasonally adjusted



All this could flow into an improvement in corporate profitability, as companies in a wide range of sectors with relatively high operational leverage benefit from a bit more demand. UK corporate profits as a share of GDP are around 20% at present, compared with a longer-run average of around 22%, notes Thorne.

Investors in the right kinds of companies (he points to brick makers as an example) could therefore benefit both from a significant boost in profits as depressed margins get back to more normal levels, plus rising valuations as the UK becomes a bit less of a pariah. Thus the upside is greater than valuations alone suggest.

A virtuous circle?

Other UK small-cap specialists are making a similarly persuasive argument, as Max notes on page 18. A structural bull case for the UK remains more tricky for me to believe. I am sceptical that the government has any idea how to deliver the investment that Britain needs (as shown by the chancellor's muddled "Mansion House Compact" – see page 19). Still, brokers have a solid pipeline of UK smaller companies wanting to list once valuations become more attractive, say Cane and Thorne. In that case, a cyclical upturn could still become a virtuous circle that reverses the hollowing-out we have seen in recent years and makes the market far more compelling.

Guru watch

Tom Slater,
portfolio
manager,
Baillie Gifford



"Ignore China at your peril," says Tom Slater, lead manager of Scottish Mortgage, the £14.5bn global growth trust. Many of the country's companies have become international players and can "operate at scale in a way that is challenging Western companies".

"People have given up on China over the past two or three years, but we think some of the most exceptional growth companies in the world are to be found there," Slater told a roundtable, reported in Investment Week.

Take BYD, the Chinese carmaker, which was added to the Scottish Mortgage portfolio last year. It emerged from a "viciously, ruthlessly competitive" domestic electric-vehicle (EV) market, he says.

"Chinese EV penetration is much higher than anywhere else, but there is a huge list of companies competing."

"To be the winner in that market, to emerge profitable at scale, you have to be really doing something right – you have to be lean, you have to be hungry." BYD is "one global player that is on a par with Tesla". The trust has reduced its long-term holding in Tesla recently and BYD is now a larger holding, at 1.6% of assets.

The launch of the DeepSeek R1 AI model in January is a further example of how Chinese technology firms will challenge US dominance. This rattled international markets in January due to the potential implications for chipmakers and cloud-computing firms if new models could meet global demand for artificial intelligence (AI) at a fraction of the cost of other systems.

"Demand [for AI] is there; we're just waiting for the price point to decline... DeepSeek was... Significant because it really drew attention to some genuine breakthroughs in how you reduce costs," says Slater. "It was also significant because it looked like China was being left behind in this technology, and it led to a complete reappraisal of what China's role might be in AI systems."

Why now is the right time to invest in biotech

The biotech sector holds huge potential for investors, with strong growth and attractive valuations. Here's the best way to play it.

We are living in a golden age of innovation in medical sciences. Biotech companies are a dynamic and promising investment area, offering life changing treatments for patients and secular growth for investors. The Nasdaq Biotech Index has outperformed the S&P 500 in 17 of the last 30 years, with biotech companies responsible for the majority of new drug approvals over the last decade.

The sector's capacity for innovation was demonstrated during the COVID-19 pandemic with the rapid development of vaccines. Since then, high inflation and interest rate hikes have weighed on the sector. But we believe that it is emerging from these challenges with strong secular and cyclical growth and attractive valuations, making now an attractive time for investors willing to navigate short-term volatility in exchange for considerable long-term growth potential. So, what are the tail winds for biotech at the moment?

The demographic story

One of the most compelling factors is demographic trends. Globally, the population over the age of 65 years is expected to double from 800 million in 2024 to 1.6 billion in 2050. In the US alone, almost 12,000 people a day

turn 65, bringing an increase in chronic conditions and age-related diseases. This creates significant opportunities for biotech companies.

Maturing innovation leading to more drug approvals

The advent of cheap genomic sequencing data and other technologies is bringing new treatments for conditions that have historically been difficult to address, such as cancer and obesity.

Next-generation anti-obesity drugs offer one of the most exciting investment opportunities that could create over US\$1trn in value. Obesity is the most common disease in the Western, with over 100 million obese people in America alone and more than 764 million globally. It is a major risk factor for many chronic diseases such as diabetes, hypertension and liver disease, as well as cardiovascular conditions such as heart disease and stroke, which are the leading causes of death worldwide.

Attractive valuations

Biotech indices are far below their peak of 2021 and trade on attractive multiples relative to history, and a near-record number of small and mid-sized biotech companies trade with market caps below the value of the cash on their balance sheet. But, with several catalysts on the horizon, we expect the sector to rerate and return to outperformance.

Patent cliffs and the impact on M&A

Drug patents only last for a short time, after which the treatments "go generic" and can be copied at low cost.

Over the next decade, several large pharmaceutical companies face losses of exclusivity, with "patent cliffs" of up to US\$500bn. However, these companies currently have approximately US\$1trn to make acquisitions – and only Western biotech companies have the assets they need. And with a more deal-friendly US Federal Trade Commission, the barriers that have discouraged bigger transactions in recent times should be lowered. This potential rise in M&A activity offers opportunities for investors in

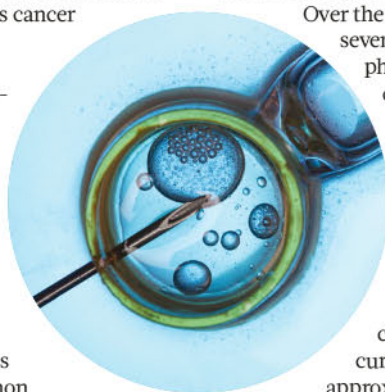
small and mid-sized biotech firms, which are often acquired by larger pharmaceutical companies at significant share price premiums.

The way to play this

RTW Biotech Opportunities Ltd, which launched on the LSE in 2019, builds and supports world-class biotech companies. It guides them through their full life cycle from early stages to maturity, giving investors exposure to innovative public and private firms that would otherwise be difficult to access.

RTW Bio has delivered investors 74% in net asset value total return from its launch in October 2019 to 31 December 2024, far outstripping the Russell 2000 Biotech Index (+7.4%) and the Nasdaq Biotech Index (+27.6%) over the same period.

The manager, RTW Investments, was founded in 2009 and has \$6.3bn in assets under management (as at February 2025). RTW has 80 employees and partners across the world. Around half of the investment team are MDs or PhDs, demonstrating their deep scientific expertise. Their priority is to unlock value by driving medical innovation and commercial therapies that can radically change patients' lives and generate significant returns for the shareholders of RTW Biotech Opportunities.



Reform's calamitous reforms

Editorial
The Economist

Now that the idea of Reform becoming a party of government is no longer “fanciful”, its policies demand scrutiny, says The Economist. Although the party has distanced itself from its 2024 election manifesto, the document remains on its website and Nigel Farage has “reaffirmed or expanded” on nearly half of the suggested tax cuts. It puts its “giveaways” at £140bn (5% of GDP a year), which it claims to offset with savings of £160bn. We estimate that those figures are closer to £200bn and £100bn; a gap that would “amount to a colossal fiscal shock, blowing up the deficit and straining the gilt market to its limits”. The party, for instance, claims its personal tax cuts cost £70bn a year, yet the lift to income-tax thresholds alone would cost that much. Cuts to fuel duty, VAT, stamp duty, abolishing inheritance tax and more “adds tens of billions”. To spend up to £40bn more on health, defence and fighting crime, Reform relies on taking one million people off benefits, adding 1% to growth, cutting 5% across government and “unfathomably vast savings” from ending net-zero. “Reform’s leaders act Thatcherite, but many of their voters are big spenders.” Without a “serious rethink”, it risks “fiscal calamity if it wins”.

We need to get serious on defence

George Hay
Breakingviews

It's vital that the extra money about to be spent by European countries on defence is carefully allocated to ensure the bloc doesn't end up with the “21st-century equivalent of the Maginot Line”, says George Hay. That means investing more in defence technology and innovation. In 2023, the US spent around 15% of its military budget on research and development; EU members spent 4%. Admittedly, Europe needs more hardware due to decades of underinvestment: an estimated “extra 1,400 tanks, 2,000 infantry fighting vehicles, 700 howitzer guns” to provide an “effective deterrent to Russia”. Plus Europe-made kit is “disproportionately pricey”. Still, if a Ukrainian drone costing less than \$35,000 can “take out” a \$5m Russian tank and if AI can improve the accuracy of artillery, equipment costs could fall along with those of personnel. Despite the pitfalls – many Ukrainian drones miss their target and Europe may not want to buy cheap kit from China – this shows that investing in new tech, along with a change of mindset, are critical. To create an incentive for change and disrupt the status quo, European defence ministries need smarter thinking, such as running competitions with lucrative prizes for solutions to “pressing” needs.

The rich are packing their bags

Matthew Brooker
Bloomberg

Reports of ultra-wealthy individuals leaving the UK since non-dom privileges ended last month are growing, along with predictions of the “fiscal damage”, says Matthew Brooker. Estimates vary wildly. A new study by the Centre for Economics and Business Research says the tax changes could cost the Treasury £7.1bn if 40% of around 80,000 non-doms leave, only for the Office for Budget Responsibility to “confirm” that the changes will raise £33.8bn over five years. We will have to wait for official tax data to know the truth. Tax advisers may have “skin in the game”, but they do deal directly with clients and some of their criticisms appear valid. The non-dom regime was too complex, but Labour missed an opportunity to make the UK both “more attractive” and more lucrative for the Treasury. Instead, the revised rules give a four-year tax break on foreign income and gains, which is giving billionaires an incentive to come here, sell their company, pay no tax and then move on. But “the die is cast”. The super-rich move in herds and they are already moving. London has lost some “cachet”: share listings have tumbled and petty crime is on the rise. Milan, with its cultural attractions and annual flat fee of €200,000, has much to offer.

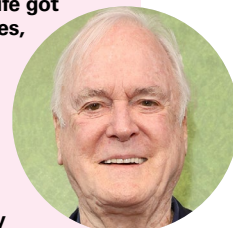
The costs of labour regulation

Adelle Waldman
The Atlantic

US legislation in 1940 to limit working hours, followed by the introduction of the minimum wage, were huge achievements, says Adelle Waldman. However, as firms have learned to “circumvent” the rules, low-wage workers now suffer from a different problem: “underwork”. Today, large firms routinely assign too few hours and hire multiple part-timers instead of one full-time worker. Inconsistent hours and wages make it “nearly impossible” to get finance to buy a flat, a car, or to even find a second job. Meanwhile, firms don't have to pay benefits to those working less than 20 hours a week and “just-in-time scheduling” allows them to respond to an unexpected uptick in business – a system that requires workers to be “so desperate for more hours that they will reliably come in at the last minute”. Firms argue that this is efficient (it is, for them), and that students and working parents like it, but research suggests that most part-timers would prefer full-time jobs. The top demand of unionised workers is more hours, followed by fixed schedules and guaranteed pay. Without regulation, even white-collar jobs won't be safe (look at the shift to “tenuous, part-time” gigs for university professors). A “concerted policy response” is needed.

Money talks

“The third wife got two properties, one was in London and one was in New York, and we had to sell the other three. I've actually given the flat behind Peter Jones to Jennifer [Wade, his fourth wife], so I don't have a house, I don't have a car.”
Comedian John Cleese (pictured), quoted in The Times



“We often hear that when the US sneezes the global economy catches a cold. This is not the US sneezing. This is the US cutting off its own arm. The self-inflicted economic cost naturally weakens the dollar.”
Paul Donovan, chief economist at UBS Global Wealth Management, on Donald Trump's tariffs, quoted in The Guardian

“They [Disney] asked me to do season two, and they offered me half the money. [I thought] wow, it's going to take me twice the amount of work for half the amount of money – eight months of my time, essentially, and you do it for half the amount?... I told him to go fly a kite.”
US actor Jeremy Renner on why he turned down series two of *Hawkeye*, quoted in The Hollywood Reporter

“The simple fact is we [the UK] are too expensive. Sunderland is [the] most efficient plant Nissan has, but once you've paid your [electricity], gas, NICs, etc, we are too expensive – any industrial strategy that doesn't tackle that is a waste of time.”

