NEWS *P10*
A balancing act for Rachel Reeves

BLOGS *P19*
Why populist politicians have prevailed

PLUS
The French queen's diamond
COLLECTABLES *P40*

MoneyWeek

MAKE IT, KEEP IT, SPEND IT

13 JUNE 2025 | ISSUE 1264

Down and out?

The exodus from London's stockmarket

Page 4

MONEYWEEK
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From the editor...

"A billion here, a billion there, and pretty soon you're talking real money," US senator Everett Dirksen noted in the 1960s. Today real money is measured in trillions. It is hard to fathom such figures, so think of it this way. A trillion minutes ago was 1.9 million years ago; we were living in caves. Britain is £2.8trn in debt.

And the growth of the debt pile is accelerating. In March 2024, the Office for Budget Responsibility estimated that £323bn would be borrowed over the next five financial years. In March 2025, that figure was £524bn. We are already spending £105bn on servicing our borrowings. That puts the public-sector investment budget – £113bn for the rest of this parliament– announced by chancellor Rachel Reeves on Wednesday (see page 10) into perspective. Day-to day expenditure will climb by £190bn over the next three years, the biggest jump in real-terms spending since 2000.

Around 40,000 jobs have been lost in the construction industry in the past year

"A government AI tool to help planning officers shows that the system is too complicated"

Controlling the narrative

It may have been Labour's first spending review in 18 years, but it was overshadowed by a sense that the government is not in control of the narrative and seems unlikely to solve our productivity and growth problem. The U-turn on the winter fuel payment, for instance (see page 8), will cost the relatively trivial sum of £1.5bn, but bond investors will have noted that the government can't even get a small cut past the backbenches – and will wonder just how secure spending commitments outlined this week really are.

That fuels the suspicion that the government will roll over like a Labrador wanting its tummy tickled when it comes to future confrontations with unions. Last year's public-sector pay rises were not accompanied by any promises to boost productivity, which bodes ill for any further industrial action by junior doctors.

Productivity is especially dire in the health system. The Institute for Fiscal Studies notes that between the first halves of 2019 and 2024, the number of consultants, resident doctors and nurses or midwives rose by a respective 19%,32% and 22.9%. But treatment volumes only rose very slowly, with emergency admissions, elective admissions and outpatient appointments up 2%, 9% and 12% respectively. Where will most of the spending review's money go? On the NHS. And while the promotion of nuclear energy is welcome as it presages lower energy costs (although there is no good news yet for North Sea oil – see page 25) – there is little evidence of a concerted effort to loosen planning laws (see page 28). Keir Starmer has announced "a government-built AI tool that will help planning officers cut red tape". This is both an admission that the planning system is too complicated and a plan to make it more so. Then there is investment. As we noted last week, giving UK pension funds an incentive to stock up on equities would help stem the exodus from the London stockmarket (see page 4) and would be likely to provide them with better returns than herding them into risky private-equity investment.

Note too that the latest employment figures are showing signs of strain from the rise in national-insurance contributions and the National Living Wage. This helps explain why there are 40,000 fewer workers in construction now than a year ago. As journalist and broadcaster Andrew Neil notes on X, this calls into question the government's target of building 1.5 million new homes. The narrative is unravelling, and the story won't end well.

Andrew Van Sickle
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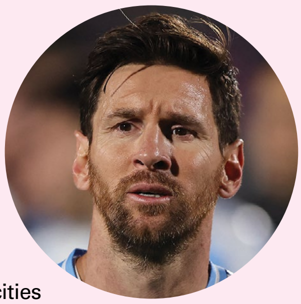
Fifa's own goal



Even Lionel Messi (pictured) can't draw in the punters for Fifa's newest tournament, the Club World Cup, says Martyn Ziegler in The Times. The revamped 32-team competition, which is being held across 11 cities in the US, has struggled to spark the interest the world football governing body had hoped for, forcing Fifa to slash ticket prices to fill thousands of seats. The cheapest tickets for the opening match between Messi's Inter Miami and Egypt's Al Ahly tomorrow have been cut from $349 in December to $55.75. Dynamic pricing changes ticket prices based on demand, and the low prices indicate the lack of interest from fans. Meanwhile, revenue for the Women's Super League clubs surged 34% year on year for the 2023-2024 season to £65m, as all 12 clubs generated over £1m for the first time, thanks to higher commercial revenue, says BBC News. Although total pre-tax losses grew to £28m from £21m, revenue is forecast to top £100m this season.

Good week for:

Author **Bernardine Evaristo** has won the Women's Prize for Outstanding Contribution for her entire body of work, a one-off award to mark the 30th anniversary of the Women's Prize for Fiction, says BBC News. The author of *Girl, Woman, Other* and *Mr Loverman* says she plans to donate the £100,000 prize money to a project to support other women writers.

Men's tennis world number one **Carlos Alcaraz** (pictured) came from two sets and three championship points down to beat Italy's Jannik Sinner in the French Open final in Paris, winning his second consecutive title, says Sportico. The 22-year-old Spaniard bagged €2.55m in prize money, taking his career winnings to $44.7m.

Bad week for:

Andrea Pignataro, founder of financial data and software firm ION Group, has reached a deal with Italian tax authorities to pay €280m to end an investigation over tax evasion, says Bloomberg. Prosecutors in Bologna had sought up to €1.2bn, but he will instead pay the reduced amount over five years. Pignataro claims residency in Switzerland and most of ION's business is in Britain. However, officials say he must pay taxes in Italy because his family lived in the country. The agreement was not an admission of guilt, a legal representative for Pignataro said.

Criminals stole £47m from **HM Revenue & Customs** last year after accessing around 100,000 taxpayers' accounts, amounting to 0.2% of pay-as-you-earn (PAYE) workers, during a phishing attack, says the Financial Times. The criminals had appeared to "masquerade" as taxpayers, the agency disclosed only last week, earning it a rebuke from MPs. HMRC is writing to those taxpayers who are affected.

The stampede out of London continues

Alex Rankine
Markets editor

The decline of London's stockmarket is starting to look "terminal", says Ben Marlow in The Telegraph. Payments giant Wise has decided to shift its primary listing from London to New York just four years after first floating in the capital. Wise is that rarest of things: a London-listed tech disruptor shaking up the "cosy" banking club that once dominated international currency exchange. Its loss is a "blow" that risks turning the trickle of firms out of London into an "unstoppable stampede".

Wise will maintain a secondary listing in London, but boss Kristo Käärmann argues that "we kind of have to accept the reality of where the world's capital is concentrated", reports John-Paul Ford Rojas for This is Money. The bad news just keeps piling up for London, with metal investor Cobalt Holdings pulling a planned $230m listing that had been expected to be the largest of the year. The London Stock Exchange officials' hopes of a big listing from Shein are also receding as the fast-fashion group turns its sights towards Hong Kong.

©Getty Images

The City seems well populated... but for how long?

An unwise decision

Wise's abandonment of London may not be all that wise, says Karen Kwok for Breakingviews. Low valuations, one classic London gripe, doesn't apply in this case. On 29 times consensus 2027 earnings, Wise actually trades at a premium to comparable US-listed firms. Käärmann argues that a US listing will boost his firm's role in America, but unlike some other recent FTSE departures Wise makes only a fifth of revenue stateside, less than it derives from Europe or Asia. Research by New Financial finds that only 44% of European "pond-hoppers" go on to beat the performance of their home continent. Wise risks joining the ranks of those starry-eyed businesses that list in New York only to be ignored in America's crowded marketplace.

A key motivation may be to do with maintaining control. America is friendlier than Britain to dual-class share structures that allow company founders to maintain disproportionate voting rights. UK rules left Wise "ineligible for inclusion in the FTSE 100 benchmark", according to its current articles of association, says Bloomberg.

Wise's departure marks a sad end to the "disastrous" 2021 vintage of tech listings, which included Deliveroo ("dubbed the worst IPO in London's history") and two other firms that subsequently entered administration, say Ashley Armstrong and Suzi Ring in the Financial Times. London suffered the "worst year for departures since the financial crisis" last year and 2025 shows no signs of bringing any relief.

But talk of the London market's demise is "exaggerated", says Oliver Shah in The Times. Shares in more traditional sectors such as banking, leisure, energy and specialist industrial groups continue to perform and raise capital. London's glaring weakness is in tech, where it struggles to compete with the US. There is much talk of relaxing stock-exchange rules to help, but "stockmarkets reflect underlying economies"; Britain's long-stagnant GDP leaves our firms "sailing on... seas of blandness". To save the stockmarket, the government must first make Britain an economy that encourages entrepreneurship.

Why are investors leaving profits on the table?

An anomaly in Hong Kong interest rates shows that all is not well in global financial markets, says Robin Harding in the Financial Times. The Hong Kong dollar (HKD) is pegged to the US dollar in a narrow range between HK$7.75-HK$7.85. It has strengthened recently as investors flee the US, forcing officials to flood the market with liquidity. That injection has pushed short-term interest rates in the city close to zero – much below the 4%+ available in the US. This creates a classic "arbitrage" opportunity; traders can borrow at cheap rates in Hong Kong and use the funds to earn a fat yield in the US. Arbitrage should swiftly close the yield gap, yet it has persisted for more than a month, a "bizarre" anomaly.

©Getty Images

There is a classic arbitrage opportunity in Hong Kong dollars

Why are the world's hedge funds passing up the opportunity to earn easy money? Many are nursing losses from last month after the Taiwanese dollar spiked unexpectedly against the greenback, causing a similar trade to blow up, says Shuli Ren on Bloomberg. Yet Hong Kong's peg to the dollar should give them peace of mind. The lessons to take away for investors? First, there is still real nervousness about buying into US assets. Second, Hong Kong's long-standing peg to a country thousands of miles away looks increasingly "archaic".

Many have predicted the demise of the Hong Kong dollar peg ever since it began in 1983. Yet as Camille Macaire and Marie-Élisabeth de la Serve note in a Banque de France bulletin, the peg has shown "remarkable resilience", weathering multiple crises and Hong Kong's profound structural shift from an industrial economy to global financial centre. The credibility of the peg ultimately rests on "strong political will", as shown during the 1997 Asian financial crisis when Hong Kong chose to let property prices plunge 50% rather than jeopardise the link to the US dollar.

Why platinum is outshining gold

Gold's 26% rally has made it a star turn this year, but now it's being upstaged. Silver has leapt 10% since the start of June, while platinum (up nearly a third in 2025) hit a four-year high this week above $1,220 an ounce. Gold prices have made 24 record highs this year, so the search is on for more affordable stores of value, says Karishma Vanjani in Barron's. Demand for platinum jewellery surged 50% year-on-year in China in the first quarter.

Platinum has often traded at a premium to gold, but since 2014 the yellow metal has been "king", says Andrew Bary in the same publication. Platinum still trades at a big discount to gold's $3,325/oz, but years of underperformance could be coming to an end. About 40% of demand for platinum comes from catalytic converters for internal combustion engines, which look less moribund than a few years ago as electric-vehicle uptake stalls.

On the supply side, half of mined platinum comes from South Africa, where output is falling as "old, deep, and expensive" pits slowly become less productive. Global mined platinum supply is set to fall 5% this year, says Joseph Hoppe in The Wall Street Journal. That puts the platinum market on course for a third successive year of deficits (when global demand outstrips supply). While the metal can also be sourced from old engine parts, such recycling is still progressing only slowly because of "a shortage of end-of-life catalytic converters".

Mexico's bold experiment

Mexico is about to become "the first country in the world where every judge on every court is chosen by popular vote", says The Economist. Judicial elections this month attracted little attention, with just 13% of voters turning out. Yet the implications could be far-reaching, with the contests overwhelmingly won by candidates with links to Morena, the left-wing ruling party. Supporters argue that reform is needed to root out corrupt judges. Opponents say that politicised judges remove the last meaningful check on the government of president Claudia Sheinbaum, which already commands congressional super-majorities.


©Getty Images
President Claudia Sheinbaum is consolidating power

A perfect dictatorship

Writer Mario Vargas Llosa once dubbed Mexico the "perfect dictatorship". Despite regular elections, the Institutional Revolutionary Party (PRI) exerted such dominance that the country was effectively a one-party state for much of the 20th century. Democracy took root after the PRI lost power in 2000, but now the country may be reverting to type as Sheinbaum consolidates power. Investors don't appear to be worried. The local Mexbol stock index has gained 17% this year and hit a record high last month. Sheinbaum has defanged "Trump's threats on trade", says Craig Mellow in Barron's. To general surprise, the "cerebral engineering Ph.D." has proved a canny orchestrator of "drug-war theatrics", dispatching army helicopters to blow up drug laboratories and handing dozens of "cartel capos" to US authorities.

Mexican shares still trade on a reasonable 12.2 times forward 12-month earnings, cheaper than the ten-year historical average of 13.6, say Kelsey Butler and Vinicius Andrade on Bloomberg. Latin American shares have spent the past decade struggling amid weak commodity prices, a strong US dollar and fractious politics, says Dan Lefkovitz for Morningstar. That left the region deeply out of favour, yet perhaps the rush for the exits was a "contrarian indicator". The Mexican peso is up 9% against the US dollar this year. At a time of global trade uncertainty, investors appreciate the "defensive" nature of Mexican stocks, which boast "strong balance sheets" and are biased towards "steady" segments such as consumer staples.

For all the trade squalls, Mexico's proximity to the United States still gives its manufacturers a "near-shoring advantage", adds Mary Anastasia O'Grady in The Wall Street Journal. But in the long-term, "terminating the independent judiciary" will come at a "high cost". Foreign capital will be much warier of investing in a country where the legal system acts as a "subsidiary" of the government rather than an impartial enforcer of the law. Without credible contracts and property rights the path to prosperity becomes much more difficult.

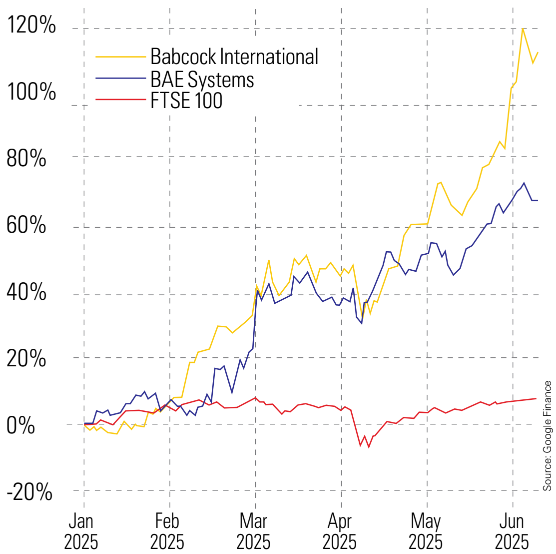
Viewpoint

"Investors prefer a simple story – and today's is that US exceptionalism is dead... That might be an overreaction... Investors... have a tendency to extrapolate and overweight near-term negatives... I wouldn't count on the president undermining the... advantages from which America continues to benefit. First, demographics. Unlike most big economies in the world, the US has a growing workforce... between now and 2050, the US labour market is... expected to grow at 0.2% a year. That compares with a fall of 0.6% a year in Europe and 1% in China... Second, corporate profitability... margins have doubled in the US since the financial crisis. Third, energy security. America... was a net energy exporter by 2019 thanks to shale. Fourth, the size of [the] domestic market... US exceptionalism was built over decades; it will not crumble in a matter of months."

Tom Stevenson, The Telegraph

A bright spot in a dull market

UK defence shares vs. FTSE 100



Defence companies are a rare bright spot in the FTSE 100 as European governments raise defence spending. Shares in Babcock International have more than doubled to an eight-year high in 2025 after Keir Starmer unveiled plans to build up to 12 new attack submarines. German armaments makers have done even better, with shares in Rheinmetall surging 185% as Friedrich Merz's new government prepares a major boost to military spending. The war in Ukraine has forced Europe to invest in deterrence and highlighted an urgent need for new artillery and drone production, says Nicolas Owens on Morningstar. Over the next decade, "we see $200bn in increased funding for research and development and military procurement" across Nato.

Long delays at Wizz Air

Trouble with engines has grounded planes and dented profits, preventing the group from fulfilling its potential. Matthew Partridge reports

Shares in budget airline Wizz Air slid by almost a third last week after it revealed that problems with its Pratt & Whitney engines had grounded a fifth of its aeroplanes, says Jessica Clark in This is Money. The stock is now down 80% from its 2021 peak.