Alan Johnson, vice-president of manufacturing for Nissan Motor Manufacturing UK, quoted on X

“Money is a tool, and it isn't everything. I'm not super money-driven, but I believe that the harder you work, the luckier you get, and if you're passionate about what you do and you work hard, money will follow.”
Ferne McCann, star of reality TV show *The Only Way is Essex*, quoted in The Sunday Times

©Getty Images

War is the father of all things

palladiummag.com

“War is the father of all things,” said the pre-Socratic philosopher Heraclitus. Even in a world in which war is “out of fashion”, Heraclitus “remains right”, says Curtis Yarvin. The UN, the organisation that was supposed to replace war between nations with a “shared, kind, caring humanity” under a world government, was itself the product of war, and the term “United Nations” referred at first only to the victors. The UN is an organisation of the winners in a war to conquer the world. The losers went to their deaths predicting the winners would fall out, as, of course, they did.

The role of any conflict, including war, as the historian Carroll Quigley wrote, is to “measure a power relationship so that a consensus, that is, a legal relationship, can be established. War cannot be abolished either by renouncing

it or by disarming, unless some other method of measuring power relationships in a fashion convincing to all concerned can be set up. And this surely cannot be done by putting more than a hundred factually unequal states into a world assembly where they are legally equal”.

The history of the world, and of the UN General Assembly – which has “never once been relevant”, unlike the Security Council, made up of nuclear powers – proves that Heraclitus and Quigley are right. Quigley’s thesis was that military technology drives political structure, and you can see this in the history of the 20th century, where first air power and then space power dictated global geopolitics. The almost 200 “unequal states” of the UN are “not genuinely sovereign” – they are mostly “satellite states”, militarily dependent



protectorates – and that has implications for politics, economics, and even culture.

What, then, for the future? Elon Musk might be showing the way. His desire to conquer Mars may well lead him not to the red planet, but to the conquering of Mars, god of war. Orbit is the “ultimate high ground”, and “whoever conquers that conquers the whole Earth”. Musk’s Starship looks likely to give the US an “unprecedented lead” in the race to militarise space.

That might have good consequences. By establishing a global Leviathan that could dominate all other powers while allowing a certain amount of power competition under its rule – as happens today between non-nuclear armed powers, say, or between capitalist entities within a state’s territory – the result might well be a greater peace. The potential is for the rise of a “stable global power” such that the world has never yet seen and the establishment of an, at least relative, “world peace”.

Smith versus the mercantilists

project-syndicate.org

When economists celebrate the 250th anniversary of Adam Smith’s *The Wealth of Nations* next year, US president Donald Trump’s mercantilism will “constitute an incongruous backdrop”, says Dani Rodrik. Trump’s zero-sum approach to global trade has revived mercantilist practices, “in defiance of Smith’s teachings”. Economists are mostly right to follow Smith. But it’s true that mercantilism was “never as dead” as they thought. East Asian governments, for example, have long pursued a mix of mercantilist and Smithian approaches that boost exports and private enterprise, but often behind protectionist walls. The result was what many saw as an “economic miracle”. Smithians, unlike mercantilists, miss that people don’t just care about consumption, but also about production and jobs, and the role of both in determining wellbeing. Each perspective has its blind spots. Mercantilists too easily associate producers’ interests, notably those well connected to the state, with the national interest, leading to cronyism. “Smith’s intellectual children,” on the other hand, underplay the importance of production and jobs. Good policy is a matter of getting the combination right. Not that Trump is doing that. “There will be no upside to his mercantilism, because it embodies the strategy’s worst defects.”

Life lessons from ninjas

spectator.co.uk

The last living ninja, Jinichi Kawakami, is now 76 years old, the master of a centuries-old tradition that trained Japan’s legendary covert operatives and assassins, renowned for their elusiveness and portrayed in fantastical form in many popular films and TV shows, says Philip Patrick. The wisdom in the tradition is passed down orally, and Kawakami has

chosen not to take on any apprentices, so when he goes, that will be it: “no more ninjas”.

That’s a shame, for a lot more was taught than how to dispatch an enemy swiftly. Their main purpose was, in fact, to prevent war – to win



without fighting. The training involved overcoming the passions and desires – including how to go for long periods without food or visits to the toilet. A special breathing and concentration technique called *okinaga* “put the body and spirit in harmony to reduce stress”. There was also a diet and exercise regime. Given the West’s “insatiable appetite” for Eastern spirituality, it looks like the ninja will live on. “The essence of the ninja will endure,” says Kawakami, because the challenges they faced have not gone away.

How to retaliate against tariffs

ft.com

America’s trading partners are imposing tit-for-tat tariffs in response to Donald Trump’s trade levies, says Cory Doctorow. But that’s the stuff of 19th-century geopolitics. Aggrieved foreign leaders have a much more powerful countermove to hand – and one that could have a devastating effect on the US’s most profitable companies. They could simply repeal the intellectual property law known as “anticircumvention”.

This law prohibits tampering with or bypassing software locks that control access to protected work. It’s why farmers struggle to repair John Deere tractors, for example, or why you can’t allow your printer to use cheaper, generic ink cartridges. The laws were made in the US, but are among its most successful exports. The deal is that countries impose the law in return for tariff-free access to US markets. “I trust you see where this is going,” Monopolistic US companies have extracted trillions of dollars from consumers owing to this law. Sometimes it does make sense to “move fast and break things”. Here’s an example.

Buying Britain on a triple discount

If UK stocks return to favour, this value-focused investment trust should perform well



Max King
Investment columnist

On the basis of its three-year record, **Aberforth Smaller Companies Trust** (LSE: ASL) does not look interesting. The annualised investment return of 1.1% has been just ahead of the Deutsche Numis Smaller Companies index but is behind over one year at -0.1%. The shares trade at a reasonable 8.6% discount to net asset value (NAV) and yield 3.6% but neither are at bargain levels.

However, from a longer-term perspective, ASL looks much more attractive. Annualised returns since launch in 1990 are 11.4%. The fund is relatively liquid, with assets of £1.2bn, and it is the only UK smaller companies trust that is value-orientated but not activist.

Triple discount

ASL's style has been very much out of favour, but that looks likely to change, and the fund's strategy effectively trades at a triple discount. The UK market is cheap relative to the rest of the world. Small-cap companies are unusually cheap relative to large cap ones, and the Aberforth portfolio is cheap relative to the small-cap index, on under ten times earnings.

Last year, it seemed that ASL's fortunes had turned a corner, with the share price rising nearly 50% between October 2023 and July 2024. Yet by early 2025, nearly all that



Spring may finally be here for the London market

advance had been given back. Now, the trend is upwards again – but will it last?

UK smaller companies are more dependent on the domestic economy than larger ones, so a low-growth outlook for the UK is no help. Still, half of mid caps' revenues are estimated to derive from overseas against three-quarters for the FTSE 100. Gloom about the UK economy is reflected in the unpopularity of small-cap funds, but the correlation of small cap performance with that of the domestic economy is negligible.

ASL is run by Aberforth, an Edinburgh-based boutique with six partners and just under £2bn under management, which invests only in UK smaller

companies. In addition to ASL, the firm manages the smaller **Aberforth Geared Value & Income Trust** (LSE: AGVI), as well as an open-ended fund.

Aberforth advises investors to look through the lacklustre UK economic data to the prospect of a recovery in earnings, as exemplified by the turnaround after the early 1990s recession. Many firms have the potential to increase profits through higher margins. In addition, good businesses that mainly operate overseas are also lowly valued, the managers argue.

Note, too, that takeovers within the Deutsche Numis Smaller Companies index have been plentiful, with 41 in the period from the end of 2021

to autumn 2024. The average premium of the offer price to the share price immediately before the bid was 49%.

Gearing up

Aberforth's confidence is demonstrated by the use of borrowings to enhance performance, equivalent to 7% of net assets for ASL. In theory, buying AGVI should generate a higher return than ASL in a rising market. Its £86m of net assets are enhanced by £42m of zero-dividend preference shares to give a gearing ratio of nearly 50%. However, while AGVI shares trade on a 15% discount to NAV and are heavily owned by Aberforth's partners, they are illiquid. That means they are best suited to those prepared to hold until wind-up in mid-2031.

Also, AVGI's portfolio has tended to underperform ASL. While higher gearing enhances returns, underlying performance is less due to a focus on income (the dividend yield is likely to be more than 6%), so it won't necessarily beat ASL during a UK market rally.

There is some evidence of an improvement in the relative performance of the FTSE 100 with a very similar gain in sterling terms to the S&P 500 since the start of 2024. If this performance is to continue, it is highly likely to filter down to mid and small caps and to favour value over growth, as in the FTSE 100. If so, ASL's period of disappointing performance will soon end.

Activist watch

Chrysalis Investments – the specialist investor in private growth companies – is considering its future after investors owning 27% of its shares called for a continuation vote to be held next year. Chrysalis has rejected the proposal – which was backed by activist Asset Value Investors, its largest investor – and plans instead to ask shareholders to vote to affirm its current capital allocation policy. This calls for it to spend £100m on share buybacks, plus an ongoing 25% of net realised gains, to try to close its discount to NAV, which stands at 34%. However, given a “diversity of views” on issues including how best to return capital to investors and whether it should make any new investments, the board will now launch a formal shareholder consultation.

Short positions... an existential threat for EOT?

■ Alexander Darwell's struggling European Opportunities Trust may face “existential issues” following its upcoming tender offer, say analysts at Deutsche Numis. The trust will conduct a tender for up to 25% of shares at a 2% discount to NAV in June, and the significant number of activist investors on its register suggests take-up could be high. While the fund is still a meaningful size – with net assets of £575m – investors may subsequently push for further capital returns that could leave it sub-scale. A continuation vote is due next year, while a further 25% tender offer must be held if it fails to beat its benchmark over the three years to May 2026.

■ Greencoat Renewables has sold a portfolio of six Irish onshore wind assets amounting to 115.7MW in capacity for a total of €156m. The disposal will be “NAV accretive” says the trust, without specifying the premium at

which the assets were sold. Proceeds will be used to pay down debt. Greencoat is also in talks to sell a minority stake in a recently acquired 50MW Spanish wind farm. Separately, it announced a ten-year power purchase agreement with a data-centre operator for 100% of the output from its 13.3MW Ballincollig wind farm in Ireland, under its re-contracting strategy for assets that are exiting regulated tariff agreements.

■ A “single material shareholder” in Rights & Issues Investment Trust is blocking plans for the UK smaller companies trust to resume share buybacks and try to close its 18% discount to NAV, say the board. Roughly 26% of votes cast were against granting authority to buy back up to 15% of shares – enough to block the motion, which needed 75% in favour to pass. The identity of the investor and the basis of their opposition is unclear.

The private-equity party is over...

...so don't push pension funds into the sector, says Merryn Somerset Webb

Yale wants out. Four years ago half of its assets were invested in various illiquid markets, mostly in private equity. This year the university is looking to sell roughly \$6bn worth of private-equity (PE) assets, 30% of the total in that sector and 15% of the fund's overall assets (\$41.4bn), says Bloomberg. It is not alone. Harvard is looking to sell \$1bn worth of PE assets and, according to the Financial Times, Canadian and Danish pension funds have been loath to put any new money in, as have some of China's big funds. Overall fundraising was down last year for the third year in a row.

You can see why. PE has had a brilliant couple of decades, outperforming the S&P 500 nicely since the millennium. When debt was cheap and PE relatively niche, buying companies on borrowed money, restructuring them (borrow more, cut costs) and flogging them on for a fortune made a lot of sense (and a lot of money for investors and high fee-charging managers).