Wizz Air said earnings had slumped by nearly 66% from £369m to £141m in the year to 31 March because more than 40 aircraft were out of action. Wizz Air also continues to be affected by conflict in Ukraine and Israel, two "key markets".

These "twin calamities" have hobbled Wizz Air's profitability in the short run, says Robert Lea in The Times. Wizz Air would have "slumped into the red" had it not been for €300m of compensation from Pratt & Whitney, and it is still reeling from the "sheer cost of keeping staff on the payroll while not being able to keep them as busy as the airline would like".

The company is so uncertain about the future that it is refusing to issue any forward guidance and is cutting fares to keep attracting passengers in what is traditionally the lucrative summer season.


The budget airline's shares have slid 80% in four years

©Wizz Air

A silver lining in the clouds

Of course shareholders are irritated, says Charles Stanley's Garry White. Wizz Air's final earnings figures were even worse that those predicted during the second profit warning issued in January. However, if you look at the details, rather than just the headlines, the underlying tone of the statement was surprisingly optimistic.

After all, despite its many challenges, the airline is still making money. What's more, both Wizz Air's financial and operation figures are likely to improve as the number of grounded aircraft start to fall in both absolute and relative terms as the financial year progresses.

The fact that low-cost airlines are still experiencing "resilient demand and dominance" in central and Eastern Europe gives Wizz Air plenty of potential growth in the longer term, says eToro's Adam Vettese, especially when you take into account Wizz Air's "modern, fuel-efficient fleet". Combine this with the fact that it now trades at a much lower price/earnings (p/e)ratio than some of its well-known peers and you could even consider it to be an "attractive recovery story". Of course, investors should be aware that "trying to pick up a cheap seat at these levels does not come without its risks".

It's true that Wizz Air still managed to carry a record 63.4 million passengers last year, so "there's clearly significantly more opportunity for the company to seize", especially given that many more people are "ring-fencing budgets to spend on holidays", says Susannah Streeter of Hargreaves Lansdown.

However, while demand for airline seats may be "pumping", the fact remains that Wizz Air's operational problems will take several years to resolve. With the compensation that Pratt & Whitney is paying only partially covering the lost revenue and costs increasing, investors' sentiment is likely to remain "subdued", especially given the concerns about "potential geopolitical turbulence".

US chipmaker gobbles up London tech morsel

Shares in Alphawave, a heavily shorted, London-listed Canadian chip designer, shot up by 22% on Monday when it emerged that US semiconductor group Qualcomm had agreed to buy it for $2.4bn, say Tim Bradshaw and Jonathan Wheatley in the Financial Times. Qualcomm wants to expand its intellectual-property portfolio in data centres and 5G networking. Big Tech is spending hundreds of billions on AI infrastructure. The move comes a few weeks after Alphawave, valued at £3.1bn when it floated in May 2021, said that it was unable to provide guidance for the year owing to uncertainty over US tariffs.

The valuation seems "punchy", says Karen Kwok for Breakingviews. The implied multiple is more than 50 times Alphawave's expected EBITDA this year compared with peers' average of 35. Still, the price may be worth it. The deal "gives Qualcomm a shot at growing into the massive data-centre market". This is particularly important because the US semiconductor firm "needs to diversify away from smartphones": key customer Apple is seeking to reduce its reliance on Qualcomm. In any case, this is a "manageable bet" relative to the group's size. It is equivalent "to less than one quarter's free cash flow".

Alphawave is only one of a trio of London-listed tech firms set to be sold to US buyers this week, say Alex Ralph and Katie Prescott in The Times. The other two are Spectris, the UK's "leading listed industrial technology company", which received a £3.7bn offer from an American private-equity firm, and Oxford Ionics, a quantum computing start-up, which agreed to be sold to IonQ, for about $1bn. This raid is only likely to intensify concerns over London's "ability to retain and scale innovative companies". Experts warn that this will continue for as long as companies in the UK remain "far more attractive to acquirers than investors".

Advertisers rattled by AI

Mark Read, CEO of advertising agency WPP, is to step down at the end of the year, say Lauren Almeida and Mark Sweney in The Guardian. The firm and the wider industry is struggling with the rise of AI. Read revamped the group during his tenure, merging agencies and selling some companies. However, WPP's shares, which now languish near five-year lows, have lost more than a quarter of their value in the past year alone as technology giants such as Google, Meta Platforms and Amazon have become "dominant advertising names in their own right". Last year, WPP also "lost its crown" as the biggest advertising agency in the world by revenue.

The irony is that Read has long been a champion of using AI in advertising, with WPP spending £300m in new AI-enabled technology and rebranding his GroupM arm as WPP Media, an "AI-driven media company", says Jennifer Johnson on Breakingviews. But instead of enjoying a share-price fillip, the company has floundered, especially after Meta recently announced that it would introduce video- and image-generation tools by the end of next year, potentially allowing firms to "remove the advertising-agency middleman". Yet the pessimism, at least around the impact of technology, may be overdone, not least because Meta's tools are aimed primarily at small firms instead of the multinationals WPP and its competitors serve.

It's true that AI products may initially be more attractive to smaller enterprises rather than to WPP's global clients, who will be keen to keep a "coherent brand message across platforms", says Lex in the Financial Times. However, "the direction of travel" is clear. AI products will at the very least "increase competition and drive down prices". Combined with WPP's languishing share price, it's going to be hard for shareholders to resist if a "brave bidder" decides to come along with a half-decent offer for the company – possibly with the idea of spinning out the media business from the rest of the firm.

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

Five to buy

Michelmersh
The Telegraph
Expected monetary easing and a fall in inflation over the medium term bode well for UK-focused Michelmersh. The brick manufacturer is on track to meet full-year expectations of a 16% rise in earnings, followed by a further 12% next year, as it passes higher costs on to customers. The stock "offers a wide margin of safety" and scope for further capital growth. Michelmersh's solid financial position, modest valuation and strong profit growth forecasts provide a "favourable risk/reward opportunity". *113p*

M&G
The Times
M&G's tie-up with Japanese insurance giant Dai-ichi Life is a vote of confidence for the London-listed investment manager's pro-growth credentials and could bolster its valuation. Dai-ichi is to buy a 15% stake in M&G, take a seat on the board, and send $6bn of business M&G's way over five years. The alliance won't immediately boost M&G's profits, but M&G will gain access to Dai-ichi's Asian distribution networks and they could collaborate over life insurance. M&G's "cheap" shares are "attractive". *238p*

Corcel
This is Money
CEO Scott Gilbert is optimistic about oil and gas firm Corcel's future and recently spent £75,000 buying 25 million shares, followed by its chairman and commercial director, who each spent £30,000. In 2023, Gilbert sold a 90% stake in three assets in Angola to Corcel and was appointed CEO last May amid a downturn. He has since raised cash, strengthened management, and pursued new projects, including gas fields in Brazil. "Plucky investors could take heart from his recent share deal." *0.36p*

Barrick Mining
Shares
Toronto-listed Barrick Mining is the world's second-largest gold producer by volume, with mines in 19 countries. Last year, Barrick produced 3.9 million attributable ounces of gold and 430 million pounds of copper, whose price is rising owing to the increase in infrastructure spending accompanying the energy transition. Barrick's shares have risen 21% this year and could go higher if the gap between gold-mining stocks and the price of gold (which has doubled since late 2022) closes. There are operational risks. Nevertheless, Barrick's valuation offers an "exceptionally attractive risk-adjusted return for investors willing to ride out any adverse news". *C$19*

Auto Trader
Investors' Chronicle
Auto Trader's dominance of the online second-hand car market has helped it maintain operating margins above 50% for 15 years, even in tough economic times. Full-year revenue and profit grew owing to strong demand for used cars. For fiscal 2026 the car platform expects revenue from retailers to grow by 5% to 7%. To address a drop in listings, Auto Trader is raising prices. Auto Trader's capital-light business model, which generates strong free cash flow, ensures it can weather any slowdown. *606p*

One to sell

FD Technologies
The Telegraph
Aim-listed FD Technologies recently accepted a £570m takeover offer from US private equity firm TA Associates. Subject to shareholders' approval, investors in the Northern Irish software firm will receive £24.50 in cash for each FD share. FD's share price currently trades around 1% below that figure, and the stock

has produced a 46% capital loss since June 2018, more than the 31% decline for the FTSE Aim All-Share index over the same period. "Sell." *2,420p*

...and the rest

Investors' Chronicle
Components manufacturer **Gooch & Housego's** half-year adjusted operating profit grew 61% to £6.2m despite volatile demand. Its aerospace and defence arm moved into profit as demand for precision optic systems improved amid rising defence spending. Profit grew by a fifth in the industrial arm, Gooch's biggest division, even as sales fell, while earnings declined at the life-sciences unit despite higher revenue. Analysts expect earnings per share to grow significantly over the next few years. The stock's valuation is "undemanding" compared with its rivals. Buy *(541p)*.

Shares
Nvidia's stock has risen 1,440% over the past five years, averaging a 73% annual return. Yet the US chip giant's 28.4 price/earnings (p/e) multiple is low compared with Microsoft's and Broadcom's. Investors have had few chances to buy at this valuation. The company has experienced rapid growth and earnings and revenue are projected to expand further. Analysts believe this represents a unique investment opportunity, despite concerns over potential deceleration in the market. Tensions with China and regulatory scrutiny are already factored into the stock's price. Buy *($140)*.

This is Money
Industrial lime and limestone group **SigmaRoc** is outperforming peers despite economic uncertainty and the purchase by director Tim Hall of £84,000 worth of shares is "encouraging". CEO Max Vermorken is focusing on increasing sales by up to 5% annually, improving profitability and rewarding shareholders through dividends or buybacks. SigmaRoc "remains an attractive long-term investment". Buy *(109p)*.

A German view

The last few years have seen continual natural disasters and an unusually volatile global economy, says Wirtschaftswoche. But Germany's insurance giant Allianz sails serenely on. It is on track to achieve record net income of €10.5bn this year from €180bn of total business volume. The group's core business, property and casualty insurance, comprising 50% of operating profits, looks solid, while new business is growing rapidly in the life and health insurance arm. The company's solvency ratio is 208%: it has twice the amount of money it needs to cover the risks it is exposed to. The dividend yield has been between 4% and 6% ever since 2008. The current yield is 4.7%.

IPO watch

Circle Internet Group's shares soared 168% on their debut in New York after the issuer of the second-largest stablecoin (a type of cryptocurrency) on the market raised nearly $1.1bn at its initial public offering (IPO), says CNBC. Circle achieved a valuation of $6.8bn. Circle joins a small group of pure-play crypto companies listed in the US as the industry gains political support from the Trump administration. Circle was founded in 2013 and created the USDC stablecoin in collaboration with Coinbase, aiming to set a standard for fiat money online. Stablecoins, pegged to the US dollar, are gaining favour from banks and payment firms for their efficiency and low cost.

A ceasefire in the trade war

The US and China have stepped back from ruinous conflict. Will the truce last? Emily Hohler reports

After two days of marathon talks in London, the US and China have agreed to "roll back" some of the "punitive measures" they had taken and restore the trade truce agreed in May, says Alan Rappeport in The New York Times. The meetings followed a reportedly friendly call between Donald Trump and Xi Jinping last week. Negotiators, led by US Treasury secretary Scott Bessent and Chinese vice-premier He Lifeng (the pair are pictured), are expected to seek final approval for the "framework agreement" from both leaders; assuming they approve, it will take immediate effect.

Although the two countries reached a 90-day tariff truce in Geneva on 12 May, "deep and fundamental differences remain" – including disputes over "currency manipulation, export subsidies and other non-tariff barriers", says Linggong Kong in The Conversation. The Geneva deal came under pressure after Washington accused Beijing of "dragging its feet" on an agreement to speed up the export of rare-earths, while Beijing accused the US of being the first to break the agreement by rolling out a wave of fresh measures, including new restrictions on the sale of AI chips and chip-design software to Chinese companies, and cancelling visas for Chinese students. The day after the agreement, Trump also issued an order banning US firms from using Huawei AI chips.

Scott Bessent and He Lifeng: the most important trading relationship in the global economy is back on track

©Shutterstock

A win-win for both sides

From China's perspective, it returned to trade talks with a "strong hand", says Katrina Northrop in The Washington Post. Its "geopolitical ace card" is its control over much-needed rare-earths, which are critical components in products as varied as cars, fighter jets, iPhones and medical machines. China accounts for 70% of global rare-earth mining and more than 90% of the processing. Yet "for all its bravado", Beijing doesn't actually "hold all the cards". Economic growth remains weak, it was grappling with a property crisis even before any trade frictions, and exports to the US have declined by a "precipitous 34%" (although this has been offset by increased sales to Europe and Southeast Asia). China is vulnerable to controls on high-tech exports from the US, particularly cutting-edge semiconductors, which it has not been able to produce domestically, hindering its ambitions to become an AI leader. The US also supplies China with more than 99% of a key export, ethane, and could apply pressure by "stepping up sales of arms to Taiwan", says Bloomberg.

Nonetheless, the truce is good news, says Matthew Lynn in The Spectator. The "most important single trading relationship in the global economy is starting to get back on track". But time is short. Trump has only "suspended the tariffs until August" so a "broader agreement" will need to be reached by then. China will almost certainly have to make some "big concessions", including allowing the US tech giants (Meta, Netflix et al.) full access to its domestic market, and boosting domestic consumption in order to reduce its trade surplus with the US. In return, Trump could lower tariffs permanently, allowing China to maintain the "export-led growth model that has transformed its economy over the last 30 years" and keep expanding into tech-based industries traditionally dominated by the West. Such a deal "won't necessarily happen". However, if it did, it would be a "win-win for both sides" and provide a "huge boost" to the global economy.

The chancellor creates a new black hole

Reeves: the longest U-turn in British political history

©Getty Images

Rachel Reeves "completed the longest U-turn in British politics" on Monday, says James Heale in The Spectator. Last July, she removed the winter fuel allowance from ten million pensioners; this week she restored it to nine million. The U-turn "whittles" down Treasury savings to £450m from £1.25bn. "Implausibly," Reeves attributes her change of heart to "economic circumstance, not political necessity." Keir Starmer echoed the Reeves' line, telling the BBC's Jeremy Vine that the cut was reversed due to "better-than-expected growth figures, falling interest rates and trade deals with the US, India and the EU".

On the contrary, the UK's fiscal outlook is "worsening", says The Times, and Reeves has now created a new "black hole", which raises fears that she will raise taxes yet again in her autumn Budget. It is also humiliating. It was one of her first policies as chancellor and designed in part to show off her ability to make tough decisions and portray her as a "symbol of fiscal rectitude" (good luck with the controversial £5bn plan to "cut the country's bloated welfare bill", says the Financial Times). And if she can't get this level of "spending restraint" past Labour MPs, "how can she convince the markets that she is a dependable chancellor"? Voters certainly aren't impressed. Few chancellors have seen their approval ratings (currently on -27.8% according to the LabourList website) nosedive so rapidly.