But now, with rates not going back to anywhere near zero any time soon, and the economic environment more fragile than it was, valuations look too high, and the "flog-on" part of the equation isn't working. No one wants to sell their companies cheaply on the secondary market. The few deals done recently took place at an average discount to stated net asset value (NAV) of 10%. So there has been, as consultancy Bain politely puts it, "persistent sluggishness in exit volume" over the past few years, and the stockpile of unsold deals just keeps growing. It now runs to around \$3trn.

At the same time distributions paid by funds from sales are running at about half their normal levels. You could say this doesn't matter, but in the world of PE it does. Without distributions there isn't enough money around for new deals – particularly if the institutions aren't putting in new money, which they mostly aren't. No wonder, says Bain, that the "outsize capital flows the industry got used to before the pandemic are unlikely to resume in the near future".

You are coming to the rescue, like it or not

So what next? If the big investors are getting out, who is getting in? Maybe you. In the US, PE has a firm eye on ordinary people's retirement savings. There is upwards of \$12trn in the sector, money the PE industry reckons it could put to excellent use. Rachel Reeves is on their side. She reckons UK savers' pension money could also find a happy home in PE. This week 17 of the UK's big pension funds pledged to put at least 10% of assets in their default funds (your assets, just to be clear) into private markets – to include unlisted start-ups with at least half of that (roughly £50bn) being in the UK.

This could be entirely voluntary. Maybe the UK's pension funds are a bit behind Yale and genuinely think this a good idea (at present they only have about 2% in PE). Or it could be that the UK's pension funds are jumping before they are pushed. There is, says the FT, a "backstop plan". If the money doesn't move, Reeves will be legislating to create a "reserve power" to make it move.

There's also growing chatter about the same sort of idea being applied more widely – one ex-pensions minister thinks the British state should go "bold" and

moneyweek.com



Chancellor Rachel Reeves may have forgotten that past performance is no guide to the future

insist that at least 25% of all new contributions to pensions be invested in the UK, in unlisted and early-stage companies as well as listed.

So should you be happy about this? The first thing to say is that it isn't yet entirely clear what investment in private markets will mean in this context; infrastructure projects are likely to be part of the deal. But in any case, it is clear that some of your money will soon be in PE.

The second key point is that the PE funds, the pension funds and Reeves think you should be happy about the plan. Here is Reeves on the matter: "I welcome this bold step by some of our biggest pension funds, which will unlock billions for major infrastructure, clean energy and exciting start-ups — delivering growth, boosting pension pots and giving working people greater security in retirement."

Thirdly, there is a problem. As Reeves should know, past performance is no guide to future performance, and that is particularly the case when the asset class in question has made a large part of its returns as a result of circumstances that aren't coming back (near-zero interest rates). Leverage and market multiple expansion (valuations rising at least in part because of low interest rates) drove 61% of investment returns for buyout deals from 2010 to 2022, according to consultancy McKinsey.

That's nice. But what happens without very low rates? Look at the past few years and you get a hint – PE returns came in at 3.8% in the first nine months of last year (on McKinsey numbers again), "well below the historical average of roughly 14.5% since 2010". UK investors will almost certainly be told over the next few years that PE has a much better performance record than listed equity – and that it's a must-have diversifier. They probably won't be told that its performance may not be repeatable in this environment.

They also won't be told that for all the grandstanding that comes with PE, it's just equity – except with a lot more leverage, a lot less transparency and significantly higher charges. Or that their money is in part at least filling a gap left by institutional investors. All in all, if it's equity you're interested in, why not find a pension provider prepared to stick with funnelling your money into cheap, relatively liquid listed companies instead – and for a rather lower fee.

*"If it's equity
you're
interested in,
leave PE aside
and invest
in cheap,
liquid, listed
companies"*

A haven of stable growth amid market turmoil

From booming construction in emerging markets to the digital and green transitions, the infrastructure sector offers a compelling blend of security, returns and long-term opportunities, says Matthew Partridge

Investors have navigated a period of turbulence in recent months. While global markets have largely recovered from Donald Trump-induced volatility, significant uncertainty persists. For those seeking a safer yet rewarding home for their capital with potential upside, infrastructure warrants consideration. It is considered by many to be a “shock absorber when wider markets turn volatile”, says Steven Kibbel, financial planner and chief editorial adviser at Gold IRA Companies. Moreover, the sector benefits from “strong fundamentals”, and listed companies and funds appear attractively valued, both historically and relative to global equities, says Emily Foshag, manager of the Principal Asset Management Global Listed Infrastructure Fund.

Emerging markets power demand

A “massive” catalyst propelling demand for infrastructure is robust economic growth in emerging markets, which have outpaced developed nations for decades, according to Varun Jain, chief revenue officer at index provider BITA. These economies now account for more than half of global economic growth, a figure projected to reach 65% by 2035, with S&P Global Market Intelligence forecasting an average annual growth rate of around 4% over the next decade, compared with 1.6% for developed economies. Asia, Latin America and Africa are estimated to need about \$6.5trn in infrastructure investment by 2035.

This growth is especially expected to stimulate infrastructure investment in urban centres as rural populations migrate to cities, says Thuy Quynh Dang, portfolio manager of the Global Listed Infrastructure Fund at Cohen & Steers. Rising living standards will also fuel demand for enhanced services, spanning water supplies to reliable roads and faster broadband. Furthermore, the burgeoning middle class in emerging markets will drive demand for airport infrastructure as international travel becomes more accessible.

However, capitalising on the emerging-market infrastructure boom is easier said than done, says Quynh Dang. Many emerging nations impose restrictions on utility operators, and heightened political instability elevates asset risk. For investors favouring direct stockmarket investment over funds, the limited number of listed emerging-market utilities, currently accounting for only around 15% of the listed infrastructure market, poses another hurdle.

Nevertheless, Quynh Dang believes this is evolving as governments in emerging markets “increasingly look to attract foreign private investment”, leading to clearer regulatory frameworks for utilities “in order to increase their attractiveness to foreign capital”. Consequently, investors can now invest directly “in everything from ports in Brazil to airports in Mexico and Thailand”, a recent development. With a growing pipeline of flotations, she anticipates that emerging-market infrastructure companies will constitute a significantly larger portion of the market in the near future.

“Infrastructure is a shock absorber when wider markets turn volatile”

Developed nations get building again

Infrastructure spending is also poised for substantial growth in developed economies. Over the past 15 years numerous Western governments, including the UK and many European nations, have sought to reduce their deficits by cutting infrastructure expenditure, says Vincent Gerritsen, head of private markets for the UK and Europe at H.R.L. Morrison & Co. This approach may have offered short-term fiscal relief, but has resulted in inadequate maintenance of legacy infrastructure.

The consequences of this neglect are increasingly apparent. “It’s brought home to me every day when I virtually have to slalom through London’s potholes,” says Gerritsen. Similarly, William Rhind, CEO of GraniteShares, finds the recent blackouts in Spain and Portugal unsurprising, given that “one third of electricity grids in Europe are over 40 years old”. Consequently, Jain notes, a widespread consensus is emerging that infrastructure in many developed countries needs an urgent “reboot” to sustain economic growth.

Encouragingly, many nations are recognising the counterproductive nature of past austerity measures and are working on ways to reverse this. Public-private partnerships, where governments collaborate with private operators on asset construction with long-term operating contracts, offer one solution, says Jain, citing the £2.2bn modernisation of Gatwick Airport in the UK as an example. Another strategy involves the sale of older assets to private firms to generate funds for more modern infrastructure development.

However, some countries are adopting a more direct fiscal approach. Germany stands out, having rewritten its long-standing debt-brake rules, primarily to boost defence spending, but also creating a €500bn extra-budgetary fund for additional infrastructure investment. Even bond ratings agencies, typically wary of increased spending, lauded the move as positive for Germany’s competitiveness, observes Jon Cunliffe, head of JM Finn’s investment office.

Digitalisation generates new demands

Beyond emerging-market growth and the need to upgrade ageing infrastructure in developed nations, the expansion of the digital economy – which “cuts across various sectors and is significantly dependent on infrastructure”, says David Bloom, chairman of data-centre company Kao Data – will further fuel infrastructure spending. Accelerating digitalisation “creates a substantial demand for foundational infrastructure, such as data centres and telecommunication networks”. This gives rise to a “virtuous circle”, where “robust digital infrastructure fuels economic growth”, which in turn further amplifies demand for infrastructure, notes Kao.

Data centres, which store, process, and distribute data, form the core backbone of the digital revolution, says Richard Sem of the Pantheon global infrastructure and real assets investment team. Even before the rise of artificial intelligence, they were



The transition to a greener economy will require vast amounts of spending on power infrastructure

benefiting from the growth of cloud computing and mobile gaming. However, the billions being invested by firms in developing sophisticated computer models have further amplified demand.

Beyond physical buildings and hardware, data centres also require immense energy resources. The electricity consumption of data centres alone “has shot through the roof”, notes Sem. Indeed, the anticipated energy demands are so substantial that several countries are considering the approach taken by Ireland, which “has effectively banned them from the national grid, forcing them to provide their own power”. Many data centres have little alternative, as “in some parts of Europe it takes up to three years for them to be connected to the grid”, Rhind notes. This creates opportunities for power-generation facilities directly linked to data centres.

However, AI and cloud computing are not the sole drivers of “exponential growth” in demand for power, says Ben Pritchard, CEO of AVK, a power provider for data centres. The so-called “internet of things”, where interconnected devices communicate with each other, will also escalate the need for investment in digital infrastructure and generate “an exponential growth” demand for power. Matters are further complicated by the fact that there is an increasing “expectation that this growth must be achieved sustainably”.

The clean-energy transition

The imperative for sustainability extends beyond digital infrastructure. While acknowledging that opposition from the Trump administration and some governments’

scaling back of carbon-emission reduction targets might make the transition to clean energy “a little slower than we’d like”, Charlie Wright, co-lead investment manager for Foresight Environmental Infrastructure, believes that “the overall move to a greener and more sustainable economy is impossible to dispute”.

This transition will involve more than simply replacing fossil fuels with renewables. “It has become clear over the past decade that you also need to update the grid infrastructure in order to reflect the new model of energy production,” Wright points out. Many countries’ power grids will require redesigning “from ones that are built around large-scale power generators to those that serve a collection of smaller-scale wind and solar farms”. In 2023, the International Energy Agency estimated that around 1,500GW of renewables projects were waiting to be connected to the grid, and warned that annual global investment in power grids needed to double to \$600bn by 2030 to have any hope of limiting global warming to 1.5°C.

Infrastructure investment related to the energy transition extends offshore. Colin Ross, chief strategy officer of Ashtead Technology, a subsea technology specialist, notes that offshore wind already constitutes a significant portion of renewable-energy production in countries such as the UK. With nations such as Taiwan also making substantial investments, offshore wind capacity is growing by around 30% annually. All of this “will need to be installed, maintained and eventually decommissioned when the wind turbines

“The overall move to a greener and more sustainable economy is impossible to dispute”

Continued on page 22

Continued from page 21

reach the end of their life”, says Ross. Legacy oil and gas infrastructure will also need to be decommissioned and removed.

Overall, the green transition necessitates investments across the spectrum, from building renewable plants and enhancing energy storage to upgrading grid connections. To appreciate the scale of it, just consider that “two electric cars use the same amount of electric power as a house”, says Nick Langley, a portfolio manager at ClearBridge Investments. Langley’s team estimates that “enormous sums” of up to \$100trn will need to be invested over the next quarter-century to achieve net-zero targets. Indeed, “some think tanks estimate that even more will need to be spent”.

Infrastructure as a defensive play

There are two primary avenues for infrastructure investment: companies that manufacture and install assets, and those that own and operate them. Jags Walia, head of global listed infrastructure at Van Lanschot Kempen Capital Management, favours the latter, particularly for more defensive investors. This preference stems from the typically long-term contracts held by asset operators, providing greater certainty regarding their cash flows. Such stability is especially valuable at a time when even countries such as the United States are becoming “a much less predictable business environment”.

By contrast, companies that “come around and deliver a new screwdriver for an infrastructure project and then go away again” face greater uncertainty over their income due to their reliance on market supply and demand dynamics and competition, explains Walia. Currently, many executives at manufacturing and engineering firms “are wondering whether the supply chains of their firms are going to be hit by yet another round of tariffs and trade restrictions”, making them less attractive and riskier investments.



Two electric cars use the same amount of electricity as a house

Emily Foshag largely concurs, noting that most infrastructure operators tend to be natural monopolies with significant pricing power, which enables them to pass on cost increases to consumers. While such “core infrastructure” is typically heavily regulated, most regulatory agreements globally include mechanisms for adjusting consumer prices to reflect changes in inflation. However, while Foshag strongly prefers operators over manufacturers or installers, she believes all segments of the industry will benefit from the “structural tailwinds” driving demand for infrastructure, making it a less risky investment than those in other sectors. After all, in the medium term, “the energy transition, demographic shifts, digitalisation” and innovation in technology are all set to proceed “regardless of what happens in the wider economy”. For the most optimal ways to capitalise on this theme, see the accompanying box.

“Sums of up to \$100trn will need to be invested over the next quarter-century to achieve net-zero targets”

The best investments to buy now

For straightforward exposure to the infrastructure sector, consider the **iShares Global Infrastructure UCITS ETF (LSE: INFR)**. This exchange-traded fund tracks the FTSE Global Core Infrastructure index, focusing on the largest listed infrastructure companies globally. Utilities comprise roughly half the portfolio, alongside industrial and energy companies and real-estate investment trusts. Top holdings include US and Canadian renewables firm **NextEra Energy (NYSE: NEE)** and pipeline operator **Enbridge Inc (NYSE: ENB)**. The portfolio’s price-to-earnings ratio stands at 18.2%, with a total expense ratio of 0.65%.

An actively managed alternative is the **Kempen (Lux) Global Listed Infrastructure Fund**. Managed by Jags Walia, it targets listed companies deriving at least 70% of their income from operating infrastructure assets. The fund prioritises firms with inflation-linked contracts and relatively short capital-expenditure cycles, offering greater resilience against economic downturns. Since its inception in 2019, the fund has outperformed its benchmark, the FTSE Global Core Infrastructure 50/50 index. The ongoing charge is 1%.

Pantheon Infrastructure (LSE: PINT) is an investment trust with a diversified portfolio of high-quality global infrastructure assets across North America, the UK, and Europe. Holdings range from a Canadian data-centre company to NGGT, which owns and operates the UK’s regulated national gas-transmission system, and an independent gas-metering business. Pantheon trades at a 16.9% discount to its net asset value, with an ongoing charge of 1.31% and a dividend yield of 3.6%.

Another noteworthy investment trust is **Foresight Environmental Infrastructure (LSE: FGEN)**. Foresight concentrates on clean energy and decarbonisation infrastructure projects in the UK and mainland Europe, currently holding 41 assets with a total capacity of 359.5 MW. Its portfolio is primarily invested in wind, waste, and bioenergy, but also includes anaerobic waste and solar-energy projects, charging stations, sustainable agriculture, and hydropower. Foresight offers an attractive dividend yield of 10.6% and trades at a discount of around a third to its net asset value.

For individual company exposure, consider **Sacyr SA (Madrid: SCYR)**. Sacyr

operates across three main divisions: infrastructure construction, infrastructure operation, and desalination (a crucial area given increasing global water scarcity). The company is involved in diverse projects, from toll roads to airport construction. The firm has headquarters in Madrid, but generates most of its revenue from Latin America, particularly Colombia and Chile, and is the second-largest construction firm in the region. It currently trades at 13.1 times its estimated 2026 earnings, with a dividend yield of 3.7%.

Another company poised to benefit from the growing emphasis on decarbonisation and energy security is **Ashted Technology Holdings (LSE: AT)**. Ashted provides and leases equipment for the offshore-energy industry, serving both offshore wind and oil and gas projects globally, including the decommissioning of obsolete oil and gas rigs. Leveraging its strength in this niche but vital sector, the company has seen its revenue more than triple between 2019 and 2024, with returns on capital employed of around 15%. Despite expectations of continued strong growth, Ashted trades at a modest 9.5 times its estimated 2026 earnings.



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A cheap cash-machine for investors

Trainline's shares have slumped owing to concerns about growth, but the sell-off seems overdone



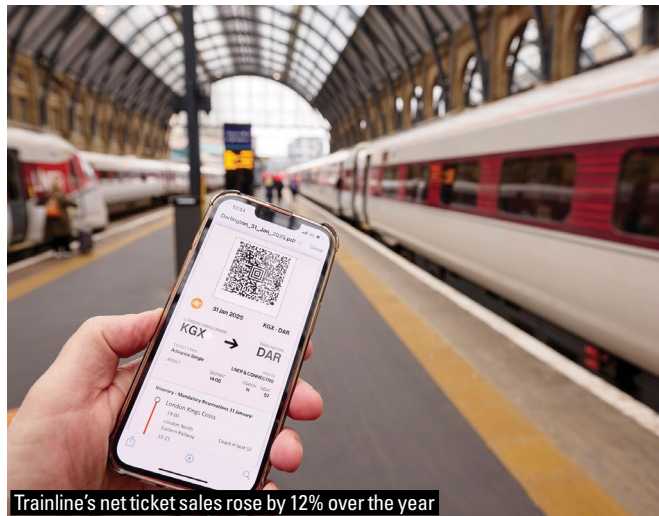
Rupert Hargreaves
Investment columnist

When Trainline (LSE: TRN) published its full-year results on 7 May, the market's reaction was visceral. The shares plunged nearly 10% on the day, taking losses over the past year to 25%. The performance year-to-date is far worse. Since the shares hit a multi-year high of 415p in December, the stock has plunged by more than 40%. Investors, it seems, are really worried about two things. Firstly, international growth, which has flatlined over the past year, and a potential government competitor in the firm's largest market, the UK.

Worries about growth

Last year, the group generated revenue of £442m. Of that, £208m came from its home market in the UK. Revenue from the international consumer was £53m, and income from the Trainline Solutions tech arm totalled £181m. Revenue across all segments rose 12% year-on-year on a constant currency basis. Revenue data only provides half the picture, as although Trainline is best known for providing rail tickets, it's increasingly expanding into other areas, such as insurance and hotel bookings.

Net ticket sales rose by 12% to £5.9bn, with sales up 13% in the UK, 4% in constant currency terms on an international basis (around 17% of total group ticket sales) and 20% via Trainline Solutions (around 15%).



Trainline's net ticket sales rose by 12% over the year

In the UK market, Trainline said: "Increasing non-commission revenues, including insurance and hotel bookings, helped largely offset the dilutive effect of proportionally faster growth in shorter-distance travel (commuter and on-the-day bookings), which generates relatively lower rates of revenue than longer-distance travel".

Trainline earns money by taking a commission on each ticket sale. It does not disclose how much it earns, but we can get some idea from its adjusted earnings before interest, tax, depreciation and amortisation (Ebitda), which stands at 2.69% of adjusted ticket sales. That suggests a take of 2.69% per ticket, although in reality the figure is likely to be significantly lower. This margin includes other higher-margin activities, such as the sale of insurance and software licensing revenue via Trainline Solutions.

This is the most interesting part of the business. The firm

has developed and sells its own software, which helps other pieces of software talk to each other and allows companies to organise rail travel across Europe via in-house platforms. For more than two decades Trainline's booking tools have been helping companies navigate the complex European rail market, especially between the UK and Europe. International rail-ticket sales via this software rose 63% last year, and the company generated Ebitda of £91m last year on revenue of £181m, a take rate of around 50%. About a third of the UK's rail operators use the software to manage their booking systems.

Last year's figures showed a company in rude health, growing at a double-digit rate in a relatively unique area without many competitors. So why have investors been rushing for the exit over the past five months?

Government muscles in

Growth is the company's first issue. As Karl Burns, analyst at Canaccord Genuity, noted in the days after the results were published, "We believe Trainline's shares got hit on the day due to the weak revenue guidance of +0%-3% which was below consensus". There were two reasons for this gloomy outlook. Trainline said it expects a lower commission rate in future, which will cost around £18m; and the government's "Project Oval" could hit the firm's top line by about £6m, or 1.5% of revenue.

Project Oval is being funded by the Department

for Transport (DfT) and will see London-style contactless train ticketing expanded to around 100 stations across the southeast of England over the year. Around half have already been activated. These tap-in, tap-out ticketing systems are designed to offer customers the best deal and remove the need to buy tickets in advance, beating Trainline at its own game. The revenue hit from this isn't much, but it speaks to wider concerns about creeping nationalisation.

The company isn't standing still. It's bidding via Trainline Solutions to participate in digital pay-as-you-go trials launching later this year in Yorkshire and the East Midlands. If successful this could open up a whole new market for the business.

The other threat facing Trainline is the upcoming launch of Great British Railways (GBR). The government has confirmed that, once established, this body will seek ways to replace train-operators' retail websites with a single public-sector retail site and app, a significant threat to Trainline's position in its largest market. The outcome of the public consultation on GBR is set to be published later this year, and that's when we'll learn how the government chooses to proceed.

Priced to fail

With this risk hanging over the firm, the shares are now "priced to fail", according to Canaccord Genuity, but multiple analysts believe this is too harsh a judgment. "We believe a significant proportion of the bad news is now behind the company and the valuation provides an excellent risk/reward dynamic," notes Canaccord. Shore Capital thinks the firm is well-positioned to grow in both Europe and the UK. Panmure Liberum says this "cash-generative machine still feels extremely undervalued", trading at a forward price-to-earnings ratio (p/e) of just 12. Management also seems to agree. The company launched a new £75m share buyback in March, and has spent £154m buying back shares since September 2023 – 14% of its current £1.08bn market capitalisation.

Trainline (LSE: TRN)

Share price in pence





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Keep uninvited guests out

There are 472 burglaries a day. Here are five tips to keep your home safe



Daniel Hilton
Money columnist

In 2024 alone, there were more than 170,000 domestic burglaries, roughly 472 a day, according to the Office for National Statistics. To avoid suffering the same fate, start with the basics. Windows and doors are entry ways to the home, so keep them secure. More than a third of break-ins are thought to be made through the front door.

Phil Spencer, founder of Move IQ and presenter of *Location, Location, Location*, suggests both a Yale and a double-action mortice lock, which used together will make your front door much more secure.

Spare keys are also a point of weakness: keep these safe by avoiding the more obvious 'safe keeping' locations. "Don't undo all your hard work by leaving a spare key under a plant pot... If you need to leave a key for others to get in, keep it in a discreetly hidden lockbox secured to a wall," he says.

The use of devices such as cameras and smart lighting (lighting systems that can be controlled remotely with an app on a phone) can also help protect your home. Visible signs of security can deter would-be intruders. If you opt for them, make sure they are functioning properly and cover vulnerable entry points across the property.



Improving the outdoor appearance of your property can also help protect your home from burglars, says Sumier Foster-Shah, customer service manager at home-security specialist ERA.

"Neglecting your home's appearance is a mistake, as an uncared-for home will seem easier to break into." Similarly, by leaving items out in your garden such as ladders and tools, you could inadvertently be giving a burglar a leg-up by making it easier to breach your property.

Try to keep your shed out of sight of the street so burglars are less likely to see it. If the shed is kept away from fences or walls, it is also unlikely to provide thieves with a climbing route into the property. Sheds should always be secured with locks and you may also wish to consider a security door, suggests

Sam Jenkinson, an expert in garden sheds at Tiger Sheds. "I recommend upgrading your current lock to a disc padlock with hasp and staple."

Beware social media

In an online era it can be all too tempting to post in real time about your latest foreign holiday or weekend away. But your social media accounts could effectively serve as an open invitation to burglars. If would-be thieves see that you're away from home, they could see your home as an easy target.

"Sharing travel plans or extended absences online can inadvertently signal your home is empty," says Jack Charman, managing director of National Private Investigators. He also advises that you thoroughly vet any household staff such as cleaners or gardeners to prevent threats from insiders.