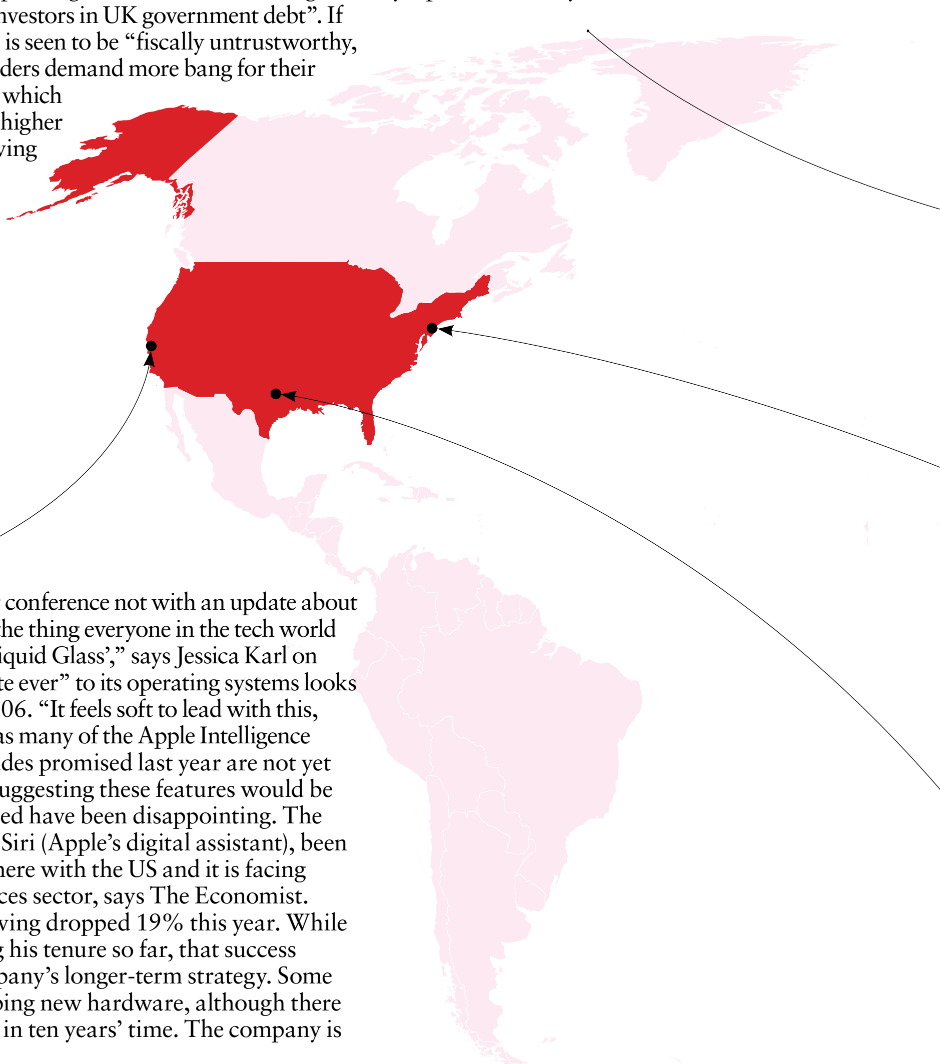
There are "bigger implications for British politics", says Stephen Bush in the Financial Times. Our ageing population and worsening dependency ratio presents a significant challenge. Labour's supporters are overwhelmingly working-age. If Labour "can't push through this kind of change" to spending on pensioners, who can? The Tories and Reform rely on older voters for support. The Liberal Democrats opposed the cut from the start. "Part of breaking the UK's 'doom loop' of ever-higher taxes just for public services to stand still is increasing economic growth." But there also has to be a willingness to "look seriously at reducing benefits whose usefulness" has passed. That none of Britain's political parties feel able to do so is "worrying in the extreme".

London

The chancellor's balancing act: Chancellor Rachel Reeves (pictured) delivered her Spending Review speech on Wednesday, "[teeing] up what is set to be the most consequential Budget in a generation come autumn", says Interactive Investor's Myron Jobson. It laid bare the "government's increasingly difficult balancing act – contending with the rising cost of debt servicing [which stands at 95.5% of GDP], the need to drive economic growth, invest in defence and meet public-spending demands, all while trying to remain with its self-imposed fiscal rules". "Sizeable investment" was promised across several "critical sectors" at a time when public finances "remain under... strain".

Still, the chancellor's determination to tackle Britain's housing shortage is "overdue", says Yawen Chen on Breakingviews. The government plans to spend £39bn over the next decade to increase the supply of cheaper homes. That is very nice for housebuilders, whose share prices had risen by 2% by lunchtime – Vistry's stock soared 10% – but one critical obstacle remains – getting planning approval. That process continues to be hampered by "local vested interests, red tape and strict rules, including those of land conversion and housing targets".

Primary Health Properties, a real estate investment trust, also received a boost from the spending review, says Susannah Streeter of Hargreaves Lansdown. The 3% real-terms annual increase to the NHS budget hands the trust, which specialises in renting out GP surgeries and other healthcare facilities, "sturdier funding streams". But "while going for growth and fixing the NHS are still central… bolstering the nation's defence is now an urgent pressing need" and spending there will rise from 2.3% to 2.6% of GDP by April 2027. That won't come cheap and critical to the spending review was "not scaring away investors in UK government debt". If Britain is seen to be "fiscally untrustworthy, gilt holders demand more bang for their buck", which means higher borrowing costs. For now, Reeves seems to have got away with not ruffling too many feathers among bond investors. And the Foreign Office, the Home Office and the Department for Environment, Food & Rural Affairs, among others, will have to make do with less. There are also "plenty of known unknowns lurking in this spending review" and gilt yields aren't just linked to government policy – the direction of US Treasuries also play a role and there is still scope for UK borrowing costs to rise further. The chancellor has ruled out "tweaking" tax in the autumn, but it may yet prove necessary.



Cupertino

Short of ideas: "Apple kicked off its annual developer conference not with an update about the iPhone maker's progress on artificial intelligence – the thing everyone in the tech world is worried about – but with an announcement about 'Liquid Glass'," says Jessica Karl on Bloomberg. The US tech giant's "broadest design update ever" to its operating systems looks "eerily similar" to the Windows Vista desktop from 2006. "It feels soft to lead with this, of all things." A lot had been riding on this conference as many of the Apple Intelligence (the company's answer to OpenAI's ChatGPT) upgrades promised last year are not yet available. That has led Apple to halt advertisements suggesting these features would be coming soon, while the features that have been released have been disappointing. The company has also postponed a significant update for Siri (Apple's digital assistant), been hit by vulnerabilities in China due to trade tensions there with the US and it is facing new legal hurdles that could affect its profitable services sector, says The Economist. CEO Tim Cook is under pressure due to the stock having dropped 19% this year. While Cook has made a fortune for Apple's investors during his tenure so far, that success may have obscured serious vulnerabilities in the company's longer-term strategy. Some analysts suggest Apple should concentrate on developing new hardware, although there is a concern that AI could make the iPhone irrelevant in ten years' time. The company is expected to release a foldable phone next year.

The way we live now... Vogue declares the death of chic

Holly Golightly – a character from classier times

©Alamy

"It's time for the death knell for chic," declared Lauren O'Neill in British Vogue. While the concept in its "purest form is subtle", found in the "drape of a sleeve", a "stray strand of hair", or a pair of heels and a little black dress à la Audrey Hepburn as Holly Golightly in *Breakfast at Tiffany's*, it's been watered down into "more of a feeling".

The magazine blamed social media for overusing the word. For years, "chic" was a way for people to "describe the things that they personally think are stylish, cool or otherwise good". But "not everything can be chic, can it?" The appeal of the Hermès Birkin bag, the "ultimate totem of chic", has been dented by overexposure and by dangling from the arms of "rather outré" celebrities, such as Kim Kardashian, says The Times's Will Pavia. Fashion writer Amy Odell points to "greed-flation" and the "corporatisation" of the luxury-goods industry, with the big fashion houses raising prices, but not improving their craftsmanship. "Quality isn't what it used to be," she says. "That's not chic." Not can chic survive the "era of brash billionaires" taking over family-run fashion brands. As one Italian fashion insider put it, "the romance is dead".


©Getty Images
Miliband: “a golden age of nuclear”

Derby

Britain goes nuclear: A consortium led by Rolls-Royce has won government backing to build Britain’s first three small modular nuclear reactors (SMRs). Great British Energy – Nuclear, a government body, ran the two-year bidding process, pitting the Derby-based engineering firm against international rivals, say Steve Beech and Gavin Bevis on BBC News. The £2.5bn in funding until the end of 2029 would help to ensure Rolls-Royce becomes a world leader in a growing international market, the company said. According to the International Energy Agency, that market could be worth £500bn by 2050. Although unproved commercially, it is hoped SMRs will become cheaper and quicker to build, with each SMR power station producing “stable, affordable and emission-free energy to power a million homes for at least 60 years”. The government also announced £14.2bn of funding for a new Sizewell C nuclear plant in Suffolk, which is expected to start supplying power in the mid-2030s to six million homes. Despite energy secretary Ed Miliband saying the SMR programme was part of a new “golden age of nuclear”, its scale “appears to have been trimmed back” due to spending pressures, says Matt Oliver in The Telegraph. The government had previously suggested as many as three SMR manufacturers would be selected to develop their designs should Rolls-Royce run into trouble.

Tokyo

Truckers team up: Japan’s Toyota and Germany’s Daimler Truck will merge their heavy vehicle businesses in Japan in a $6.4bn deal to compete better with Chinese electric-vehicle rivals, says Harry Dempsey in the Financial Times. The merger of Toyota’s Hino Motors and Daimler’s Mitsubishi Fuso Truck and Bus will form a new company that aims to sell over 200,000 units per year and bolster investment in hydrogen trucks and buses. Mitsubishi Fuso’s CEO Karl Deppen will lead the new company and Toyota and Daimler will own 25% of it, although Toyota will have reduced voting rights at 19.9%. Analysts at Jefferies estimate the combined value at €5.6bn based on earnings. “By bringing together two strong partners, we will create an even more powerful company… Scale is the key to winning the technological transformation in our industry,” said Karin Rådström (pictured), CEO of Daimler Truck. Established vehicle makers in Japan and Europe have faced growing competition from Chinese upstarts in an industry that is switching away from traditional combustion engines towards hydrogen and electric motors, as well as autonomous driving. Both companies have struggled in the truck market and been hit by US tariffs. The partnership aims to strengthen profitability and drive innovation, especially in light of labour shortages, greater environmental regulations and higher development costs.

Irving

Discarded tissues: Texas-based consumer-goods giant Kimberly-Clark is spinning off a majority stake in its international tissues business to Brazilian pulp maker Suzano as part of a $3.4bn deal to focus “on the lucrative business of keeping bottoms dry”, says Lex in the Financial Times. The maker of Huggies nappies and Kleenex tissues will retain a 49% stake in the new joint venture, with Suzano retaining the option to buy Kimberly-Clark’s holding in the future. Meanwhile, $45bn Kimberly-Clark will concentrate on adult care, as “demand from incontinent elders is on the up”. The group is the leading supplier of bladder-leakage products, holding more than 50% of the US market through brands such as Depend and Plenitud. Baby nappies remain its biggest revenue generator, having sold over $7bn in disposable nappies, wipes, and training pants last year, amounting to more than a third of total sales. “One perk of selling absorbent products to adults is that, unlike babies, they do not age out of the market.”

New York

Suckerin’ succotash: Warner Bros. Discovery CEO David Zaslav’s “acquisition hunt has backfired as badly as Elmer Fudd’s rabbit quest”, says Jennifer Saba on Breakingviews. Having bought mass-media company Scripps Networks Interactive in 2018 and then Warner Bros., the owner of HBO, Looney Tunes and CNN, Zaslav is now “unbundling his $60bn spending spree” by splitting the group’s “streaming and studios” business from its legacy “global networks” cable division. The former will be 20% owned by the latter. But the $34bn of net debt, of which Global Networks will be saddled with the majority, suggests the break-up will be “just as hapless”. Zaslav hopes to reduce that amount by offering to buy back $15bn of debt at a premium, backed by a $17.5bn loan from JPMorgan. That presents bondholders with “an awkward choice”, says Chris Hughes on Bloomberg. If they decline the offer, the debt they are owed will stay with the legacy network business within an industry in “secular decline”.

Are the rich now less charitable?

The picture is mixed, says Simon Wilson, but philanthropy on the whole is alive and well


©Getty Images

Harry Styles: the 15th most-generous donor to charity in the UK

What's happened?

The world's largest charitable organisation, the Gates Foundation – which has already spent $100bn fighting disease and poverty worldwide – announced last month that it will spend another $200bn in the next 20 years, before shutting up shop and dissolving itself. Bill Gates is part of a mini-trend of mega-wealthy donors setting deadlines to give away all their money – speeding up the spending and prioritising immediate action over an ongoing legacy. Billionaire Chuck Feeney used his charitable vehicle Atlantic Philanthropies to give away everything (about $8bn) before he died in 2023. Laurene Powell Jobs, the founder of Emerson Collective, started her climate-focused non-profit Waverley Street Foundation with $3.5bn and a deadline of a decade to give it all away.

What exactly is a "foundation"?

For more than a century, the main model of billionaire philanthropy in the US has been the private foundation – from John D. Rockefeller and Andrew Carnegie to Bill Gates. In return for exemption from federal income taxes, charitable foundations must spend an average of 5% of their assets each year for charitable purposes – including donations to colleges and religious institutions that are already wealthy, as well as to people or communities suffering hardship or disadvantage. That foundation model is under growing strain, however: the Trump administration sees this pool of money – currently an estimated $1.6trn – as a tax-raising opportunity, and a chance to put supposedly "liberal" billionaires such as Bill Gates and George Soros in their place.

What's Trump got planned?

As part of the US president's "big, beautiful" $4trn budget bill, the federal government plans to impose a 10% levy on the investment income of foundations with more than $5bn in assets, up from 1.39% now (and 5% on those with assets of more than $250m). That poses a big threat to the US philanthropy industry "even as it is playing an increasingly vital role in filling the void left by the state's retreat", says Sun Yu in the Financial Times. If passed (as expected), the bill is set to accelerate the shift from the foundation model towards limited liability companies and "donor-advised funds", offering fewer tax breaks, but potentially more flexibility to donors. For example, the Gates Foundation had $7.3bn of investment income in 2023, and the new tax rate would see its liability jump from about $101m to $726m. Meanwhile, the Trump administration's hostility towards the sector has "put pressure on donors to make big gifts now, both to beat any new rules and to advertise the benefits of philanthropy", says The Economist. In the meantime, donors and charities in some sectors are bracing for politically motivated executive orders – blocking grants to projects abroad, for example, or new rules directing that environmental causes don't count as charitable giving for tax purposes.

Is philanthropy a force for good?

Not everyone thinks so. There's a long-standing strain of academic thought which holds that "institutional philanthropy" – big giving by corporations and foundations – is worryingly unbalanced, favouring sectors of society that are already well-off and thereby perpetuating inequality. Big givers typically donate to established colleges, hospitals and cultural organisations, rather than, say, vulnerable children, the poor, minorities and the disabled. Moreover, the very wealthiest individuals have the most unbalanced pattern of giving of all (Bill Gates being a notable counter-example).

> *"Trump sees the pool of money – an estimated $1.6trn – as a tax-raising opportunity"*

Is philanthropy on the decline?

Broadly speaking, philanthropic giving has grown strongly since the turn of the century. But it has slowed down – and may have gone into reverse – since the pandemic and the post-pandemic inflation shock and cost-of-living crisis. In the US, overall giving has grown by about 42% since 2003, according to the annual Giving USA report. However, the $557bn Americans gave to charity in 2023 marked a 2.1% decline on the previous year in inflation-adjusted terms (although it's still higher than in 2019, pre-pandemic). Moreover, the share of Americans who give to charitable causes has fallen sharply from 66.2% of all adults in 2000 to 45.8% in 2020. Fewer people can afford to give, but those who do give considerably more than they used to. Here in the UK, overall donations to charity from FTSE-100 firms have declined 34% in real terms over the past decade. Outside the FTSE 100, three-quarters of UK businesses did not support charities at all in 2023.

What about personal giving?

Personal donations from the public are holding up well (around £14bn was given to charities in 2023, up 10% on the year before), but – as in the US – the number of donors is falling steadily (from 69% of people in 2016 to 58% in 2023). The list of top donors, as assessed by The Sunday Times, is dominated by hedge-funders. Suneil Setiya and his business partner Greg Skinner, the famously private founders of Quadrature Capital, are worth an estimated £980m each, and last year they gave away almost 14% of their joint wealth – more than £5m a week – to causes including the Arctic Basecamp, the African Climate Foundation, and the World Wide Fund for Nature. In terms of donations as a proportion of their wealth, that puts them at the top of The Sunday Times' "Giving List".

Who else gives a lot?

Veteran hedge-fund philanthropist Chris Hohn remains Britain's most charitable person, giving away £983m, or 12% of his wealth in the past year. Famous names on the newspaper's list include Elton John, who gave away £26.5m, and Harry Styles, who donated £5.2m to causes including Save The Children. As a proportion of his overall wealth – 2.3% – this makes the ex-One Direction star the 15th most-generous donor in the country. Overall, for the first time in three years, donations by the top 100 have risen, by £498m, with total donations rising to £3.731bn. Reports of the death of philanthropy may have been exaggerated.

Trouble brews in the bargain basement

Matthew Lynn
City columnist

B&M used to be one of the stars of the London stockmarket. The discount chain was founded in Lancashire in the 1970s and expanded rapidly throughout the UK with its cheap and cheerful mix of bargains for the home and the kitchen. The shares hit more than 650p back in 2021, more than doubling over the previous five years as the brand became better known. Over the last year, however, the share price has slumped by more than 40%. Last week, it reported annual profits were down by 13% and while it managed to increase overall sales slightly, that was only by opening 70 new stores; its like-for-like sales were down by 3% over the last 12 months. The shares fell another 10% on the news.

Its rival Poundland is not doing any better. The chain has already been put up for sale by its Polish owners and it has been reported to be planning a restructuring that would see store closures and rent reductions imposed on landlords. Likewise, Wilko, which operated in a similar part of the retail market, has now gone under. Add it up, and one point is clear. The chains that specialised in selling you some cheap tea towels, a huge bar of chocolate, or a phone charger for a pound or less are all struggling.

In many ways, that is surprising. After all, with a cost-of-living crisis you might expect the discount shops to be booming. Taxes are rising relentlessly, meaning that people have less money to spend, and they will almost certainly go up even more in the autumn. The economy has stalled, with growth not expected to go above 1% this year. There is little sign of fresh investment, and while the minimum wage has gone up by more than inflation, most people are still struggling to make ends meet. Against that backdrop, you would expect the bargain retailers to boom, while the chains at the posher end of the market would struggle. Instead, with the likes of Marks & Spencer doing well (at least until a cyberattack hit sales), it appears to be the other way around.

A brutal battle for survival

There are two big problems. Firstly, the budget chains have been hit the hardest by the steep rises in costs imposed by the Labour government. The rise in employer's national insurance, and the lowering of the threshold at which it has to be paid, kicks in regardless of whether a company makes any profits. Likewise, business rates don't take any account of what kind of products you are selling or for how much. The discount chains, with wafer-thin profit margins, are inevitably hardest hit. Also, the living wage kicks in regardless of whether you are selling a £1,000 handbag or a £1 packet of washing powder. So while costs have risen across the board for all retailers, it is far easier for chains at the top end of the market to absorb them than for the chains at the bottom. That is wiping out what little profit they might once have been able to make.

Secondly, the squeeze on living standards is hitting the lower-paid. A pampered public sector is doing very well, with record pay rises, and with an increasing number of jobs, while professional white-collar workers are at least maintaining their living standards. As the payroll data published this week made clear, it is lower-paid work that is taking the hit. A total of 274,000 jobs have been lost since the Budget, with the biggest losses in sectors such as bars and restaurants, and in retailing and motor repair, while public administration, education and healthcare have all grown. The people who have lost their jobs were the customers for the discount chains, and while they may still have benefits, if they no longer have a job they inevitably have less money to spend than ever before.

©Alamy

The discount chains have been squeezed by rising costs

The cheaper end of the market has become a brutal battle for survival. The pound shops were always a tough place to make money. It required lots of attention to detail, a genuine feel for what people wanted to buy, savvy negotiating skills to source the lowest-cost supplies from around the world, and a ferocious focus on efficiency to keep prices as low as possible. If you could get all of those things right, it was possible to make money. All that has now changed. The British economy is now in such terrible shape that even the pound shops can't make any money any more – that is not likely to change any time soon.

City talk

©Revolution Beauty Plc

● Frasers and Boohoo are headed for another battle over Revolution Beauty, which has put itself up for sale, says Russ Mould of AJ Bell. The two retailers previously clashed when Frasers tried and failed to get founder Mike Ashley and restructuring expert Mike Lennon elected to Boohoo's board. "Deep-pocketed" Frasers "loves to grab a bargain" and Revolution's recent share-price collapse "means it is going for peanuts." Yet, Boohoo, which owns 29% of Revolution, is "unlikely to let its arch-rival swoop… without a fight", even though its investment has been disastrous. Boohoo can either "narrow some of its losses" by letting Frasers buy Revolution at a "chunky premium" to the current market price, or it can buy the business outright and "enact the mother of all turnaround stories to try and claw back its losses".

● A growing list of shareholders are angry about plans for Third Point Investors to buy Malibu Life Reinsurance from Dan Loeb, the US hedge-fund manager who owns 25% of the trust, says Alistair Osborne in The Times. Asset Value Investors, Hawksmoor, Metage Capital and Staude Capital – who collectively own 9% – all oppose the $68m deal that will change the trust's status from an investment group to a reinsurance company. They want investors to be offered a full exit at net asset value, but instead Third Point Investors is offering a limited tender offer at a 12.5% discount. The board claims a full exit would be unfair to remaining investors, as the trust traded at an average 21.5% discount last year, but it is hard to avoid the sense that Loeb is "hijacking" the trust for a new strategy. Approval needs only a simple majority and he can vote on the deal. "The board [has] approved what looks a stitch-up… no shock that investors are cross."

● "Dr. Martens is lacing together a recovery plan," says Susannah Streeter of Hargreaves Lansdown. The footwear company "is pulling itself up by its bootstraps in the US", where sales direct to consumers are growing again, although it is "still on the back foot" in Britain due to low consumer confidence. Pre-tax profits for 2026 are expected to be on target as it reduces discounting, reins in costs, and aims to strike the right balance between "its classic boot range and new innovations".

The gold rush is no flash in the pan

Over recent years, gold – the most potent symbol of wealth throughout human history – has hit high after high, gaining close to 50% in the year to 6 May, and nearly 80% over the past three. These gains mean gold has strongly outperformed the stock market during that time.

There are some who say that the gold rush is over. But looking at the full picture shows that gold's recent gains are part of a much larger historical pattern, with central bank purchases both catalysing the latest increases and hinting towards a longer-term shift at play.

Gold has increased in value over the entirety of human history. When we talk about gold hitting new "all-time highs" this year, that factors in nearly six thousand years of history, since Ancient Egyptians first started smelting the metal.

For most of that time, gold underpinned the global economy, facilitating trade thanks to its unique chemical properties which make it the perfect store of value.

The end of the gold standard changed things. Prior to this, nations that exported goods accumulated gold, and net importers spent it. Inflation was limited due to the inherently finite quantities of gold, to which national currencies were pegged.

Now? Government balance sheets are ballooning, while the value of fiat currency is declining.

Times of uncertainty – like the havoc that engulfed equity markets following Liberation day – are often drivers of gold price increases over the short term. But something more profound underpins gold's latest rally; an erosion of faith in the established economic order itself.

That may sound melodramatic, until one stops to consider that the most significant driver of gold demand for the last three years has been central bank purchases.

Central banks have been net buyers of gold for the last 15 years, according to data from the World Gold Council. Across the globe, they snapped up over 1,000 tonnes of the stuff in 2024 for the third consecutive year.

That accounts for over 21% of total gold demand for the year. Central banks have accounted for more than 20% of global gold demand in the last three consecutive years; over the ten years before that, they averaged less than half as much (10.3%).

Consider what gold represents: a hedge against the degradation of currency and the wider financial system during uncertain times. These institutions know what's happening. They are buying gold not just as a means of preserving value, but as an acknowledgement that the world is changing, fast.

Investors and consumers globally are turning away from established economic norms, and towards disruptors. Gold hasn't become more valuable; the currencies it is traded in have weakened. That is a long-running and irreversible trend.

With trust in the global order as we've come to know it eroding, could a return to a financial system based on gold be one of the only solutions to the inflation that is ravaging economies? And if so, how can investors buy into this shift?

It is senseless to trust to ETFs or similar products. That invites counterparty risk and digital dependencies: in essence, tying oneself to the very system that is being disrupted.

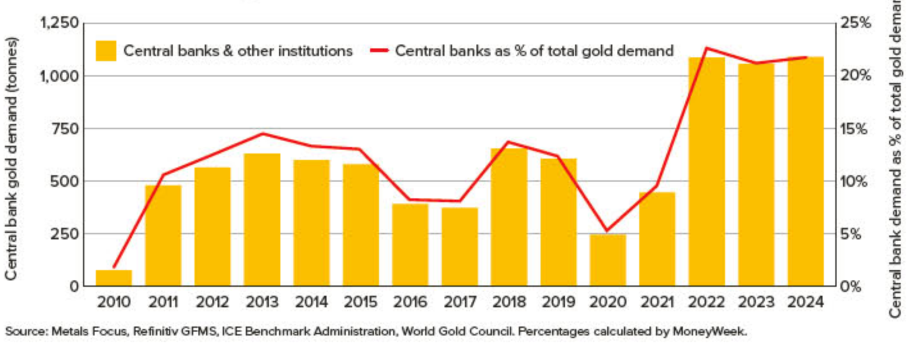
History teaches us that nothing beats the intrinsic value of gold. Its physical qualities make it the store of value par *excellence*, and with inflation and uncertainty both simmering, investors would be wise to follow where central banks lead.

Gold's value stems from its physical properties, not from third-party contracts. When you buy gold through a specialist like GoldCore, you own your gold outright, and it is securely stored at vaults in London, Singapore or Zurich. They also offer insurance, full legal title, and expert support from a dedicated team with decades of experience, and the peace of mind that only physical gold can offer.

Besides bullion, GoldCore enables you to buy gold in the form of Britannias or Sovereigns. Because these are classified as legal tender, they are exempt from capital gains tax and VAT.

You have not missed the gold rush. The recent pullback is one of thousands that gold has registered throughout its six-millenium long gaining run. Each represents an opportunity to enter the world's longest-running bull market.

Global central bank gold demand 2010 – 2024



Source: Metals Focus, Refinitiv GFMS, ICE Benchmark Administration, World Gold Council. Percentages calculated by MoneyWeek.

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Take advantage of AGMs

Shareholder meetings aren't just a regulatory requirement – they are a way to communicate with investors

Cris Sholto Heaton
Investment columnist

MoneyWeek is not dogmatic about how we invest. Passive funds, active funds, UK stocks, international stocks – all these and more should be on the table. Still, we tend to have a bias towards investment trusts rather than open-ended funds in our funds coverage. This is partly because investment trusts get a lot less attention than open-ended funds, and we can add more value by focusing on them, but also because we feel that there are certain structural benefits to closed-end funds for many types of investing.

Some of the supposed advantages of trusts are less compelling for me than other investors think. Yes, it's great to be able to buy at a temporary discount to net asset value (NAV), but it's less compelling if discounts are still wide when you sell. The issue of persistent discounts has become an existential issue for the sector (see chart). The ability to use gearing (borrowing to invest) can boost returns in principle, but gearing plus poor management equals bigger losses.

Closed-end structures are unequivocally best for alternative assets (as Rupert discusses on page 25) and for more illiquid markets. For highly liquid assets – eg, large-cap, developed-markets stocks – there's less advantage. For example, last week I met with the **Guinness European Equity Income Fund** – a quality-income fund with a solid record and a clear process. Even though I usually favour trusts, I'd be happy to choose it as a Europe fund. Or take **STS Global Income & Growth Trust (LSE: STS)**, whose managers run the same portfolio in the open-ended **Trojan Global Income Fund**. I'd probably buy the trust, but I'd view the open-ended fund as an equally good choice for a defensive equity fund with low US exposure.

Average investment trust discounts
Weighted average* discount to NAV, percent

*average excluding 3i and venture capital trusts

A USP for investment trusts

Still, there is one structural benefit of trusts that is often overlooked. An open-ended fund is controlled by the fund manager. An investment trust is an independent entity. It has its own board, which is supposed to look out for shareholders, and can sack the manager if they are doing a bad job (some boards are much diligent than others). So, like all companies, they must hold annual general meetings (AGMs – see Dan on page 32), where investors get an update from the manager. If you go to these, you will often hear plenty of excellent questions from very engaged investors who have their own money on the line (as Bruce notes on page 26).

Encouragingly, many trusts clearly see that AGMs are a chance to present themselves to potential investors, and not just a regulatory requirement. Last week I was at the AGM for **India Capital Growth Fund (LSE: IGC)**, one of MoneyWeek's favourite long-term plays on India. It previously held its meetings in Guernsey, but shifted to London and saw a strong turnout. Next week, I should be at the **Vietnam Enterprise Investments (LSE: VEIL)** forum at its AGM (you can register to attend on veil.uk/2025-annual-general-meeting). In an environment where many trusts will face a growing threat from active ETFs (which will not be holding AGMs), this is a unique selling point that more should capitalise on.

I wish I knew what alternatives were, but I'm too embarrassed to ask

Alternative investments – often just referred to as alternatives – is a broad term for anything that does not fall into one of the conventional asset classes of listed stocks, bonds and cash.

Real estate is the most widely held of these. Listed real estate investment trusts (Reits) are classed as conventional investments, but direct investment in real estate is not, because this represents an interest in a specific property that can't be bought or sold quickly. Assets such as timberland or other natural resources are treated in a similar way: a timber Reit or shares in an oil firm are a conventional investment, owning the underlying assets is an alternative investment.

Other common alternatives include funds invested in assets that are not publicly traded. This includes private-equity funds that invest in unlisted businesses (such as leveraged buyout funds, which often buy listed firms and take them private, using a substantial amount of debt to fund the deal), as well as venture capital (which invests in early stage growth companies). Funds that invest in distressed, illiquid or private debt also fit in the alternatives category.

While many alternative investments are unlisted or highly illiquid, the category also includes funds that invest in listed, liquid securities if they rely heavily on tools such as short-selling, leverage or derivatives. These are typically referred to as hedge funds and cover a wide range of strategies, from absolute return funds (aiming to make positive returns regardless of market trends, typically through use of derivatives) to global macro funds (making big bets on a range of assets based on an analysis of economic or political trends).

Established alternatives also include precious metals, such as gold. The inclusion of art, stamps and wine is more debatable, as not everybody would agree that these constitute investments – an argument that also now rages over cryptocurrencies.

Guru watch

Mary Meeker, founder, Bond Capital


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"The global race to build and deploy frontier AI systems is increasingly defined by the strategic rivalry between the United States and China," says venture-capital (VC) investor Mary Meeker, known for her prescient bets on tech firms such as Meta, Spotify and Airbnb.

"Both nations view AI not only as an economic tailwind, but also as a lever of geopolitical influence," says Meeker in her latest Internet Trends report. "These competing AI ecosystems are amplifying the urgency for sovereignty, security, and speed... The implications of Chinese AI supremacy would be profound."

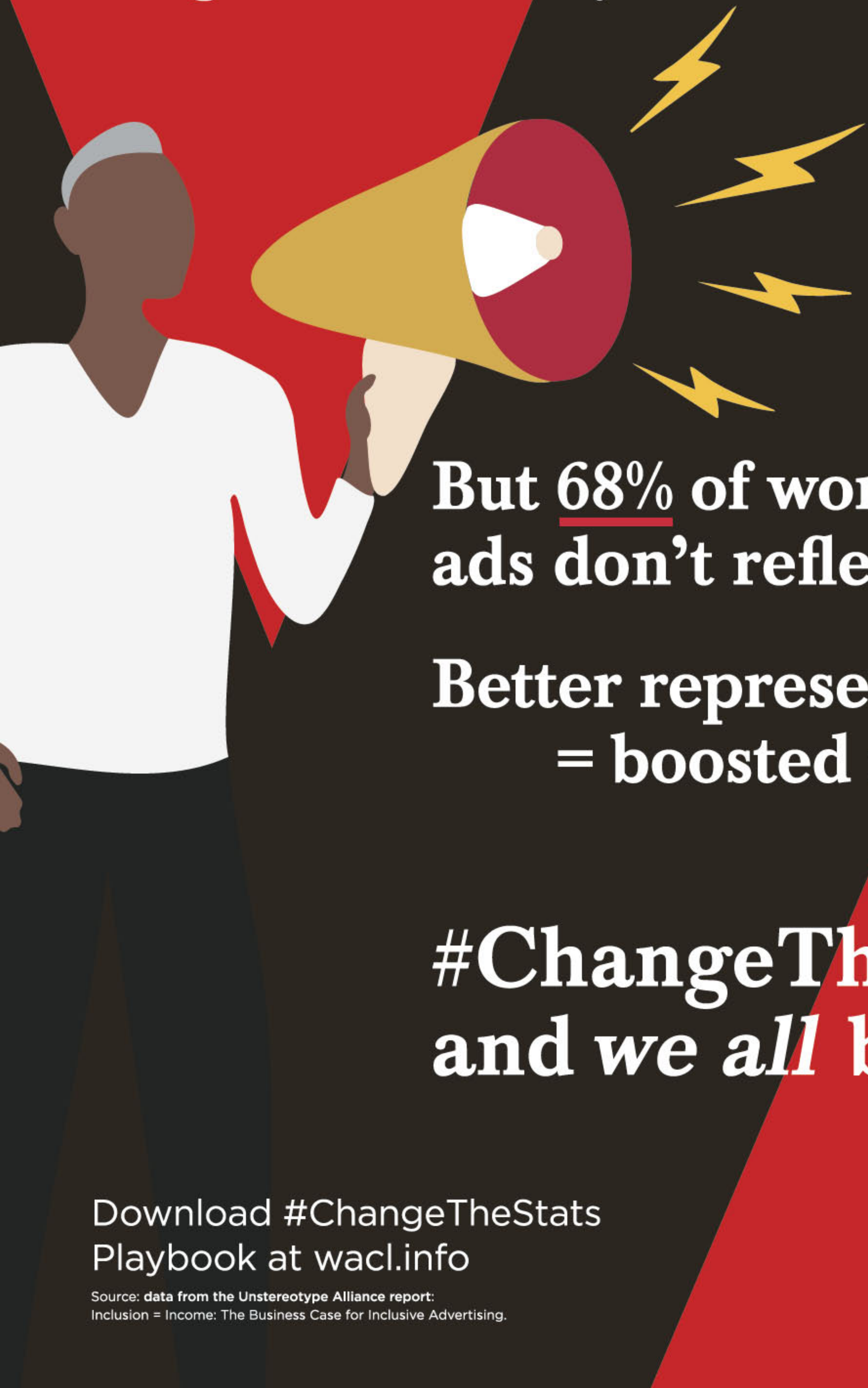
The costs to train large language models (LLMs) are increasing, and US companies are facing pressure from cheaper and more efficient rivals, such as China's DeepSeek. "There are new questions about the one-size-fits-all LLM approach, with smaller, cheaper models trained for custom-use cases now emerging... In the short term, it's hard to ignore that the economics of general-purpose LLMs look like commodity businesses with venture-scale burn."