Bag the best savings rates

This month's base rate cut from 4.5% to 4.25% was a warning to cash savers, writes *Kalpna Fitzpatrick* – if you have money sitting in an account earning little or nothing, act now.

Consultancy Capital Economics expects a further 25 basis-point cut in the base rate in November. Deutsche Bank, however, is pencilling in three more cuts, to a base rate of 3.5%, by the end of this year. Savers are running out of opportunities to make the most of the best rates.

Half a trillion pounds is languishing in zero- or low-interest accounts; 29 million adults hold a total of £526bn in them, according to Spring Savings, part of Paragon Bank – forfeiting roughly £20bn of potential interest. Savers tend to leave their cash in a current account for quick access, but you can still make it pay.

There are, however, a few things you may need to look out for before you pick the right account for you. For example, you could earn 4.75% AER via Atom Bank, but you only receive that if you keep your savings untouched every month, otherwise you'll only earn just 2.5%. Chase Bank pays a boosted rate of 1.75% AER on top of the standard rate, but only for six months. After that, it reverts to normal (currently 2.75%).

If you have at least £25,000 in cash, Monument's Limited Access Saver pays 4.75%, as long as you make no more than three withdrawals in a year. If you are happy to leave your money untouched for a year, bag a fixed rate: you can earn 4.55% (AER) with both Cynergy and Tandem.

Pocket money... a neglected inheritance-tax break

● Five years on from Covid more than 25% of us still work from home for at least some of the working week, says Tom Haynes in *The Daily Telegraph*. "Anyone who is unable to work in an office can claim relief for additional household costs such as business phone calls and heating." This can either be a flat £6 a week or the exact amount spent.

However, you cannot claim the relief if you work from home simply because you prefer to. Now HMRC has issued a warning that if you are claiming the relief incorrectly you will get a repayment bill.

● "Energy customers can save more than £300 by switching away from a standard variable tariff," says Ali Hussain in *The Sunday Times*. The price charged on variable deals is limited by the energy-price cap. This is currently £1,849 a year for the average dual-fuel customer, but it is forecast to fall to £1,683 in July. But you can get a fixed deal from Outfox The Market with an average annual bill of £1,530, according to Uswitch.com. That's £319 less than the predicted July price cap. The cheapest 15 fixed-rate deals are all lower than the predicted July price cap, notes Hussain.

● Ten energy suppliers – including EDF, E.On and Octopus – must pay 34,000 customers £7m in compensation and refunds "because of erroneously billing them more for standing charges than is allowed under the regulator's price cap", says Mark Sweney in *The Guardian*. The affected customers all had more than one electricity meter point recording their usage and were overcharged between January 2019 and September 2024.

● A rule covering gifts out of surplus income allows you to give away money, with it

immediately leaving your estate for inheritance-tax (IHT) purposes, says Madeleine Ross in *The Telegraph*. The money simply has to be gifted as a regular payment without it affecting your own normal spending or standard of living.

If you gifted an annual £10,000 towards mortgage repayments or private-school fees for seven years it could reduce an IHT bill by £26,800, according to Interactive Investor. "However, just 480 estates benefited from the tax break in 2021-2022," HMRC has revealed, a mere 1.7% of the 27,800 estates that paid IHT that year.

Shift to digital taxation

Small companies will soon have to file tax returns with specialist software



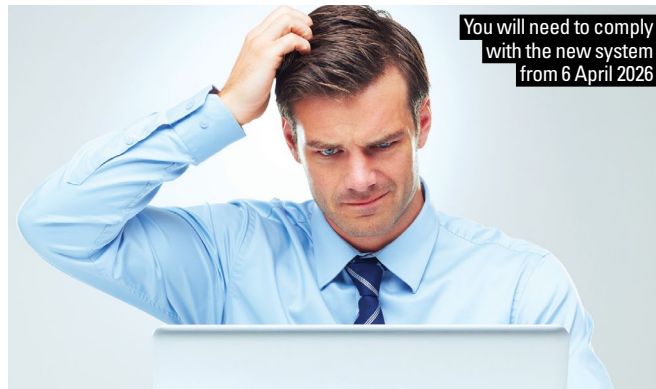
David Prosser
Business columnist

Hundreds of thousands of self-employed workers and business owners who operate as sole traders face major upheaval. Many will already have received a letter from HM Revenue & Customs warning them that from next April they will have to file income-tax returns digitally using specialist software – and that they will need to provide quarterly updates on their trading. It's a big shake-up. Self-employed workers and sole traders currently use the self-assessment system to declare their income to HMRC. Tax returns are due in by 31 January in the year following the end of the previous tax year, so by 31 January 2026 for the 2024-2025 tax year that ended on 5 April 2025. You can either file a paper return, although earlier deadlines apply for these, or complete your return online on HMRC's site.

However, from next April, if your income exceeds £50,000, you'll be required to switch to the "making tax digital" (MTD) system. You'll file your 2024-2025 tax return by the end of January next year as usual, but from 6 April 2026, you'll need to comply with the new system. This requires you to provide HMRC with updates of your trading every three months – and then to submit a final declaration by 31 January each year covering any other taxable income you may have received.

A temporary reprieve

Critically, you won't be able to make paper returns or to use HMRC's online filing service. Instead, your submissions must be made using a software package recognised by the tax authority and compatible with its systems. Self-employed workers and sole traders earning less than £50,000 are only getting a temporary reprieve. The new system will apply to those earning more than £30,000 and £20,000 in April 2027 and 2028 respectively. If you're affected by these changes, you'll need to find a software package in plenty of time to hit HMRC's deadlines. Don't leave it until the last minute, because



you'll need to be familiar with how the software works. And by acting early, you can also switch to keeping records of your trading in a way that minimises the work involved in complying with the new system.

A broad range of software is available, and HMRC publishes details of many of the packages it accepts on the Gov. UK website. Broadly speaking, you have two options. You can use software that creates digital records of your trading – either by you inputting the details, or by connecting to your business bank account – and then uses this data to create the quarterly updates and annual tax returns. Alternatively, you can use software that connects to your own spreadsheets – perhaps you currently track your trading in Excel, say – to extract the data required and submit it in the right format. In both cases, providers often offer both free and paid-for versions of their software, so MTD needn't mean extra costs.

However, some people may find the extra functionality available from software they

have paid for justifies the cost. It can help you run your firm more efficiently, with services ranging from automated invoicing to advice on tax planning.

The key is to find software that covers all your needs. You'll need a package capable of submitting your quarterly updates, but also of filing your end-of-year return. This means it needs to work with all the sources of income you have outside of your business. If you've got complex finances, make sure that any software is up to the job of recording them.

Similarly, if you're already using MTD to submit your VAT returns, it makes sense to use software that can cope with both income tax and VAT, rather than having to work with two different packages. Every firm that charges VAT already has to use MTD. However, note that you will need to sign up for MTD for each income tax and VAT separately, since HMRC runs two different systems; if you're not sure how to sign up, use the instructions from your software provider.

Boost your Google game

Small companies dependent on Google for customers to find them may need to rethink the way they operate. New data suggests that almost 60% of searches conducted on Google last year ended without the user clicking on one of the links provided in the results. If your business relies on people being directed to your website following a Google search, your traffic is under threat.

The rise of "zero-click search" reflects a number of different trends, including the way in which Google now presents AI-generated summaries at the top of many search results. The search engine has also got better at summarising key information from sites within its search results, reducing the need for people to click through to these sites.

Zero-click search can create a vicious circle for businesses because Google's algorithms often give credit to sites that users do click through to. These sites will then appear more prominently in future searches – and others will be downgraded, further reducing their chances of attracting traffic.

All of this means you may now need to rethink your search-engine strategy, particularly as zero-click searches become even more common. Google provides a great deal of advice for free on how to optimise your site so that it performs well in searches. But if you're really dependent on search to attract new business, consider getting expert help from a search engine optimisation (SEO) adviser with a good record in your sector.

News in brief... time for a new credit card?

● With both Santander and Lloyds Banking Group announcing more closures in recent weeks, the number of bank branches that have shut since 2015 has now reached more than 6,000. It's a real problem for small firms that depend on banks to deposit their takings and to withdraw cash. And while the bank sector thinks new "banking hubs" (spaces shared by several banks) could help, it has so far only managed to open around 75 of these. Moving more of your banking online could help, but this isn't possible for all firms. Which runs a handy online database of which banks are closing branches and where, so you can try to plan ahead.

● One in four small businesses now use credit cards to fund their business, twice as many as two

years ago. But while a credit card can be a useful way to manage business cash flows and short-term expenses, many advisers worry that too few firms are shopping around for the best deal. If you haven't switched provider in recent years, and you're using your card more frequently, check to see if you can cut costs by switching provider.

● Planning on starting a new business? The North of England may be the best place to do it. A study shows that 40% of the areas with the UK's fastest growth in the density of start-ups and small firms are in the region. And it's not just the big cities. Towns such as Barrow-in-Furness, Burnley and Birkenhead have all recorded small-business growth of more than 70% compared with last year.

A profitable market niche

ME Group International, a vending machine maker, is a solid bet



Matthew Partridge
Shares editor

Many investors chase high returns by buying companies in a fast-growing industry. The problem is that these areas tend to attract a great deal of competition, so firms must work hard to win market share while fending off new entrants, with a large number of them falling by the wayside. If you can find one that is successful, it will tend to be very expensive.

However, another strategy is to opt for a company that has found itself a profitable niche in a market (one big enough to provide some room for growth) and managed to dominate it. A good example is ME Group International (LSE: MEGP).

ME Group focuses on vending and self-service machines. It operates around 50,000 machines in 20 countries in continental Europe, the UK and Asia-Pacific. It is divided into three main segments, with Photo-ME, a photobooth business, vital for official documents such as driving licences and passports, accounting for just over half of group revenue. Wash.ME, a chain of self-service laundrettes, also comprises nearly a third of sales, while PrintME prints physical photos. The company also has a range of other smaller ventures, including vending machines that produce fresh juice drinks and hot pizza, photocopier services and even mini-rides for young children.

The group's competitive advantage stems from the fact that it locates its machines in areas where there is likely to be high demand, such as shopping centres, railways, airports and supermarkets. It has developed

long-term relationships with a large number of big companies, ranging from the French supermarket chain Intermarché to Transport for London and Tokyo Metro, and its machines have a history of being profitable. The company also works hard on research and development (R&D) in order to keep its machines as up-to-date and user-friendly as possible, thereby reducing the risk that they could become obsolete.



Soaring sales

ME Group's methodical approach has been successful: revenue grew by nearly 50% between 2019 and 2024, fuelled by a recent push to expand the numbers of self-service washing machines. What's more, sales are expected to keep growing over the next few years.

The machines are also extremely profitable. The group's return on capital employed, a key gauge of profitability, is currently around 30%, which has enabled ME International to increase its dividend consistently since 2021. Nevertheless, the stock trades at only 13 times 2026 earnings and offers a generous dividend yield of 4.1%.

From a technical perspective, the share price has bounced up and down over the past year, falling by a quarter between mid-February and mid-April. However, since then the shares have regained their momentum, rising by 15% in the last month, and they are now trading above their 50-day and 200-day moving averages. As a result, I recommend going long at the current price of 217p at £11 per 1p. In that case I would put the stop-loss at 137p, which gives you a total downside of £880.

How my tips have fared

While market volatility has endured over the last fortnight, my individual long shares have put in a mixed performance. Out of my five long tips, two rose, two fell and one stayed the same. Property developer Harworth declined from 178p to 174p, while food-packaging specialist Hilton Foods slipped from 881p to 866p.

However, Domino's Pizza Group stayed at 272p and AG Barr rose from 683p to 687p. Payments firm Corpay rose from \$316 to \$348. Overall, my net losses fell from £893 to £722.

Sadly, my six short positions didn't do so well, with four out of the six moving against me. Telecoms firm Lumen Technologies increased from \$3.58 to \$4.44 and drone maker Red Cat increased from \$5.21 to \$6.18. Computing group IonQ appreciated from \$28.70 to \$32.05 and African e-commerce firm Jumia Technologies advanced from \$2.38 to \$3.42.

Trump Media & Technology, Donald Trump's social-media business, decreased from \$25.83 to \$25.58 and online food-retailer Ocado also went down from 286p to 264p. Overall, the net profits on my group of shorts dropped from £2,149 to £1,179.

This means that my long and short tips are making combined profits of £1,256, down from £497. I suggest you take profits of £977 on Trump Media & Technology. This means that my trading portfolio now contains 11 tips, including six long ones (Corpay, Harworth, Hilton Foods, Domino's Pizza Group, AG Barr and ME Group International) and five short (Ocado, Lumen Technologies, Red Cat, IonQ and Jumia Technologies).

I suggest increasing the stop-losses on Hilton Foods to 655p (from 650p), Domino's Pizza to 270p (265p), Corpay to 260p (255p) and Harworth to 170p (165p). I would also recommend reducing the price at which you cover Ocado to 290p (from 3295p), Lumen Technologies to \$5.80 (\$5.90), Red Cat to \$13 (\$13.50), IonQ to \$46 (\$47) and Jumia to \$3.90 (from \$4).

©ME Group

Betting on politics... a shift in Scotland

In just over three weeks the voters in the constituency of Hamilton, Larkhall and Stonehouse will go to the polls to elect a new Member of the Scottish Parliament following the death of SNP MSP Christina McKelvie Hamilton.

At present, the Scottish National Party is the narrow favourite to retain the seat, with Ladbrokes putting it at 4/5 (55.5%), with Labour at 11/10 (47.6%), Reform UK at 10/1 (9.1%), Conservatives at 20/1 (4.8%), Liberal Democrats at 66/1 (1.5%) and Greens at 100/1 (1%). At the last Scottish Parliament

election in May 2021, Hamilton retained the seat with a comfortable majority.

However, since then the SNP has experienced the turmoil of Nicola Sturgeon resigning, followed by the departure of Sturgeon's successor Humza Yousaf barely a year later. Last July's general election saw the SNP's Westminster seats reduced from 48 to nine. While John Swinney has managed to steady the ship since then, the SNP is still polling well below its 2021 levels of support.

The situation with Labour is a bit more complicated, as its

polling figures have dropped significantly since its resounding victory in the general election. However, in contrast to the SNP's decline, it is still doing slightly better than in 2021 (when it finished in third place).

While the result is likely to be close, I think that distaste for the SNP administration, which has now been in power for 15 years, will prove a more powerful force than any disappointment with Keir Starmer's performance. I would therefore suggest that you bet on Labour emerging triumphant at the by-election.

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Jasper,
age 11

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Look to British stocks to lead the charge as the Magnificent Seven falter



A professional investor tells us where he'd put his money. This week: Gervais Williams, fund manager, The Diverse Income Trust, picks three favourites

Over the last decade, stockmarket returns have been excellent. Over the ten years to 22 April 2025, the Magnificent Seven soared by a factor of 21.6 in sterling terms. Good news, surely? Well, yes and no. High returns are wonderful. But when supersonic returns persist for years and years, they breed two deep-seated problems.

Firstly, they horribly distort investors' behaviour. Risk-seeking becomes ingrained. And when the music stops, the riskiest stocks suffer massive setbacks. Risk-seeking positions suffer giant, permanent losses of capital.

Secondly, outright winners often have a degree of similarity. Persistent success leaves the market littered with correlated positions. That doesn't matter on the way up, but at the peak, it does.

So what can market participants do? When the market's patterns change, we would argue that we all need to root out holdings that are somewhat correlated with the winners. We have a saying that when it comes to moments of change, make sure you change enough. So if the Magnificent Seven are over, where to go?

Our view is go for those with the opposite characteristics: not all-out cash-flow draining growth, but persistent expansion and bountiful cash flow. Not US-listed, but UK-quoted. Not mega cap, but multi cap, including small and micro caps. Fortunately, the Diverse Income Trust has a whole portfolio full of such companies. We think we are at the start of a new UK supercycle.

Profiting from protectionism

Globalisation may have supplied more of everything, but with protectionism, expect either intermittent shortages of regular lines, or, when a distant retailer goes bust, a market suddenly flooded with containers full of things sold off cheaply.

For retailers, all this stop/start will be a nightmare. Conversely, online category killers should have a disproportionate advantage. Their offerings can change hourly, and when they buy job lots, they can pass on the giant savings. Most shoppers aren't after a specific brand of new fridge, freezer, or bathroom basin. They want choice: great products at great prices, delivered the next day. In our view, both AO World (LSE: AO) and Victorian Plumbing (Aim: VIC) are set to expand and generate bountiful cash flow.



AO World, an online retailer of household appliances and electrical goods, is set for expansion

Defence spending, meanwhile, is set to rise, not on fighters or tanks, but on drones – loads of them. Development cycles will be short, incorporating all the latest technologies.

This will put defence control systems under pressure to keep up; they will need to be upgraded all the time. Concurrent Technologies (Aim: CNC) designs and supplies sophisticated defence computer boards. Over recent years the company has won a series of ever larger orders. In our view, this is just the start.

A winner in online gambling

Regulated online gambling is rolling out across major economies, such as the US. Competitors need winning games, and *Slingo* is one of the most popular. Gaming Realms (Aim: GMR), a UK-quoted micro cap, owns it.

Gaming Realms already has net cash on the balance sheet, with yet more cash piling up at an accelerating pace. During the mega-cap era, the problem was that some micro caps were just too tiny and hence too cheap for professional investors to consider. Yet when they start to appreciate, institutions suddenly discover them, and their share prices can swiftly rise dramatically.

“Most people aren't after a specific brand of new fridge or basin; they want choice”



Can Pope Leo plug the black hole?

The new head of the Catholic Church takes responsibility not just for 1.4 billion souls, but for a complex multinational business in deep financial trouble. Jane Lewis reports

"Habemus papam" – we have a pope – as the official Latin declaration goes. And "consistent with the Roman Catholic Church's recent penchant for political surprises", says Bloomberg, he is the first ever American to preside over the Holy See.

Cardinal Robert Prevost, 69, is a sports-loving Chicagoan turned Augustinian missionary, who served for many years in Peru. He is now pastor of a global flock numbering nearly 1.4 billion, not to mention head of a multinational business striving to shrug off centuries of opaque dealings and scandal, and plug a worrying black hole in its pension fund.

Although it is still early days, Pope Leo is widely regarded as a progressive in the mode of his predecessor, Francis I, who brought him to Rome and appointed him as a cardinal. In a possible nod to Trumpish bullying, the new pope marked his first press conference with a call to end "loud, forceful communication" and listen to "the voices of the weak". Previously critical of the administration's anti-immigration narrative, his appointment has met a backlash from the MAGA faithful.

The new pope certainly knows the territory, says *The Telegraph*. His brother, Louis, who lives in Florida, is an ardent Trump supporter. Another brother, John, is a retired schoolmaster who lives in Chicago. The three brothers grew up in Doulton, just south of Chicago, into "a family of Italian, French and Spanish origins", says *The Times*. Young Robert sang in the church choir and served as altar



"To understand Vatican politics, follow the US dollar"

boy – aspiring to the priesthood from a young age. After studying for a degree in maths in Philadelphia, he joined the Order of St Augustine in 1977 – eventually rising to become prior general of the worldwide order. "A quiet man and a good listener", during his time as a missionary in Peru, he also gained "a reputation for... efficiency".

Pope Leo will certainly need to deploy all his talents to tackle the Vatican's finances, says *Fortune*. The late pope "worked a near miracle" in his efforts to bring "transparency, competence and integrity to perhaps the most notoriously byzantine corner of the financial world". Francis pushed for "deep cuts" to tackle the Holy See's troubled finances – the Vatican budget, perpetually in deficit, had an annual operating deficit of more than \$90m in 2023. But there is still a long way to go.

The situation hasn't been helped by a series of alleged embezzlement scandals – recalling the bad old days of the early 1980s when financier Roberto Calvi "scammed" the Vatican Bank, then run by "the Gorilla" Archbishop Paul Marcinkus, and was later found hanging under London's Blackfriars Bridge. In the latest debacle, the Vatican lost about £100m after an enterprising cardinal overspent on a Knightsbridge property development. Other "unlikely" investments include funding the Elton John biopic *Rocketman*.

Deep mystery

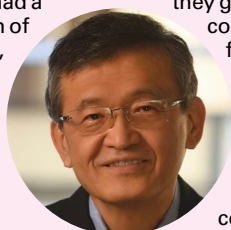
Despite attempts to improve transparency, the Vatican's finances remain "somewhat of a mystery", says Investopedia.

There's little doubt that the Church – which has a huge international property portfolio as well as investments in stocks and bonds – "has significant reserves", aided by a huge annual influx of donations. But it also has big, unfunded pension obligations. In short, "it's nearly impossible to gauge the financial health of the Holy See".

The issue of funding is what makes the new Pope's nationality, and apparent political leanings, so intriguing, says former Catholic Herald editor, William Cash, in *The Times*. At a time when the Church is "bitterly divided and facing deep financial woes", conservative American Catholics with deep wallets are jostling for influence. "This room could raise a billion to help the church," one VIP at a recent fundraising said. "So long as we have the right pope..." Over to you, Your Holiness.

Intel's new broom has work to do

US chipmaker Intel had a market capitalisation of \$500bn back in 2000, says *Lex* in the *Financial Times*. Today, it's about \$98bn – a "piteous decline". Hopes that this can be reversed under new CEO Lip-Bu Tan



(pictured) are not high. He is not even promising a return to Intel's golden age. "Far from it."

Intel has missed its own targets for years, but Tan's first quarterly earnings call set out "no ambitious numerical goals, and no quick fixes". He did vow to make "difficult decisions", but "things may get worse before

they get better for a company that has gone from \$20bn of net income in 2021 to five consecutive quarters of losses".

Intel's new boss, however, is "no stranger to comebacks", says *The Economist*. Tan, now 65, was born in Malaysia and brought up in Singapore, before moving to the US to study at MIT. He launched a venture-capital firm, Walden International, in 1987, which was among the first to back Asia's emerging chip industry, particularly in China and Taiwan. In 2009, he moved from

investing in companies to running one, becoming CEO of Cadence Design Systems, a struggling chip-design software firm "reeling from executive turnover and underwhelming products".

By the time Tan stepped down in 2021, Cadence's revenues had more than tripled and its shares were up 48-fold, three times as much as the index tracking the broader industry. Intel's investors, and its 110,000 employees, are hoping Tan can "repeat the feat".

Time is not on his side, says Dan Gallagher in *The Wall Street Journal*. The "once-flush" company has been "burning cash" since 2022. A deep shift in

Intel's business seems called for. The plan is for "more whacks at Intel's cost structure" – it cut its workforce by 13% last year but still employs far more people than its peers – and for "listening more closely to customers". That "may sound like corporate speak", but it's needed at Intel, where a legacy of technical success and dominance nurtured a culture of arrogance.

Trade tensions with China and the fact that Intel relies on handouts from the US state to fund new factories adds to the risks, but Tan is "not easily rattled", says *The Economist*. "He doesn't like to lose... Tan may yet earn his place alongside the company's greats."

The grande dame of Cannes

Hotel Barrière Le Majestic Cannes is the true star of the show, says Chris Carter

It's that time of year again. The stars of international cinema have arrived in the Côte d'Azur for the annual Cannes Film Festival. Over the coming days, the beautiful and famous will pose on the steps of the Palais des Festivals et des Congrès, where the festival is held. You can expect tuxedos to be worn tight and thighs to be flashed for the photographers. In the evenings, the warm air will resonate with the clinking of Champagne glasses and the sound of laughter and music against an elegant French Mediterranean backdrop. So, much like every year, then.