Open-source models such as DeepSeek are "fuelling sovereign AI initiatives, local language models, and community-led innovation". Yet closed models, such as US-based OpenAI's ChatGPT, are "dominating consumer market share and large enterprise adoption".

"We're watching two philosophies unfold in parallel – freedom vs. control, speed vs. safety, openness vs. optimisation – each shaping not just how AI works, but who gets to wield it." Price wars should benefit consumers, but will make it tough for start-ups to profit from their technology without significant funding.

"The rules that hold well in these times of euphoria are only invest what you're willing to lose and take a portfolio approach," Meeker tells the Financial Times. "Putting all your eggs in one basket is a risk here, because everything is up and to the right – until it isn't."

More inclusive campaigns drive long-term sales by +16%



But 68% of women feel ads don't reflect them

Better representation = boosted revenue

#ChangeTheStats and *we all* benefit

Download #ChangeTheStats Playbook at wacl.info

Source: **data from the Unstereotype Alliance report:** Inclusion = Income: The Business Case for Inclusive Advertising.

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It's time to rescue the water firms

Jeremy Warner
The Telegraph

It is high time the plug was pulled on Thames Water, says Jeremy Warner. Rising bills, deteriorating water standards, sewage spills and retention bonuses in spite of all this have made Thames Water, along with its nine fellow privatised water companies, "the most hated corporate sector in the land". Its "latest hope of salvation", £4bn of new equity from private-equity firm KKR, has just failed on the basis of political and regulatory risk. Back in the 1980s, when water standards were even worse, privatisation made sense. Water firms were flogged off mostly debt free, and even with "green dowries" to make them more attractive to investors. Since then, those bought by private equity have been "pillaged to destruction". To meet its obligations, Thames Water needs to be relieved of its £20bn debt burden, which it is struggling to service. At a time when the government wants to raise billions from private investors for the energy transition, this might seem strange. But it would signal that, "yes, we want private investment, but on fair terms that don't seek to rip the heart out of essential services". Once freed from debt, it could "easily be sold back to investors" and, with reform, serve "investors, customers and environmentalists" alike.

China's brutal EV price wars

Editorial
The Economist

Even Beijing has started worrying about the cheapness of its electric vehicles (EVs), says The Economist. "Self-harming competition between firms and local governments" has led to overcapacity and falling profits, as a result of which BYD has slashed the price of its Seagull model to just $7,700. A week later, the industry ministry "vowed to curb cut-throat competition", saying it harmed investment and could lead to safety issues and reputational damage. BYD's shares have fallen as a result, but other carmakers have felt obliged to follow suit. The situation isn't made easier by the fact that there are 115 domestic EV brands, only a few of which are profitable and are expected to survive. "Brutal price wars" are common in China and around 25% of listed firms are now loss-making. Consolidation in the EV sector will "take time and will be painful". BYD is well-positioned due to its scale and "vertical integration", but like other firms it will need to rely increasingly on exports, a big ask given that China accounted for around 90% of its 4.3 million sales last year. The ramifications of this price war will be felt globally. Cheaper EVs will be little comfort for governments worrying about China flooding the market. Expect more trade tensions.

Trump is profiting from power

Ben Rhodes
The New York Times

Donald Trump has "more than doubled his personal wealth since starting his 2024 election campaign", says Ben Rhodes. With this "self-dealing" comes the risk that our political system stops serving the people and instead becomes "just another country with a corrupt strongman personalising and profiting from power". Vladimir Putin "pursued this playbook", as has Hungary's Viktor Orbán. What makes Trump different is the "awesome economic, technological and military power" of the US. He has used this might to announce tariffs, bypass Congress and has lashed out at a court that tried to limit his authority. What he is doing creates "limitless opportunities for profit", as countries seek to appease him with sweeteners. In the medium term, countries are likely to turn their backs on the US. Trump also wants to deregulate AI despite the threats it poses to security and the other "unforeseen dangers" it poses. For Trump, rules matter less than money. But if corruption is a "powerful tool", it is not popular. Democrats must spell out how Trump's actions have and will affect the lives of ordinary Americans. "Ultimately nothing will impose a meaningful check like the mobilisation of the American people."

India's boom is not sustainable

Henny Sender
Nikkei Asia

India has reported a "robust" quarterly GDP, up 7.4% over a year earlier, says Henny Sender. But the country also has some big, and possibly fundamental, shortcomings. At a macro level, strong GDP growth is unlikely to prove sustainable. Most of the new jobs created are for "low-end jobs in the new economy", such as food delivery, which carry little prospect of advancement. Although India was supposed to be the biggest beneficiary of the pivot away from China, net foreign direct investment amounted to just 0.1% of GDP last year. The MSCI India index is up only 3% over the past 12 months. As for India's start-ups, there are concerns that India isn't innovative enough and lacks "real intellectual property". DeepSeek has cast doubt on the technical skills of Indian entrepreneurs, and there are fears that generative artificial intelligence (AI) will "spell the end" of IT services businesses, one of India's few internationally competitive industries. The problem starts with India's educational system, especially its elite schools, which do no basic research. Indian entrepreneurs tend to be less innovative and more risk-averse. All this means that the brightest will "continue to help build foreign companies" such as Nvidia, rather than build at home.

Money talks

"Living an [expensive] lifestyle means you can't hang out with people who don't live that lifestyle. It alienates you… Some of my best, most hilarious times have been in the least luxurious places."
Actress Keira Knightley (pictured) on paying herself an annual salary of just £30,000, quoted in the Daily Mail

"Can't you just ask your father for money?"
Former chancellor George Osborne to Michael Gove's wife Sarah Vine when the couple complained of financial hardship in 2009, quoted in The Times

"The roulette table pays nobody except him that keeps it. Nevertheless, a passion for gaming is common, though a passion for keeping roulette tables is unknown."
Irish playwright George Bernard Shaw, quoted in The Guardian

"A country is no different from a person. Country overspends, country goes bankrupt, same as a person who overspends goes bankrupt. So it's not optional to solve these things. It's essential."
Elon Musk, quoted on his social-media platform X

"It has been said that a pretty face is a passport. But it's not, it's a visa, and it runs out fast."
Writer Julie Burchill, quoted in the Belfast Telegraph

"Economics is less a science than a performing art."
American author Neil Postman, quoted in The New Statesman

"I went from being very poor to having money and something you don't want to be in London is poor. I had a very rarefied version of it."
Australian comedian and musician Tim Minchin, lyricist of the musicals *Matilda* and *Groundhog Day*, quoted in Metro

Why populists reject experts


©Getty Images
Status competition has created a lucrative market for demagogues

conspicuouscognition.com
If humans were solitary animals, we would have evolved behaviour like that of "*Homo economicus*", the idealised rational agent imagined in much of 20th-century economics, says Dan Williams. But we are not. We are social creatures, and "almost everything puzzling and paradoxical" about human behaviour only starts to make sense in the light of this fact.

This was a central theme in the work of Thorstein Veblen, whose concept of "conspicuous consumption" captured the fact that people often consume not for direct utility, but to flaunt their status and social class. The high price of a luxury good is the point. If it were cheaper, people would buy less of it.

A similar insight explains the rise of populism. The dramatic expansion of higher education in recent times has created an influential new social class of highly educated professionals who dominate the modern knowledge economy and most prestigious institutions. This new class shapes not just policy, but also public discourse and cultural norms. It differentiates itself from the "great unwashed" not through luxury goods, but by being "more knowledgeable, enlightened and progressive" – through "conspicuous cognition and compassion", not consumption. They "flaunt their contempt and condescension towards the uneducated and unenlightened public they view as deplorable, ignorant and misinformed".

The populist rejection of these "experts" is not merely an intellectual disagreement over the facts. It is, at least in part, "a proud refusal to accept epistemic charity from those who present themselves as social superiors". It is like Captain Snegiryov's angry refusal of the charity he and his family desperately needs in Fyodor Dostoevsky's *The Brothers Karamazov*. Pride and honour are more important to us than anything, and humiliation is the "nuclear bomb of the emotions", as Will Storr puts it in *The Status Game* – it can fuel everything from suicide to genocide, from self-immolation to mass atrocities. Again, this makes sense in the context of our position as social creatures. We rely on social networks to achieve our goals and behaviour is rooted in the need to gain access by winning approval and cultivating good reputations.

Hostility to the professional-managerial class's offer of "epistemic charity" has created a "lucrative market for demagogues and bullsh*tters". But there is "no alternative" to qualified experts in complex, modern societies if we are to address the challenges we face. We urgently need to "rethink how knowledge is offered – in ways that respect people's pride and minimise the humiliations".

China wins the clean-energy race

project-syndicate.org
Donald Trump's "big, beautiful bill" seeks, among other things, to eliminate the Biden administration's clean-energy tax incentives. That will cement China's position as the "undisputed leader in clean energy", says Carolyn Kissane. Globally, China accounts for 65% of manufacturing capacity for wind turbines and more than 80% for solar panels, and dominates the production of energy-storage systems and electric vehicles. It largely controls the mining and refining of the minerals required, too, processing around 90% of the rare-earth elements and 60%-70% of cobalt and lithium. This lead is no accident, but the result of a deliberate strategy to secure its own energy needs and independence from imported fossil fuels. Through state subsidies, regulatory coordination and strategic planning, China "absorbed, replicated and scaled up existing technologies while also innovating and developing new ones". Its "deeply integrated, highly coordinated manufacturing" system and "optimised supply chains" have led to "rapid production, tight quality control and unmatched cost-efficiency" This is not so much a case of the state picking winners, as the state building them and then "doubling down when the model worked". China is now "firmly in the driver's seat" – and is set to reshape global markets.

Where to find "deep England"

dailysceptic.org
Conservatives often lament the disappearance of the England of yore, and the homogenising effects of social and economic progress. Yet that "deep England" of the conservative imagination does still exist, says Joanna Gray. It can be visited and now is the season to do so. It is to be found in the village fetes currently being put on up and down the country. That is "where England and the English are best viewed in their modest, decent, summer apparel".

Most villages in England hold a fete and each has its own character. You might find races in fancy dress, or games of skittles played for prizes.


©Alamy
Deep England is alive and dancing

Coconut shies are pretty much guaranteed, as are tea urns, scones and cakes. At all events you will find "decent people raising small amounts of money for their village". The "pleasures are simple and endure". This is "England at its best".

Thomas Hobbes thought that, left to our own devices and without a state to stand over us, we would be reduced to a war of all against all. Attend a fete and you're more likely to be left with the feeling that the more likely result would be a general agreement to refill the tea urn and plan next year's festivities.

Why did Elon Musk fail?

capx.co
Elon Musk is stepping away from Donald Trump's Department for Government Efficiency (Doge), having largely failed to deliver on his "bold" promises to cut the government down to size, says Mani Basharzad. Why did he fail? The answer lies in Ludwig von Mises' "slim but enduringly relevant book" *Bureaucracy* (1944). Its "fundamental insight" is that you cannot run government like a business.

In business, if you produce inefficiently, the market punishes you – consumers stop buying, competitors overtake you and losses mount. These are the mechanisms by which firms learn, adapt and improve. Government has no such feedback loop. Public agencies don't win or lose based on consumer choice, as they are funded by compulsory taxation. Bureaucracy is thus the "only rational method" for managing government activities. Even the most capable entrepreneur when put in government ceases to be a businessman and becomes a bureaucrat. The only way to improve government is thus not to try to make it more efficient, but to make it smaller.

Unloved alts trusts are going cheap

Infrastructure and real estate funds are trading at huge discounts. Investors should take advantage

Rupert Hargreaves
Investment columnist


Student property fund Unite is bidding for its rival Empiric

Investment trusts have several attributes that make them appealing to investors, but one of the most valuable is their closed-ended nature. Trusts are structured as companies, with a fixed number of shares in issue. Unlike open-ended funds, they don't need to buy and sell assets due to cash flowing into and out of the fund as demand from investors changes. This means they can take a longer-term view and hold illiquid or difficult-to-sell assets.

This advantage has helped the alternatives segment of the market flourish. Alternatives funds offer private investors easy access to a wide range of investments, including private equity, infrastructure, hedge funds and specialist debt.

However, over the past five years many of these funds have fallen by the wayside. Complications with cost-disclosure rules, the shift away from smaller trusts and a general lack of interest in the UK market have all combined to send valuations plunging.

Infrastructure trusts are now trading at an average discount of 24.2%, even though they offer a market-beating average yield of 4.6% according to data from broker Panmure Liberum. Among renewables infrastructure trusts, the discount is even wider at 34.5% and a yield of 8.6%. Infrastructure-debt funds are on an average discount of 22.5% and a yield of 9.2%, while the average discount in private equity funds-of-funds segment is 34.5%

By comparison, the average investment trust (excluding 3i, which is very large and trades at a huge structural premium) was trading at a discount of 15.2% at the end of May, according to broker Winterflood. That average was itself skewed by the alternatives trusts, since the average global equity investment trust trades on a 7.1% discount.

Validating NAVs

Unlike equity-focused trusts, whose net asset value (NAV) will fluctuate in line with stockmarkets, most alternatives have a relatively stable NAV. The question is whether these reported NAVs are realistic.

Some recent deals in the sector are encouraging in terms of validating NAVs. BBGI Global Infrastructure was taken over at an offer price of 147.5p (including a final dividend) – a 3.4% premium to BBGI's estimated NAV of 142.7p at 31 December.

In real estate, the value is even more apparent. Several deals have been announced in the sector this year, and the latest two – Assura/PHP and Unite/Empiric Student – show the vast gulf between the price that funds have been trading on and what strategic buyers are willing to pay in some cases.

For Empiric Student, Unite has offered the equivalent of 107p. This is a premium to the sub-100p price before the offer, even if it is still some way below the last reported NAV of 120.7p. Meanwhile, Assura has been the subject of a bidding war between PHP and private equity giant KKR at around NAV. Before rumours of an offer emerged, Assura was trading at roughly 70% of NAV.

Unlikely to last

The market is slowly waking up to this. UK real estate investment trusts (Reits) have chalked up some of the best performances of any investment trust vehicle in the past year. Still, Reits remain on a double-digit discount to NAV on average, and most offer a high single-digit yield.

With the number of deals accelerating, it seems that it will only be a matter of time before more value is realised in the sector. Buying purely in the hope of a takeover is never a sensible option, but here investors can also buy into trusts that appear deeply undervalued and offer attractive yields at a time when interest rates are falling.