But while with each passing year new actors step onto the red carpet and the names of the award winners change, there is one lady who has been on the scene longer than anyone. She is the grande dame of Cannes, residing next door for almost a century on the glamorous seafront promenade known as La Croisette. Her name is Hotel Barrière Le Majestic Cannes, the doyenne of the French Riviera. She is the true star of Cannes and her beauty never fades. By tradition, many celebrities attending the festival stay here while in town and several of the famous faces framed on the walls of the corridors have been guests of the hotel.

As any leading lady of a certain age will tell you, looking good for decades takes constant care and attention – and the odd lick of paint. Architect and interior designer Isabelle Stanislas has overseen the refurbishment of the hotel's guest rooms and suites in sympathy with Le Majestic's authentic 1920s Art Deco styling. She has added blues and oranges to the palette, invoking the sea and the sand that lie just across the Boulevard de la Croisette, facing the hotel. My room, looking back at the sea, was elegant and spacious, with floor-to-ceiling windows that opened fully to admit the breeze. The black-and-white marble bathroom, just off the corridor leading from the bedroom, was huge for what is an urban hotel, with a separate bath and shower and products by Guerlain.

The guest rooms are certainly comfortable and as for the signature suites,



Hotel Barrière Le Majestic Cannes: a stylish, Art Deco affair

they are as impressive and glamorous as you would expect, with names on the doors including Christian Dior. The latter is the only suite in Europe to have been designed by the Paris fashion house, and if you didn't know, the brooding black-and-white pictures of Robert Pattinson and Johnny Depp hanging on the walls give it away. Dior have certainly made themselves at home, which is maybe not

surprising given that they occasionally use this considerable, sun-lit space, with its wraparound terrace balcony and sea-view backdrop, for photo shoots. You



"Fouquet's Cannes is a classic, if upmarket, Parisian-style brasserie"

could be forgiven for believing you were in the penthouse suite. But for that you need to ascend even higher – to the Majestic Suite, as it is so aptly named. It is palatial, with stairs that take you to your own private rooftop terrace and plunge pool overlooking the Baie de Cannes. It is just calling out for a festival after-party.

Grilled octopus by the sea

Le Majestic's main pool is also outdoors, on the ground floor, and it is heated all year round. It is a haven from the bustle of Cannes and an elegant spot, amid the red parasols and palm trees, in which to dip into your book – or to unwind, perhaps, after a day trip to beautiful Île Sainte-Marguerite, which you can reach by ferry. It was on this island that the ill-fated

Man in the Iron Mask, made famous by Alexandre Dumas, and then Leonardo DiCaprio, was kept in confinement in the 17th century.

Next to the pool is the restaurant Fouquet's Cannes, named for its famous Parisian sibling. It is a classic, if upmarket, brasserie. But the restaurant I really want to tell you about is *Ciro's Cannes*, located next to the beach. It opened as part of the hotel only last month, decked out to resemble the interiors of a vintage luxury yacht. Seafood is the speciality here, as you might imagine. I enjoyed a lovely starter of fresh, seasonal asparagus, dotted with queen scallops and orange (€27), followed by a fillet of sea

bream. That came with roasted artichokes and a light and creamy "sauce silhouette", made with chives (€38). Another menu highlight is the whole fish for two, baked in a salt crust and excavated at your table. *Ciro's Cannes* really is a sophisticated setting for a top-notch lunch by the sea.

Mademoiselle Gray, situated directly on the beach a little further along from *Ciro's Cannes*, is more casual in the way the Cannois only know how – seemingly nonchalant, yet tirelessly en vogue. This "resto" on the private Plage Barrière actually belongs to Le Majestic's four-star little sister Le Gray d'Albion and the food is everything you would want from a lunch on the sand, in the sun and next to the shimmering water of the warm Mediterranean. I recommend the octopus, grilled on the plancha, served with a rouille sauce (€42). It goes just perfectly with a glass or two of chilled wine. *La vie en rosé* – what could be more Cannes?

Chris was a guest of Hotel Barrière Le Majestic Cannes. From €585 in May, hotelsBarriere.com/cannes/le-majestic

A blast from the past

Coventry-based Boreham Motorworks has revived a true classic in the Alan Mann 68 Edition

In 1968, a bubble-arched Alan Mann Group 5 Ford Escort won the British Saloon Car Championship. It is arguably the most iconic Ford Escort of all time and only six were built, says Ollie Marriage in Top Gear. Alan Mann's son, Henry, now runs the successful Alan Mann Racing (AMR) operation, which is now owned by DRVN, a British automotive design and engineering company. Through another of its brands, Boreham Motorworks, DRVN has become Ford's official partner for restomods and recreations and that has resulted in the creation of the new Alan Mann 68 Edition.

Boreham Motorworks took the very car that Frank Gardner drove to win the championship, stripped it down and scanned every component to reverse engineer it exactly as it was. A few subtle changes have been made – a rollcage has been added and the gold paint isn't quite as rich and deep as the original due to the

omission of lead. But otherwise, "the new car is indistinguishable from the old".

Same old Twin Cam

The engine is still the same, period-correct 1.8-litre Lotus Twin Cam, developing 205bhp at 8,000rpm. "Wow, it's noisy," says Henry Catchpole in Evo. "It's easy to forget what a total lack of sound-deadening means if you haven't been in a race car for a while, but the Twin Cam sounds like it's right in the cabin with you, angry and aggressive like a quartet of hornets fighting on a metal drum." Don't be shy. "Give it more revs, more noise than perhaps feels natural as you let in the weighty clutch... At just 795kg dry [weight], you have a car that will respond instantly and with a lovely lack of inertia, so it feels light in its movements, yet at the same time there is a lovely weightiness... to the way you make it move." In other words, it feels "raw, like it should be", says Piers Ward in Car

magazine. On the track, there is a great "roll through the bends... It's got loads of grip and a real sense of what's going on underneath, with none of the idiosyncrasies of some historic racers. It's got character... [but] it's not intimidating to drive".

Those used to driving classics cars will "immediately fall in love, because the car feels so durable and beautifully executed", says Matt Bird on Pistonheads. There are "cheaper routes into classic motorsport, though it isn't hard to see why a package that includes assistance from such a storied name as Alan Mann might appeal to those with pockets (and memories) deep enough".

The 68 Edition, of which 24 will be built, will reward "their investment, not just with painstaking attention to period detail, but also [through] the uniquely thrilling driving experience". Don't be surprised if all 24 examples are "spoken for very soon".

£300,000, borehammotorworks.com



Wine of the week: three great-value reds from Piemonte

2024 Barbera d'Alba, G.D. Vajra, Piemonte, Italy



Matthew Jukes
Wine columnist

£25, hedonism.co.uk;
£25.95, nywines.co.uk

G.D. Vajra is a legendary estate in Piemonte. Every year for the past decade, I have published an in-depth report on the wines from this awe-inspiring region, and this winery inevitably features heavily. Earlier this month, the new 2021 Barolos were released, and I must say that Coste di Rose, Ravera and the jewel in the crown, Bricco delle Viole, were all spectacular. I urge you to track them down if you adore top-flight Barolo. These are, admittedly, dear wines, but alongside the starry Barolos, you can enjoy Vajra's epic winemaking

at a much more affordable price and all three of my recommendations this week sit between £20 and £30. With each wine showcasing a different grape variety, it is not one or the other you are after, but the complete trio!

My headliner is gloriously pure and resonant with blackberry fruit, a sleek chassis and spectacular cleansing acidity. It is about as enjoyable as the barbera grape gets! Next, 2023 Dolcetto



d'Alba G.D. Vajra (£21.95, nywines.co.uk; £23.49, thewinereserve.co.uk) is a more linear, grippy and energetic wine with a plummy theme and a haunting rose-petal and violet perfume. Drink it slightly chilled for maximum drama. Finally, the "baby Barolo" is made from the region's star variety, nebbiolo. The 2023 Langhe Nebbiolo G.D. Vajra (£27.50, valvonacrolla.co.uk; £28.25, nywines.co.uk) is sheer heaven and it is drinking now.

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

This week: properties for around £1m – from a Grade II-listed former watermill in Torpoint, Cornwall, to



► **Pointwell Mill, Coggeshall, Colchester, Essex.** A period property with meadows, an orchard, and a swimming pool with a pool house containing a kitchen, sitting room and bedroom. The house has exposed beams, French doors and a kitchen with an Aga. 4 beds, 2 baths, 2 receps, study, conservatory, 5.7 acres. £1.1m Strutt & Parker 01245-254600.



► **Hornton Street, Kensington, London W8.** A two-bedroom apartment in a Victorian house just moments from Kensington High Street and the green spaces of Kensington Gardens and Holland Park. It has wood floors and a fitted kitchen with a separate breakfast room. 2 beds, bath, recep, share of freehold. £1m Dexters 020-7313 3600.



► **Cobland Mill, Torpoint, Cornwall.** A Grade II-listed former watermill in a secluded valley just 600 metres from the coast with a one-bedroom cottage and detached studio accommodation. It has exposed beams, vaulted ceilings, inglenook fireplaces, and a large kitchen with an Aga. 5 beds, 3 baths, 2 receps, wine cellar, outbuilding with workshop, gym and glasshouse, gardens. £985,000 Rohrs & Rowe 01872-306360.



to a two-bedroom apartment close to London's Kensington High Street



▶ **Hopside Farm, Horsley, Newcastle upon Tyne.** A restored 1840s former farmhouse with a courtyard, a converted two-bedroom cowshed with an open-plan sitting room, dining room and kitchen, and a separate home office. The house has wooden floors, a sitting room with an open fireplace with a wood-burning stove, and a dining room with a cast-iron fireplace. 4 beds, 2 baths, 2 receps, office and games room, garage, gardens, 0.29 acres. £1m **Finest Properties** 0330-111 2266.

▶ **The Old Rectory, Hayton, Wigton, Cumbria.** A Victorian former rectory dating from 1861 set in open countryside with views across the Solway Coast. It has open fireplaces with wood-burning stoves. 6 beds, 3 baths, 2 receps, breakfast kitchen, office, 2-bed annex, gardens, 1 acre. £1m **Fine & Country** 01228-583109.



▶ **North Pallant, Chichester, West Sussex.** A renovated Grade II-listed Georgian house in a popular area of the town. It is surprisingly spacious given its narrow exterior and has oak floors, panelled walls, ornate radiators, a bespoke handmade kitchen and a large open fireplace. 2 beds, 2 baths, 2 receps, mezzanine sitting room, dining kitchen, gated garage and parking, walled garden. £1.15m **Hamptons** 01243-884307.



▶ **The Malthouse, West Beckham, Holt, Norfolk.** A renovated Grade II-listed 1680s property that was once the malt house of Morgans Brewery. It has a self-contained annexe, double garage and barn set in gardens enclosed by brick-and-flint walls that include a loggia and terrace for outside dining. The house has Norfolk pamment flooring, an oak staircase, open fireplaces and a handmade kitchen with an Aga. 4 beds, 4 baths, 3 receps, study, 1-bed annexe, barn, 0.36 acres £1.05m **Savills** 01603-229229.



▶ **Chapel Row, Hotwells, Bristol.** A restored five-storey Grade II-listed 1720s Georgian townhouse close to the harbour with views over Dowry Parade. It retains its original floorboards, open fireplaces, and elegant staircase. It has a walled garden, a herb garden and secure parking with lockable rear gates. 4 beds, dressing room, 3 baths, 2 receps, library, games room, kitchen, breakfast room, wine cellar. £1.05m **Inigo** 020-3687 3071.

The Earthrise photograph

Photos from the dawn of space travel continue to sell, says Chris Carter

On Christmas Eve 1968, astronauts Frank Borman, James Lovell and William Anders were inside the Apollo 8 space module, flying around the Moon. As they made their fourth pass over the far side, they saw something that they hadn't anticipated, but perhaps should have expected – they saw the Earth “rising”.

Anders grabbed the camera. “Hey, don't take that, it's not scheduled,” Borman scolded. He was right. It was photos of the Moon they were supposed to be taking. But Anders ignored him and told Lovell to hand him some film. “Hurry. Quick,” he pleaded. By the time Lovell had found the film, the Earth had disappeared from view. “Well, I think we missed it,” said Anders. Seconds passed. Then, Lovell said, “Hey, I got it right here”. Anders rushed over to the other hatch window, pointed his camera at the Earth and snapped away. “Got it?” asked Lovell. “Yep,” said Anders.

Anders had taken one of the most famous photos in history – the Earth, partly in shadow, rising over the lunar horizon (pictured). Life magazine included it in its list of 100 photos that changed the world and Newsweek declared the start of “The Moon Age”, with this photo on its cover. “That was the most beautiful thing I'd ever seen – the Earthrise,” Anders said later.



The Overview Effect

Many astronauts who have followed Anders into space have described similar feelings. “Seeing Earth from space gives you a sense of awareness and understanding as to our place within the solar system, the

Milky Way and even the universe,” writes Britain's Tim Peake in *Ask an Astronaut*.

The phenomenon is called the “Overview Effect”. It is “a cognitive shift in awareness while viewing Earth from orbit of the lunar surface”, writes Peake. “I certainly gained a new perspective of, and appreciation for, our small and fragile home,” he says.

Last month, Bonhams Cornette de Saint Cyr in Paris

dedicated its auction sale of space-themed photographs to Anders, who died, aged 90, last June. At the same time as the sale, scientists working with data from the James Webb Space Telescope reported with 99.7% certainty that a planet 124 light years away contains a gas in its atmosphere that on Earth is only produced by living organisms. It could well be our first “glimpse” of extraterrestrial life – probably something similar to algae. Excitable headlines followed.

But for collectors, it's snapshots from the dawn of space exploration, when space told us as much about ourselves as about the unexplored universe, that captures their attention. Many of the lots exceeded their pre-sale estimates, including one print of Anders' *Earthrise*, which fetched €12,800.

“Seeing Earth from space gives you a sense of our place in the solar system”

A memento of time in space

Russell “Rusty” Schweickart, who had flown on Apollo 9, was among the astronauts to receive an 18-carat gold Omega Speedmaster Professional wristwatch (pictured) from the watchmaker at the Hotel Warwick in Houston on 25 November 1969. The other 25 went to the astronauts who had walked on the Moon and to those whose space missions had helped them to get there. Another two watches – those numbered one and two – were offered to president Richard Nixon and vice-president Spiro Agnew, who refused them – they can be found in the Omega museum. Otherwise, the lower the number of the watch, the longer the recipient had worked with Nasa, so watch number three went to Alan Shepard, the first American in space, while Neil Armstrong, the first man on the Moon,



received watch number 17. Schweickart's watch was number 25 as is engraved on the back with his name and the words “to mark man's conquest of space with time, through time, on time”.

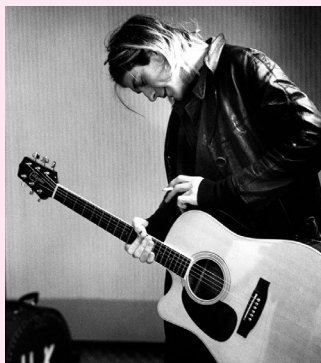
Schweickart wore the watch until he witnessed an accident in which a fellow pilot caught his wedding ring while getting out of an aeroplane. After that, Schweickart stopped wearing jewellery. The watch then sat in a drawer for half a century.

“Frankly... I lost track of it for a long time,” he says and presumed it was lost until he found it earlier this year. That watch is now heading for sale with Heritage Auctions in Dallas on 3 June. The auction house has declined to say how much it expects the watch to fetch, but with a while to go before the sale, the leading bid online at the time of writing was an impressive \$125,000, including the buyer's premium. It will no doubt sell for far more than that.

Auctions

Going...

A 1989 Takamine FP360SC (LH) acoustic electric guitar, played by Kurt Cobain of Nirvana (pictured with Cobain), during a recording session on 25 November 1991, has the highest pre-sale estimate of the many guitars that are featuring in Julien's Auctions sale on 30 May. The session took place in Hilversum, in the Netherlands. Because the band was due to play a gig that evening, the instruments Nirvana used for the recording session were rented. The Japanese Takamine guitar still has its H.V.K. Music (Herman Van Keeken) sticker affixed to the back of the headstock. It is expected to sell for up to \$500,000.



Gone...

A prototype Ibanez “Limited Edition” walnut and maplewood electric guitar, that had been made in Japan in around 1978, and owned by Jeff Beck, was among the most expensive guitars at The Guitar Sale held by Wiltshire-based Gardiner Houlgate in March. It sold for a hammer price (excluding fees) of £10,000. Several guitars owned by Beck, who died in January 2023, have been appearing at auctions this year. In January, a dedicated sale of 120 guitars, amps and pedals, held by Christie's in London, raised £8.7m in total. The top lot was a 1954 “Oxblood” Gibson Les Paul guitar, which sold for almost £1.1m, including the premium.

Bridge by Andrew Robson

Seventeen-count game

Dealer South

Neither side vulnerable

♠ 2
♥ Q97
♦ KQ82
♣ AQJ82

♠ Q75
♥ 102
♦ J1097543
♣ 10

N
W E
S

♠ AJ9643
♥ AJ8
♦ A
♣ 964

♠ K108
♥ K6543
♦ 6
♣ K753

The bidding

South	West	North	East
1♠		2♣**	3♥
4♠***	Dbl* end		

- * Might overcall Two Clubs – a matter of style. Ten years ago I would have doubled; now the lack of a fourth Heart inclines me slightly to the Club overcall. If the opponents bid and support Spades, I can always double (for take-out) next time.
- ** With preemption in mind.
- *** Who knows who is making what? South tries (and succeeds) in frightening East-West out of the auction.

West began with the King of Diamonds, declarer winning and leading a Club. West won and switched to his singleton Trump to cut down ruffing in dummy (this looks best, but in fact the only return to beat the game is a second Club, interrupting declarer's timing). Declarer beat East's ten with the Knave and ruffed a Club. He then advanced the Knave of Diamonds.

Ruffing the Diamond at the cost of a Trump trick would not have helped East, so he discarded (a Club). Declarer threw a Heart and West won the Queen, switching at the next trick to a Heart (best at this point). Declarer beat East's King with the Ace, ruffed his last Club then advanced the promoted ten of Diamonds.

If East had discarded, away would have gone declarer's remaining Heart loser. But ruffing (as East chose to do) worked no better. Declarer overruffed (he could equally well have thrown his Heart), cashed the Ace of Trumps felling East's King, and merely conceded a Heart to West's Queen. Ten tricks and game made – on a combined 17-count.

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

Sudoku 1260

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

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

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moneyweek.com

Caper's Quick Crossword No.1260

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 26 May 2025. By post: send to MoneyWeek's Quick Crossword No.1260, 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.1260 in the subject field.



TAYLOR'S PORT

1		2		3		4		5		6		7
8								9				
10						11						
12		13					14	15				
						16						
17				18				19		20		21
22						23						
24						25						

Across clues are cryptic and down clues are normal

ACROSS

- 1 Bucket clergyman put in Triumph (7)
- 5 Jelly and smoked perch - Irish cook's starters (5)
- 8 Biased dismissal of top craftsman (7)
- 9 Island primarily grows organic fruit (5)
- 10 Alarm Father Brown finally (5)
- 11 Draw reserves around extended area of land (7)
- 12 Hastily mend an old paving stone (6)
- 14 Pitman trimmed shepherd's companion? (6)
- 17 Fuss made about sailors and a very strong wind (7)
- 19 Being keen, start to strum string instrument (5)
- 22 A model backed Greek author (5)
- 23 Sub-standard rocket? (7)
- 24 Returning Parliament restricts correspondence (1-4)
- 25 Stone city in Oz? (7)

DOWN

- 1 Schemes (5)
- 2 Go in (5)
- 3 Store for arms (7)
- 4 Four-wheeled carriage (6)
- 5 Confess (5)
- 6 Electronic game with flippers (7)
- 7 Chuckle gleefully (7)
- 12 Rural dwelling (7)
- 13 Coffee maker (7)
- 15 Watch (7)
- 16 Detest (6)
- 18 Shock (5)
- 20 Leader of Cub Scouts (5)
- 21 Pleased with oneself (5)

Name

Address

email

Solutions to 1258

Across 1 Chelsea *Che LSE A 5* Rioja *Rio ja* 8 Steering wheel *anag minus F9* Eat *alternate letters* 10 Pantomime *Pan Im in Tome* 12 Teaser *T ease R* 13 Assist *Bassist minus B* 16 Eye-opener *Eye and Opening batsman* 18 Aft *Raft minus R* 20 Constellation *Anag of sent in Collation* 22 Enter *Hidden in both* 23 Retreat *2 defs.* **Down:** 1 Caste 2 Electra 3 Scrapheap 4 Awning 5 Row 6 Obeli 7 Ailment 11 Observant 12 Treacle 14 Imagine 15 Antler 17 Ernst 19 Tenet 21 Tor.

The winner of MoneyWeek Quick Crossword No.1258 is: Sue Burroughs of Shrewsbury.

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



Who screwed the economy?

The answer is blowin' in the wind



Bessent: just as much a master of the gimmick as his predecessors



Bill Bonner
Columnist

In the hills around Gualfín, in Argentina, where we own a ranch, unwed mothers are the rule, not the exception. The father, say the locals, was “the wind”. And so a strong breeze must have blown across the Potomac when the inflation of 2021-2022 was sired. Democrats and Republicans point their fingers at each other. Democrats look at the inflation numbers and see a strong likeness to Donald Trump. It was he who was in the White House at the moment of conception, they say. And everyone knows how he fooled around. Republicans, on the other hand, were sure that their man had nothing to do with it. It happened on Joe Biden’s watch, when Trump was as chaste as a choirboy, they say.

Meanwhile, the wind blows, from every direction. Scott Bessent, the Treasury secretary, reassured investors at a Congressional hearing recently: “The United States government will never default. We will raise the debt ceiling, and the Treasury will not use any gimmicks”. No gimmicks? Raising the debt ceiling does not put a single extra penny in US coffers. But it allows the feds to print more money. How’s that for a gimmick? And what do you

call it when you lower your own debt by inflating the currency in which it is denominated? A gimmick – or blame the wind?

Many are those who complain about the Trump team’s “disruptions”. But what we see – at least in the things that really matter – is continuity. All the usual gimcrackery and balderdash, that is. Even the gimmicks remain the same. One minute Trump is claiming that the slowdown in the US economy wasn’t his fault, but Biden’s. The very next day, when word came that more new jobs were created than expected, Trump decided that

“What we see in Trump is continuity”

maybe the economy was his after all. The political factions take credit when they can, and when policies inevitably lead to trouble, they deny paternity.

Trump was hoping that the Fed would pull his favourite gimmick out of the hat. He urged Jerome Powell, the central bank chief, to lower interest rates. Lower short-term borrowing rates don’t really make firms stronger or more profitable. They can have the opposite effect, luring corporate executives to take on too much debt, or misleading them with sales figures based on runaway credit. But the gimmick works in the stockmarket: prices

usually go up. Powell, however, driven into a corner by Trump’s bullying, is unlikely to lower rates now, as it would be seen as capitulation to pressure from the White House.

As for the job numbers, they come with their own gimmicks and miscues. Suppose Trump decreed that everyone had to be employed and that those without jobs would be given shovels and told to dig. The unemployment rate: zero. Would that be a good thing? Of course not. It depends on what people are doing and what they are getting in compensation. “Employment” suggests you are contributing to the support of yourself and your community. But many of those counted as employed are part-time or gig workers in low-pay industries. More than half of American workers don’t earn enough to support themselves.

And now the federal budget – the “big, beautiful bill” – is working its way through Congress. Talk about gimmicks! The Republicans talk about “cuts”, but if there are any, they are offset by spending increases. It is a budget much like the others that have come along this century. Too much spending. Too little income. The country will go broke. The baby daddies in Washington will blame “the wind”. And we’ll all be screwed.

For more from Bill, see bonnerprivateresearch.com

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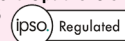
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