As more alt funds get taken out, this opportunity may not last for long. Cheap trusts will either get bought up or start to trade on higher valuations. However, while the opportunity is still around, it's worth adding some exposure in a portfolio.

Activist watch

A US activist investor is calling for a strategy overhaul at one of Japan's largest insurance groups, says the Financial Times. Farallon Capital Management argues that T&D Holdings should reduce its investment risk, concentrate on its core investment business and try to tackle its conglomerate discount. The activist, which has taken a 5% stake in T&D, also believes that the insurer should capitalise on strong demand from private equity firms to buy up blocks of insurance policies that insurers find costly to maintain due to capital requirements. However, T&D has pushed back against Farallon's proposals and says it is opposing two candidates the fund has nominated for election to the board at the firm's annual meeting this month.

Short positions... Warehouse Reit backs reduced bid

● Warehouse Reit has continued to back a reduced takeover offer of 110.6p per share (including a dividend) from Blackstone, after the US investment giant disputed the value of one of its development assets following due diligence. Blackstone originally put forward a bid of 115p in its fifth and final offer in March. The bid is a significant discount to Warehouse Reit's latest NAV, which rose 2.9% year on year to 128p at the end of March. In other real-estate news, Custodian Property Income Reit, which specialises in smaller commercial properties, has bought Merlin Properties, a private family-run portfolio of industrial, office and retail assets in the East Midlands, for £22.1m in an all-share deal. The price represents a net initial yield of 8.1%.

● Foresight Environmental Infrastructure has become the latest renewables trust to move to levying management fees on a mix of NAV and market capitalisation. With funds in the sector trading at wide and persistent discounts to NAV, investors have become increasingly unhappy about NAV-based fee structures. The trust also said that following its strategic review, it will focus on core environmental infrastructure assets and will sell non-core assets (greenhouse, fish farming and compressed natural gas) in the medium term once these have ramped up.

● The Financial Conduct Authority (FCA) is proposing to remove its ban on UK retail investors buying exchange-traded products backed by cryptocurrencies so long as the products are traded on an FCA-approved exchange. At present, UK-listed crypto products listed can only be sold to professional investors. A ban on consumers trading cryptoasset derivatives will remain. The proposal will now go out for consultation.

Rail travel is in rude health: investors should jump aboard

The rail industry has bounced back from the devastating impact of the pandemic and is entering a new phase of development – and profitability. Matthew Partridge reports

The railway industry is often perceived by investors as a sleepy sector where nothing much happens. Long-suffering commuters and other customers may have an even harsher view. But the industry is undergoing a profound transformation. Far from being derailed by the pandemic or the rise of electric vehicles, the sector is entering a new era of growth and profitability.

As Andy Jones, managing principal of Listed Infrastructure Equity at HSBC Asset Management, observes, one must look beyond "nostalgia bias" – the tendency for people to recall the past more fondly than the present, remembering that things were better than they really were, which can be explained by the rise of a new generation that has forgotten the British Rail sandwich. The truth is that trains are now "generally more frequent, efficient, reliable, faster and cleaner than ever". This resurgence is evident across the industry, from suppliers to freight operators, defying earlier predictions of decline.

Your replacement robotaxi will be delayed

A significant tailwind for passenger rail is its compelling environmental and social advantages over air and road travel. Personal finance expert Dat Ngo highlights that trains already outperform electric cars in energy consumption and emissions, primarily due to their passenger capacity and regenerative braking capabilities (that is, systems that capture the kinetic energy of a moving vehicle and convert it into electrical energy). UK data indicates that a train journey uses about 25% less energy per traveller than electric vehicles do; a Eurostar trip generates less than a tenth of the emissions of comparable electric-car journeys.

Beyond carbon reduction, trains also remain crucial in alleviating road congestion. As Jones points out, "the road network would quickly become overwhelmed if a meaningful share of travellers decided to [go] by car, [as cars] usually carry two or fewer people, rather than rail, which can carry hundreds per journey". This benefit will of course endure, even with the advent of self-driving cars. An individual might prefer a robotaxi to a delayed train, but a mass shift would lead to longer, more expensive journeys for all.

Jones concedes that autonomous vehicles will surely find applications in areas underserved by mass transit, but the development of the technology is proving slower than anticipated, and even the most bullish estimates put the "price per mile" of a robotaxi at levels that remain uncompetitive with commuter rail.

"Commuter rail volumes have largely rebounded, to about 85%-95% of pre-Covid levels"

Powering back from lockdown

The pandemic and associated government-imposed lockdowns, and the resulting slump in commuter traffic, initially triggered fears of a permanent collapse in commuter rail journeys. But commuter rail volumes have largely rebounded, to about 85-95% of pre-Covid levels, says Emily Foshag, head of Listed Infrastructure, Principal Asset Management. In some regions, commuter traffic is even higher than it was before Covid. The more significant change has been a shift in travel patterns, with fewer peak-hour journeys, but increased commuting outside traditional rush hours. Foshag believes this shift could enhance railway operators' margins, provided they adapt pricing and operations accordingly. Reduced peak congestion translates to less wear and tear on infrastructure, potentially lowering maintenance and capital-investment costs.

Christian Wolmar, a transport expert and railway historian, agrees. Anyone who has recently travelled by train, or indeed tried to get a ticket at the weekend, will have seen that demand for travel by rail is coming back. There is also, says Wolmar, a growing recognition that continuous remote work is unsustainable, especially for younger staff who need to get back in the office to learn from senior staff, which is more easily done when they are in close proximity. This suggests that there will be further growth in the number of commuters – London's office occupancy currently lags behind that of continental Europe, for example.

The ascent of the high-speed train

Beyond the recovery in commuter rail, high-speed rail is experiencing a global boom, particularly in Asia. Wolmar recently returned from a visit to China, where they have built about 30,000 miles of high-speed rail lines in under two decades, a network that serves more than eight million passengers every day. Japan's Tokaido Shinkansen, linking Tokyo, Nagoya, and Osaka, operates 372 services daily. Wolmar expects Asia's extensive high-speed network to keep developing and growing.

The growth is not confined to Asia. Gianluca Favaloro, partner and head of transport at EY-Parthenon's corporate finance team, notes that several Middle Eastern countries are planning high-speed networks too. Canada recently launched the design and development plan for Alto, a high-speed line connecting Quebec City to Toronto (as well as other cities, including Montreal and Ottawa), which will be operated by a private consortium. In Europe, Poland aims to complete a 480km high-speed line linking its four major cities by 2035.

Favaloro also highlights the transformative impact of liberalisation in Europe's already developed high-speed rail market. Allowing private operators to compete with state-owned incumbents has fostered increased competition, efficiency and improved services, leading to better, more frequent trains and lower fares. This competitive environment has also opened avenues for new direct high-speed services between European cities and London via the Channel Tunnel, expanding service options beyond Eurostar's current offerings.

A boost for freight, too

Freight trains play an equally crucial, albeit less visible, role in global logistics. Although lorries remain dominant for small, flexible deliveries over

Fears of a collapse were overdone and things are looking up for the rail industry

short distances, "when it comes to transporting large amounts there's no real substitute for having rail as part of your supply-chain network", says Todor Ristov, senior portfolio manager at the Global Listed Infrastructure fund at Van Lanschot Kempen. Consequently, manufacturing companies reshoring operations to the US are actively seeking out sites with robust freight rail links.

The profitability of freight rail has been significantly enhanced by the rise of precision scheduled railroading (PSR). PSR was developed in the 1990s by Hunter Harrison, a railway executive who was formerly CEO of Illinois Central Railroad, Canadian Pacific Railway, and CSX Corporation. PSR involves operating freight trains on regular schedules, delivering goods directly (rather than using a hub-and-spoke system), and running fewer, longer trains to reduce labour costs. Despite some controversy, PSR has been widely adopted across the freight-rail industry over the last ten years, according to Ristov, boosting the percentage of freight that arrives on time at the destination from 70% to around 80% (and more than 90% for "intermodal freight", loads that transfer between different modes of transport) and substantially increasing operating margins.

This has especially been the case for the US freight industry, which has benefited from deregulation and a wave of consolidation over recent decades, says Matthew Landy, portfolio manager for global listed infrastructure and global franchise strategies with Lazard Asset Management. This has led to improved economies of scale and pricing power from what have effectively become local monopolies. Union Pacific Railroad, for instance, has shown strong operational improvements, delivering more than 30-fold returns for investors since 2000.

Landy anticipates stable rather than dramatically increasing North American freight volumes, with declines from coal transport being offset by growth in grain and chemicals. But he commends the industry's success in improving locomotive fuel efficiency, which has contributed to falling operational costs and sustained and decent returns for investors.

Digitalisation drives efficiency gains

Beyond PSR, technological advancements are poised to revolutionise railway operations further. Robert Garbett, founder and chief executive of Drone Major Limited, a drone consultancy, highlights trials his company is running with Network Rail, which is using drones to detect when people are trespassing on the tracks. Drones can spot trespassers long before trains approach, and hence assess whether or not it makes sense to shut a section of track down or call the police.

Continued on page 24

"Technological advancements are poised to revolutionise railway operations further"

Continued from page 23

Garbett thinks that drones will also be used for track inspections and delivering equipment to maintenance staff, eliminating time-consuming journeys to depots. Moreover, advances in navigation technology could enable autonomous drone flights, with operators acting as observers. The railway industry, both in the UK and internationally, is embracing drone technology to cut costs, enhance efficiency, and improve safety and operations.

The rise of artificial intelligence

But digital technology holds out the promise of improvements beyond cutting the cost of gathering information. Railway companies are also turning to artificial intelligence in order more effectively to analyse what data is collected. Tom Bartley of Mind Foundry, a machine-learning company spun out of Oxford University, notes that much railway infrastructure, particularly older systems such as those in the UK, requires regular inspection.

Such checks are inevitably subjective and hence inconsistent. Recent advances in computer vision and machine learning enable artificial-intelligence models to analyse photographs of assets taken by staff and drones, leading to "more consistent and speedy decisions that can plan interventions in a way that reduces the disruption to railway operations and optimises costs across the life of the asset". Early trials suggest potential reductions in inspection costs of around 40% and more efficient prioritisation of the most important maintenance work.

Blake Richmond of Resonate, a company focused on improving railway traffic-management systems, believes railways are in the midst of a digitisation revolution. This will involve not only collecting vastly more data across all operations and assets, but also ensuring its efficient storage and sharing. Richmond identifies a key challenge in the proliferation of disparate systems and bottlenecks when it comes to sharing the information in an effective and timely manner. After all, "there's no point in systems that spot potential problems on the line if by the time it is collected, distributed and analysed, things should have been fixed a week ago", he states.

But the good news is that there is a growing commitment to centralising information in accessible databases. Faster, more powerful computer systems can then analyse this data to facilitate quicker, sometimes real-time, decision-making. Combined with increased government investment, this improved operational performance should ensure that the sector "continues to move in the right direction".

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Trains will continue to dominate when it comes to transporting freight

"Railways are in the midst of a digitisation revolution"

The best investments to buy now

East Japan Railway Company (Tokyo: 9020) is one of the world's largest passenger rail operators, managing 11,800 trains over more than 7,400km of track, including many of Japan's bullet trains. It aims to become fully automated within a decade. The company also owns hotels (offering more than 10,000 rooms) and shopping centres, and provides operational services for railways in India, Indonesia and Thailand. Revenue is projected to grow by about 5% annually, and the shares trade at around 15 times 2026 earnings. The dividend yield is 2%.

Union Pacific (NYSE: UNP) is the largest listed freight railroad in America and the second largest overall, operating 32,200 miles of track across the central and western United States. Its robust operational performance contributes to substantial operating margins of around 40% and a return on capital employed of about 15%. This has fuelled a nearly 40% increase in earnings since 2020. Union Pacific's shares trades at just more than 17 times 2026 earnings, and offer a dividend yield of 2.48%.

Lazard's Matthew Landy admires Union Pacific, but thinks that the best strategy for investors is to buy a railroad such as **Norfolk Southern (NYSE: NSC)**, which has "relatively more room to improve its operational performance" and therefore greater potential to boost its earnings, which have already gone up by nearly half since 2020. The company operates 28,400 miles of freight rail track, predominantly in the eastern United States. Its shares trade at 17.3 times 2026 earnings and offer a 2.2% dividend yield.

Alstom (Paris: ALO) is a global leader in rolling stock and signalling-equipment manufacturing, and operates across four regions, providing various rail-related services, including maintenance for London's Elizabeth line. Its 2021 acquisition of Bombardier Transportation expanded its market share and the company is now prioritising digital services to capitalise on railway digitisation. With solid sales growth of about 6% annually, Alstom's shares trade on an attractive 11.4 times 2026 earnings.

Construcciones y Auxiliar de Ferrocarriles (Madrid: CAF) has enjoyed great success manufacturing trains and also makes buses. The firm derives around 78% of its revenue from rolling stock and related rail services, manufacturing a range of trains from the 200mph Oaris high-speed models to commuter trains. The company is investing in advanced signalling technology, with successful recent tests of semi-autonomous trains in the Netherlands and remotely operated trains in Oslo. Revenue grew by two-thirds between 2019 and 2024, with earnings quadrupling in the same period. Despite this strong performance, CAF's shares trade at only 10.3 times 2026 earnings and offer a dividend yield of 3.2%.

Ticketing website **Trainline (LSE:TRN)** has benefited from the current shortcomings of the UK's rail ticketing system. However, its shares have been affected by renewed plans for a rival state-backed app. Potential competition from the government and new entrants such as Uber are a concern, but Trainline has secured an agreement preventing preferential access to deals for any rival. Coupled with its expansion into the European rail market, this is expected to sustain revenue growth, which has nearly doubled since 2020. The shares trade at 13.6 times 2026 earnings. It's a risky punt.

North Sea oil is ripe for a rebound

Labour's green-energy policy is unsustainable, says Dominic Frisby. That bodes well for British oil explorers

Ed Miliband's fantasies of climate justice and clean energy are slowly being exposed. The secretary of state for energy security and net zero's green delusion is going to be abandoned. If an economy is to grow, then it must consume more energy, not less. Wind and solar power are too expensive and too unreliable, to say nothing of the damage they do to the environment and the carbon footprint they leave. The government is already pledging to paint offshore wind farms black because of all the birds they are killing.

Offshore wind is not going to replace oil and gas. Fossil fuels remain a better, cheaper, cleaner and more reliable source of energy. For an already heavily taxed country that is living well beyond its means, where growth is the only thing that can save it, needlessly expensive energy is not possible.

The Reform party is making the cost of net zero one of its main lines of attack. All Labour has to do is further abandon the left of its party, a process which is already half complete, just as the Tories abandoned the right, and let Miliband go, which is inevitable anyway, and the Reform weapon is blunted.

All the above is a preamble to my main argument today. North Sea oil and gas is going to stage a comeback. Political and economic reality mean it is inevitable. Otherwise, the national finances, and with them the Labour government, evaporate. Power is more important to politicians than zealotry, green or otherwise.

The ban on new North Sea oil and gas licences will be lifted. The taxes on North Sea oil companies will be lowered to create an incentive for activity (at present the effective rate is 78%. Are legislators demented?). And all the firms that saw their businesses and market values decimated by this deluded religion are going to make a comeback. Some will multiply many times over. The time may soon be nigh, then, to buy North Sea oil and gas firms. But which ones? Here are my thoughts on the main players in North Sea oil and gas.

Where to look now

Harbour Energy (LSE: HBR) is the largest independent oil and gas company listed in London; 90% of its business is centred on Britain. Harbour's market value is £2.6bn and it yields 11%. Harbour got walloped during Covid, when oil went negative, and had to restructure. The stock got hit again when the Tories imposed a 38% windfall tax after Russia invaded Ukraine; and again after it announced an annual loss, even with a 40% increase in production.

The shares then plunged once more with the falling oil price, which compounded the market's Trump tariff tantrum. Harbour said its post-tax loss reflected a 108% effective tax rate, up from 93% in 2023. Even if this is an exaggeration, and I'm not entirely sure it is, what is the point of doing business under these circumstances? A simple change in legislation will transform this company's fortunes. I think it will come, for the reasons outlined above, although when betting on changes in legislation, you can wait a long time.

"Power is more important to politicians than zealotry, green or otherwise"

Ithaca Energy (LSE: ITH) is an Israeli-owned leading North Sea oil and gas producer. It has a £2.3bn market capitalisation, is hedged against fluctuations in the oil price, and has 37 North Sea operations, which it has grown through acquisitions. It offers a 12% yield.


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The sector is highly risky, but could prove very rewarding

Aim-listed **Serica Energy (Aim: SQZ)** has a £600m market cap and 13% yield. It produces 5% of Britain's gas. It was supposed to be merging with EnQuest, but the deadline for that deal to close has been extended again. **EnQuest (LSE: ENQ)** also has some production in Malaysia, and a £230m market cap. It's a steady mid-tier producer with a production rate of 41,000 barrels of oil equivalent per day (BOEPD) and a 5% yield. The stock is currently priced as though the Serica deal isn't going to happen. **Kistos (Aim: KIST)** is very leveraged to the North Sea. This stock has a £115m market cap and not long ago was trading at five times its current price. Its shareholders should sue the government for loss of earnings.

Now we come to the tiddlers, starting with **Jersey Oil and Gas (Aim: JOG).** The £40m market-cap explorer is funded to the tune of between £5m and £10m. It is not the cheapest tiddler, but also not the riskiest. It has more than doubled this year, so somebody is doing something right.

Orcadian Energy (Aim: ORCA) has a market cap of just £9m. This North Sea developer has yet to produce any oil, but hopes to do so this year. **Reabold Resources (Aim: RBD)** is a £4.8m "tiny cap" with no money, so the stock is highly vulnerable to dilution. It has an Italian deal in play that could shift its fortunes. This was an 80p stock in 2021 and a 475p stock in 2007. Now it costs 0.04p. What next? A doubling in price or another 99% decline?

Then there is **Deltic Energy (Aim: DELT).** This £6.5m market cap North Sea explorer with three licences, but no money has been creeping back up. It has gained more than 50% this year. But this 7p stock cost 80p in 2021. It is extremely risky, but its Selene gas project is considered a quality asset. The challenge is to raise capital without diluting existing shareholders into oblivion. The best bet of all these stocks seems to be Harbour. It pays a yield that minimises your risk and compensates you for holding it. I own it, and I'm only down 25% so far. Any change in legislation and the stock could rocket.

Dominic Frisby writes the investment newsletter The Flying Frisby (theflyingfrisby.com)

Bring animal spirits back to UK stocks

Private investors must be the beneficiaries of a recovery, says Bruce Packard – not brokers and fund managers

Warhammer conventions and investor events have much in common

Many companies in the UK market will be hoping to benefit from volatility and uncertainty caused by Donald Trump's trade policies. Fund manager Jupiter says it is seeing evidence of investors rotating away from the US towards other markets, including Europe and the UK. Stockbroker Cavendish suggests this trend will first benefit the largest stocks, before filtering through to smaller ones. Yet if money starts flowing back into Britain – and in particular into small companies – this cannot happen fast enough.

After three consecutive years of monthly outflows, 2025 has again started badly. UK-focused equity funds saw their worst quarter in the first three months of this year. The number of companies listed on Aim has declined for four years in a row, and now stands at just 685, compared with 1,700 before the financial crisis. Less than £600m was raised in initial public offering (IPO) financing last year – and even that statistic understates the problems for London.

While IPOs generate headlines, the appetite for further fundraising – listed companies that ask investors for more money – is also in a dire state. One of the benefits of being listed on public markets is that management can ask equity investors for more money to grow their business. An example is Invinity, a manufacturer of vanadium-flow batteries, or Cohort, the defence group which raised money last year to make an oversees acquisition. Yet active fund managers – such as Jupiter, which has seen almost £30bn of retail investor outflows since before the pandemic – are less willing than before to back management of UK-listed companies seeking growth capital to expand their business.

Structurally challenged stockbrokers

All this has affected independent stockbrokers such as **Cavendish (LSE: CAV)**, **Peel Hunt (LSE: PEEL)** and unlisted Panmure Liberum, who rely on their relationships with professional fund managers to invest in new issues and placings. The malaise in the London market – together with the rise of low-cost passive funds – has challenged their business model. For example, Peel Hunt listed in 2021 and promptly saw revenue more than halve and profits evaporate. The IPO was an excellent result for the selling shareholders (228p), but less so for anyone who bought – the shares trade at 85p at time of writing.

Of course, the same is true of other pandemic-era flotations. In 2021, 87 companies floated on Aim, raising £3.7bn. Of those new issues, 67 are now down by more than 60% or have delisted. Less than ten of the 2021 vintage are trading above their float price. Therein lies another part of the problem. You might conclude that UK stockbrokers are obvious beneficiaries of a turnaround. Yet investors are wary after so many IPO flops. So even if we see UK markets coming back into favour, the money may well flow into low-cost passive funds. In that case, it is likely neither active fund managers nor stockbrokers peddling overpriced floats will benefit.

Passive investing is a structural headwind for UK stockbrokers – although the brokers also appear to be ineptly managed. Sceptics may wonder why a firm the size of Cavendish, which reported a pre-tax loss of almost £4m for the year ending March 2024, needs two chief executives. The benefits of consolidation and cost reduction resulting from the merger of Cenkos and Finncap (which formed Cavendish in 2023) appear not to have reached the upper levels of the organisation if there is a need for duplication of management responsibilities at the top.

"UK firms are struggling to raise growth capital"

Riding the wave

There are alternative ways to benefit from the shift away from large-cap US stocks. Passive funds that focus on smaller companies, like the Vanguard Global Small-Cap Index Fund, are well diversified across almost 4,000 stocks. This avoids exposure to the biggest tech stocks that have performed spectacularly well over the last decade, but now face a less certain future. However, US markets have become so dominant that even a small-cap tracker fund has a 60% weighting there. Instead, a Developed Europe or FTSE All-Share passive tracker fund could be a better way to benefit from globalisation going into reverse.

Investors who prefer to buy individual shares, rather than buying a passive index tracker, could look first at the UK-listed global companies, since these often trade on a discount to their US-listed competitors in the same sector. For example, while **Unilever (LSE: ULVR)** is not a traditional value stock on 18 times next year's forecast earnings, it trades at a roughly 30% price/earnings (p/e) ratio discount to US peer Procter & Gamble. In the tobacco sector, Philip Morris International, listed in New York, trades on a p/e of 21, compared to less than ten for **BATS (LSE: BATS)**. We see a similar discount in the oil sector, comparing ExxonMobil with **Shell (LSE: SHEL)**, or in banks with JP Morgan versus **Barclays (LSE: BARC)**. It seems unlikely that being listed in the USA justifies such a valuation premium for large corporations that operate across the world.

However, this points to another part of the problem with the UK market. For a long time, regulators


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"Investors are wary after so many IPO flops"

have tried to dissuade individuals from investing directly in shares. There's an implicit assumption in much regulation that professionals with Bloomberg terminals and access to company management have an advantage over the investing amateur. Yet often the amateurs – who are unconstrained by liquidity or fund outflows – can take advantage of opportunities first. Most fund managers will not invest below a £200m market cap, which is 80% of Aim companies. Yet of the 23 UK-listed stocks that have increased in value 100-fold since 2000, the average size they started at was less than £15m, reckons Richard Penny, who runs the TM Oberon UK Smaller Companies Fund.

Take **Games Workshop (LSE: GAW)**, which had a vocal retail investor following long before most professional fund managers paid any attention. What attracted me to the company was the highly readable and entertainingly direct communication style of Tom Kirby, the previous chair. In 2007, when the group was in debt and had reported an 11p loss per share, his "Chairman's preamble" said the company had grown "fat and lazy on the back of easy success". Such directness can be offputting to professionals used to language crafted by financial PR firms, but to the amateur it is a breath of fresh air.

This regulatory bias has diluted animal spirits so much that UK smaller companies are struggling to raise growth capital to compete on a global stage. The government rightly incentivises investment in early-stage businesses through venture capital trusts (VCTs) and the enterprise investment scheme (EIS). Yet when these VCT and EIS businesses succeed, they seem unwilling to list on UK markets (consider fintechs such as ClearScore, Monzo, OakNorth and Revolut).

With active UK funds shrinking, one obvious step towards fixing this is to encourage individual investors to back IPOs directly. However, this will only be a success if good listings are "priced to go" at attractive valuations – unlike previous duff IPOs such as CAB, Funding Circle and Metro Bank. Amateurs will not tolerate shares falling steeply in the years after listing. They are risking their own money – not their clients.

How to find the next Games Workshop

There are a number of sources that make life easier for amateur investors willing to have a go at investing in individual companies. Many small-cap brokers will make their research available online on their own websites portals or aggregated on Research Tree (research-tree.com), provided that investors self-certify as eligible. However, be aware that broker research is too often little more than a regurgitation of the investment case that management make in their own investor relations material, plus forecasts made by the analyst on the basis of management guidance.

Indeed, it is not uncommon for management to make vaguely upbeat comments in the outlook section of their regulatory news service (RNS) filings, while guiding their broker to slash forecast earnings. The RNS filings themselves are available on the London Stock Exchange website (londonstockexchange.com) as well as on company's own websites. It is surprising how few individual investors read these announcements and decide for themselves whether management is straight-talking – or not.

For detailed data, take a look at Stockopedia (stockopedia.com) and ShareScope (sharescope.co.uk). These bring much of the functionality of a professional Bloomberg terminal to your desk, but at a fraction of the cost. For genuinely independent research, there are a number of writers who share their experience and investment process for free using the Substack platform (substack.com). These include Cockney Rebel (otherwise known as Richard Crow), Jamie Ward at Wonder Stocks, Small Caps Life and Paul Scott. Stephen Clapham, a former hedge-fund analyst, promotes his forensic accounting courses that help identify inconsistencies in companies' numbers. For a more confrontational style, there's Tom Winnifrith, the self-appointed "Sheriff of AIM" (shareprophets.com).

Live presentations on Investor Meet Company (investormeetcompany.com) gives amateurs almost the same access as institutional investors. The difference is that viewers cannot see the list of questions asked by other meeting participants, and so are left in the dark about which questions company management choose to skip over or evade. PI World (piworld.co.uk) has just under 1,000 UK company and investor interviews. Paul Hill at Vox Markets (voxmarkets.co.uk) also interviews company management while investing his own money.

None of these sources are infallible: Paul Hill lost a substantial amount of money investing in Argentex. Most writers will caveat their analysis and interviews, saying that they are not offering investment advice and are unregulated. DYOR – Do Your Own Research – is a popular acronym that has become a disclaimer. Rather than a conflict of interest, this "skin in the game" reassures amateur investors. Would you rather listen to someone who is investing their own money, and losing cash when they make a mistake, or a regulated advisor who ticks boxes and still earns a fee even when their advice loses you money?

David Stredder, another well-known private investor, organises the Mello conference and regular webinar for like-minded investors to meet companies (melloevents.com). Originally, these events were organised in a restaurant called Mello, but the conference has grown to fill a hotel in Chiswick, west London. The physical presentations allow investors to meet company management and fund managers face to face, and to chat with other investors, many of whom have decades of experience and come from all sorts of backgrounds. Most treat investing as a hobby, and enjoy the mental rewards of that as well as the financial gains. In that respect, the amateur investing community is not unlike a Warhammer convention.

Cracking the growth conundrum

Planning and state procurement are key to productivity, says David C. Stevenson

©Getty Images

Health secretary Wes Streeting has to deal with an NHS that poses a "huge, messy problem"

One of the best recent efforts to tackle our long-standing productivity and growth problem comes from the Resolution Foundation's Simon Pittaway. He focuses on three explanations: energy, technology and healthcare. On energy, Pittaway notes that the US enjoys cheap natural gas prices, while we grapple with substantially higher electricity costs.

With regard to technology, Pittaway thinks that adopting it is a real challenge. Either side of Covid US firms raised spending on software twice as fast as their British counterparts. He sees a similar pattern in spending on research and development (R&D).

Then there is the toughest nut of all to crack: healthcare. The NHS has a terrible record on productivity, a problem that even the health secretary, Wes Streeting, acknowledges. This is a huge, messy problem: the NHS represents 9% of UK GDP. So how can we improve matters? Former legal academic Lawrence Newport offers an interesting perspective.

Growth from the grassroots

Newport addresses the growth challenge via a new campaigning group called Looking for Growth (LFG). A grassroots organisation, it describes itself as "a movement of founders, professionals, and tradespeople pushing for pro-growth policies. We don't wait for action – we make it happen".

Unlike the growing number of think tanks dedicated to the growth agenda (the latest is the Centre for British Progress), LFG is pushing a campaigning model with local chapters full of entrepreneurs and activists, encouraging growth policies even at the local level. LFG has also been building cross-party support for a series of bold initiatives represented by a proposed bill ready to be put before Parliament. Newport argues that this campaigning-focused, cross-party model is essential, as significant changes must be based on popular support.

One key insight is that it's not always apparent that large portions of the UK electorate back a pro-growth agenda, particularly if it entails more construction and affects the environment. Does Newport believe the average UK voter cares about GDP or productivity growth? "Voters care about how expensive their bills are, how little money they seem to have year after year. They care deeply about the cost of goods and the future trajectory of this country. They like industry and industrious people. But terms like GDP, or economic growth, or even productivity, have been overused by politicians attempting to sound as though life is improving, even when it feels worse for voters. If anything, these terms are met with suspicion by voters – after all, what does it mean to talk about a productivity problem, if I feel like I've worked hard every year but seen little change to my cost of living."

Newport agrees that the root causes of stagnating productivity are complex. However, he also insists that politics plays a part, not least the dearth of talent in politics (with leaders unable or unwilling to make brave decisions) and a civil service that rewards inaction and discourages innovation. He echoes many of the criticisms of so-called state capacity made by former chief adviser Dominic Cummings (who works with him).

If a government cannot deliver on its promises, quickly, there's clearly a blockage in "state capacity". "You need to be able to rely on the courts to give judgments quickly on a functioning visa system, on responses by regulators, [or] on government to step in or strip back blockers when they [thwart or delay] well-placed innovation and opportunities".

Newport is quick to accept that the Labour government was handed a pretty awful set of circumstances. "However, they are not treating our situation as the national emergency it is. We are in decline, losing talent abroad, having some of the world's highest energy prices, and in a cost-of-living crisis. Their reforms are slow to arrive, will be extremely slow to roll out and they are nowhere near as ambitious or radical as the moment calls for. They are not doing enough. Not even close."

Criticism is one thing; working out what to do is another. But Newport has an answer. He is the author of a bill focused on growth that could be adopted at once: it's called the LFG National Priority Infrastructure bill and streamlines planning for nuclear power stations, overhead electricity cables and data centres. Streamlining development and construction programmes is exactly what the French did to ensure that the Notre-Dame cathedral could be renovated within five years. "Despite experts claiming it was impossible, they did it. If France can do it, we can too."

"It takes just two days to put up a wind turbine, but years of planning beforehand"

So, equipped with a magic wand and brandishing his Infrastructure bill, what would Newport do now? First, he'd streamline planning, citing the fact that it takes just two days to put up a wind turbine, but years and vast sums devoted to planning beforehand. Next, focus on government procurement. "It's a nightmare to deal with government contracts – this makes our civil service slow, risk-averse, and the awful processes mean that only the same few incumbent players are consistently rewarded with government contracts. It is a system built to slow us down and discourage start-ups and innovation."

Finally, give talent an incentive to enter politics, civil service, and policy-making. "We need… high-agency, thoughtful, and brave people to enter politics and the civil service. This means getting rid of bad performers, increasing pay, giving civil servants a clear mission, and selecting political candidates for their dedication to improving the country and… record of brave decision-making." Maybe some of those future bright civil servants might even be able to work out how to solve the chronic NHS productivity problem?

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A boffin-led firm with business savvy

Patient investors will get paid well as they wait for success from this promising Aim stock

James Ward
Investment columnist

Spectra's anti-counterfeiting technology has been a boon for investors

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Some listed companies quietly compound wealth for investors without ever making mainstream headlines. One such is **Spectra Systems (Aim: SPSY)**, a niche technology firm that has rewarded shareholders handsomely since its listing on the junior market in 2011. While many "boffin-led" companies struggle to commercialise their innovations, Spectra has bucked the trend. Its management team is led by CEO Nabil Lawandy, who has a PhD in chemical physics and was professor of physics at Brown University for 18 years. The company blends technical brilliance with rare business acumen – an unusual and potent combination. With new products in development and management bullish about future opportunities, Spectra's next chapter could be just as rewarding as its past if these initiatives succeed.

Spectra develops security and authentication technology, primarily for banknotes and secure documents. Central banks, government agencies and commercial customers rely on its products to combat counterfeiting and fraud. For investors, Spectra has been a hidden gem, delivering strong revenue growth and consistent profitability while maintaining a robust balance sheet.

Spectra's total return to investors has been exceptional. The shares have gone up more than tenfold in the last eight years, with a good amount of dividends adding to the total return. In an era where many technology firms prioritise growth at all costs, Spectra stands out for its disciplined approach. The company is cash-generative, with high margins and a record of returning excess capital to shareholders.

Leaping the early hurdles

Yet it hasn't all been smooth sailing. Spectra's early years as a listed company were marked by challenges, including delays in contract wins and periods of opaque revenue recognition. However, the company's resilience and ability to refine its commercial strategy allowed it to overcome these hurdles. By focusing on high-value contracts with central banks and secure printing firms, it has built a business that enjoys strong client retention and recurring revenues. It has successfully adapted to the evolving security needs of its clients, ensuring that its offerings remain relevant and indispensable.

The story of many science-led companies is one of technical brilliance paired with commercial naivety. That is not the case at Spectra. The CEO is an inventor with more than 80 patents, but he also understands markets. Under his leadership, Spectra has consistently commercialised its technology, won key contracts and expanded its addressable market. Its ability to bridge the gap between innovation and real-world application is a major part of its success. Unlike many Aim-listed tech firms that rely on endless capital raises to stay afloat, Spectra has grown organically, avoiding shareholder dilution and remaining profitable.

Spectra's pipeline of new products offers further reason for optimism. The company is developing technology beyond its traditional core, positioning itself in high-growth adjacent markets. One of the more promising areas of development is its work in secure polymer banknotes. With countries shifting from paper to polymer notes, the demand for advanced security features is rising. Spectra is developing new authentication materials specifically designed for polymer substrates, a move that could deepen its relationships with central banks and provide a new revenue stream.

Another promising innovation is in secure gaming. Spectra has developed authentication technologies that could be applied to the lottery and casino industries, helping operators prevent fraud and improve security. Given the multi-billion-dollar size of the global gaming market, this could represent a significant new opportunity should demand materialise. Spectra is also working on a cutting-edge method of detecting counterfeit pharmaceuticals. These drugs cost the global economy billions annually, so a robust solution could be highly valuable.

Management remains confident about the future. In recent updates, the company has pointed to a strong pipeline of opportunities, with the CEO emphasising that Spectra is well-positioned to capitalise on structural growth trends in banknote security, authentication and secure transactions. The company's continued investment in research and development should ensure it stays ahead of emerging threats and remains indispensable to its clients.

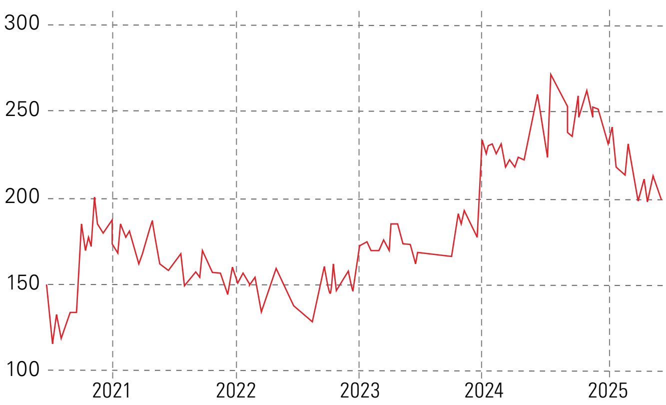
A quiet success story

Small-cap stocks always come with risks – particularly those with exposure to large contracts – but Spectra's established relationships, strong balance sheet and diversified innovation pipeline should prove resilient. Its ability to identify commercial applications for its technology and execute effectively sets it apart from its peers.

Spectra is one of Aim's quiet success stories. It is worth watching closely. If its next phase of growth is as successful as its past, the company could continue delivering exceptional returns, making it an under-the-radar winner for years to come.

The market seems not to have fully cottoned on to its potential. The shares aren't trading at bargain-basement prices, admittedly, but they also don't seem fully to capture the substantial growth that could lie ahead. Adding a touch of sweetness to an already appealing proposition, the company offers a rather attractive dividend yield exceeding 4%. This means shareholders can enjoy a steady income stream while patiently awaiting the moment when the market wakes up to Spectra's true value.

Spectra Systems (Aim: SPSY)
Share price in pence



Dialling the right numbers

Mobile-phone services group Airtel Africa is inexpensive and growing fast

Matthew Partridge
Shares editor

One tip on this page that proved very successful was to go long on the African mobile-phone company **Airtel Africa (LSE: AAF)**. I highlighted it in October 2021 (issue 1074) and by the time I had sold nearly a year later, in September 2022 (issue 1120) the stock had jumped from 98p to 135p, making a profit of £1,480. For the subsequent two years its performance was indifferent, but it has nearly doubled since November. It is still worth buying.

Airtel Africa specialises in telephone, internet and mobile-money services for people in 14 fast-growing African countries, including Kenya and Nigeria, which together have a combined population of 662 million people. The mobile-money aspect of its offerings is particularly interesting as the lack of a banking system in these countries means that many people use mobile-payments services as their sole way of making and receiving payments. Estimates suggest that 65%-70% of adults in these countries don't have a formal bank account.

Subscriptions are soaring

Whichever measure you use, Airtel has been doing an excellent job of building up its customer base. Counting all its customers, including those who are paying only for the most basic voice services, its total number of subscribers is increasing by just under 10% a year to 166 million. However, this headline figure underestimates the extent to which it is growing, as the number who are paying for smartphone services, which makes Airtel more money, is expanding at 20% each year, and now accounts for around half of all subscribers. The number of subscribers to its money service is also growing by a similar amount.

Thanks to this consistent growth, Airtel's overall revenue is now 45% higher than it was five years ago, and is expected to keep expanding at between 8% and 10% a year. While earnings have been a bit more volatile, they are expected to reach record levels over the next few years. Operating margins also remain strong, with a return on capital employed, a key gauge of profitability, of around 20%. This has enabled it to increase the dividend and return cash to shareholders via a share-buyback scheme. Despite all these positive factors, the stock trades at only 17.2 times 2026 earnings, with a decent yield of 2.6%.

"Sales have jumped 45% in five years and the group's earnings are heading for record levels"

Airtel looks enticing from a technical perspective too. The share price is trading above both its 50-day and 200-day moving averages, while it has also been outperforming the wider market over the last three, six and 12 months. Perhaps the most positive sign is that the Bharti Mittal family, wealthy Indian investors who own a substantial stake in Airtel, have decided to increase their holding, a positive sign that insiders are happy with the direction of travel. I suggest going long at the current share price of 178p at £15 per 1p. Put the stop-loss at 118p, which gives you total downside of £900.

The lack of a banking system in much of Africa makes the group's mobile-payments service very popular

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Betting on politics… an upset in New York

The contest to elect a new mayor of New York is due this year. While the final vote will take place in November, the Democratic primary, seen as the key contest given that Kamala Harris got 68% of the vote last year, is taking place between 10 June and 24 June. Incumbent mayor Eric Adams, who is deeply unpopular, has decided not to seek the Democratic nomination, and will instead be running as an independent.

While there are a large number of candidates, only two are thought likely to have a chance of winning, Andrew Cuomo and state assembly member Zohran Mamdani. With £1,291 matched on Smarkets, Cuomo is the favourite at 1.38 (74.1%), with Mamdani out at 3.35 (29.8%). At first glance, this seems sensible: Cuomo is the former governor of New York, while Mamdani is a state assembly member. Cuomo was also initially praised for his performance during Covid, and was at one stage even talked about as a future president. However, Cuomo's reputation was badly damaged by the number of nursing-home deaths, as well as a sexual harassment scandal that forced him to leave office.

Mandami has also received some key endorsements from well-known figures in New York politics, including left-leaning Democratic Congresswoman Alexandria Ocasio-Cortez (AOC), who is influential with younger voters. Even before AOC's endorsement, Mandami was only eight points behind Cuomo after votes from other candidates were redistributed (New York uses a ranked-choice system). I would therefore bet on Madami pulling off an upset.

How my tips have fared

My long tips have fared poorly over the past four weeks, with all six of them falling. Property developer Harworth slipped from 174p, triggering the stop loss at 170p, while Domino's Pizza Group also triggered a stop-loss at 270p. Food-packaging specialist Hilton Foods slipped from 866p to 863p while payments firm Corpay retreated from $348 to $342.

Drinks company AG Barr, the maker of Irn-Bru, depreciated from 687p to 684p and vending machine firm ME Group declined from 217p to 215p. Overall, counting Harworth and Domino's Pizza Group, the net losses on my long tips increased from £722 to £880.

My short tips didn't fare very well either, with three moving against me and only two stocks sliding. Online food retailer Ocado went down from 264p to 255p, while telecoms firm Lumen Technologies decreased from $4.44 to $4.20. However, African e-commerce firm Jumia Technologies rose from $3.42 to $3.44, drone maker Red Cat increased from $6.18 to $8.80 and computing group IonQ appreciated from $32.05 to $40.06.

Overall, my shorts are now losing £336, bringing combined losses for all my tips to £1,216, although that is mostly due to the decision to close the Trump Media & Technology short position four weeks ago.

After the enforced closure of the Harworth and Domino's Pizza Group positions, my trading portfolio now contains ten tips, including five long ones (Corpay, Hilton Foods, AG Barr, ME Group and Airtel Africa) and five shorts (Ocado, Lumen Technologies, Red Cat, IonQ and Jumia Technologies).

I suggest that you increase the stop-losses on Hilton Foods to 660p (from 665p), Corpay to 260p (255p), AG Barr to 455p (450p), and ME Group to 150p (137p). I also recommend reducing the price at which you cover Ocado to 285p (from 290p), Lumen Technologies to $5.70 ($5.80), Red Cat to $12.50 ($13), IonQ to $45 ($46) and Jumia to $3.80 (from $3.90).

Exercise your democratic rights

Investment platforms and funds are paying more attention to shareholders' votes than ever before

Dan McEvoy
Money columnist

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Meta's Mark Zuckerberg staved off a shareholders' revolution in 2019

Public companies work a little like democracies. Most shareholders have the right to vote on important issues, such as installing a new board of directors, approving mergers and acquisitions, or agreeing to an executive's pay package. Those with the biggest stake in the company have more votes and wield the greatest influence. However, minority shareholders in stocks and investment trusts can club together to bring about positive outcomes too. This means it is important to exercise your voting rights, even if you only own a small number of shares.

There have been several shareholders' revolts in recent years. Investors tried to fire Mark Zuckerberg as chairman of Facebook (now Meta) in 2018 and 2019, but he clung onto power because the company's share-class structure means that he controls the vast majority of the voting power. More encouragingly, in 2023 shareholders in airline Qantas voted overwhelmingly against a proposed executive pay package at the AGM.

When you buy common stock in a company, it usually comes with voting rights – typically one vote per share. This gives you the power to influence key decisions that the company makes. Not all shares come with voting rights, but most do. For example, some investors choose to buy preferred stock instead of common stock. Preferred shares have a superior claim on the company's assets and earnings in the event it goes bust or can't afford to pay out a dividend. However, they do not come with voting rights.

Some firms also offer dual-class shares, which give some investors superior voting rights. For example, one share class might offer one vote per share, while another might offer ten or a hundred votes per share. But shareholders don't always have the final say on executives' pay. In 2024, a US judge blocked a $56bn pay package for Elon Musk that Tesla's shareholders had approved six months before, arguing that Tesla's board was too heavily influenced by its CEO.

How platforms help

Most investment platforms allow you to exercise voting rights on shares held in your account. This is true for the likes of Hargreaves Lansdown, Interactive Investor and AJ Bell. The process will vary slightly from provider to provider, and some make it easier than others. But the good news is that many platforms are now taking steps to simplify things. Proxy voting through investment platforms played a major role when seven investment trusts rejected takeover attempts from Saba Capital earlier this year. The vote was a milestone in the history of shareholders' rights and proxy voting. According to Hargreaves Lansdown, the Herald vote saw a record percentage of shareholders in the investment trust vote on the proposals. Hargreaves contacted every investor with Herald shares and explained how to vote via the Hargreaves Lansdown platform ahead of the general meeting.

Many people invest through funds. In that case, you will still have voting rights, but your fund manager will need to exercise them on your behalf through proxy voting. When large shareholders such as fund managers Vanguard, BlackRock, State Street, Berkshire Hathaway and Fidelity speak up, investee companies have to listen. However, it is important to look into whether and how your fund manager is using your voting powers. Don't blindly trust that they are acting in your best interests – particularly if you have strong views on how certain issues should be handled.

Different fund managers have different ways of applying proxy votes. Some may simply make a decision on behalf of their shareholders. Vanguard, for example, ignored 400 proposals from shareholders for environmental, social and governance-related actions during the 2024 AGM season in the US. This was despite rolling out a proxy voting scheme the previous year that it said would allow investors to direct how their funds voted on ballot items for some of the largest holdings.

In December 2023, a group of asset owners published an open letter noting that fund managers' power isn't always being used in shareholders' best interests. There is, then, still a gap between the influence of large fund managers and that of individual investors (en masse).

Pocket money... the inheritance-tax net tightens

- "Northern households are increasingly being caught in the government's inheritance-tax raid," says Charlotte Gifford in The Telegraph. There has been a 40% jump in the number of families from the northwest who must pay inheritance tax (IHT) since 2015, according to HMRC data obtained by solicitors Irwin Mitchell. "Properties in the north of the country are far cheaper than in the south, yet frozen thresholds coupled with house-price inflation mean smaller estates are being dragged into inheritance tax." The £325,000 threshold has been frozen since 2009. "Had the government increased the threshold in line with inflation, it would be worth almost £520,000 today."

- Now Scouts can learn about personal finance, apply their knowledge, and then receive a badge, says Hilary Osborne in The Guardian. The new Money Skills badge teaches useful life skills, ranging from budgeting to the dangers of payday scams. It builds on the similar badges that already exist for Cubs and Beavers.

- Women are lagging behind men when it comes to savings, reports Vicky Shaw in The Independent. The latter has around £1,300 more "squirrelled away on average in 'rainy day' funds". Online budgeting tool IE Hub found that men who have emergency savings have £8,771 on average; women's reserves contain an average of £7,463.

- Premium Bond holders wait an average of three-and-a-half years for a win and even then, 90% win less than £1,000, says Toby Walne in the Daily Mail. Every £1 bond purchase from NS&I "has only a 22,000-to-one chance of winning, with the average return 3.8% a year. This is less than in a high-interest instant-access savings account that can pay out more than 4%". Savers who hold a low number of bonds are likely to go years without a win. Over the past five years 94% of winners had more than £10,000 in Premium Bonds and 25% have over £25,000.

  There is £131.4bn held in Premium Bonds by 22.5 million savers; 5.9 million prizes were handed out in May, but that means 131.39 billion bonds didn't win anything at all. "Premium Bonds are unlikely to outpace inflation," Ruth Handcock, CEO at Octopus Money told the paper.

How much is enough?

An annual study assesses the level of savings needed for retirement

David Prosser
Business columnist

We constantly hear warnings that people need to save more for retirement. But how much do you really need to be comfortably off later in life? The good news is that the answer might now be a little lower than in the past. Still, many people remain some distance away from having put by enough cash. Every year, the Pensions and Lifetime Savings Association (PLSA) publishes new data on retirement living standards, setting out how much income it thinks people need for different qualities of life in retirement. Its latest number-crunching says that to enjoy a comfortable retirement, a single person now needs an annual income of £43,900 a year; for a couple, the figure is £60,600.

Comfortable, in the PLSA's terms, means that you have enough money not to worry about the cost of living, with some cash left over for some luxuries, including entertainment and travel. At first sight, hitting a comfortable level of income is getting harder. The PLSA's figures are £800 and £1,600 higher than it suggested was required by single pensioners and couples respectively a year ago. That reflects higher costs of living, although the increases would have been larger were it not for the fact that energy prices have declined over the past 12 months.

A boost from annuities

Importantly, however, the amount of savings you need to generate these levels of income is now smaller. Financial adviser Quilter calculates that to generate an annual income of £43,900, a single person would need a pension pot of £682,000, £56,000 less than would have been required this time last year. A couple would need combined pension savings of £772,000. Rising state pensions are part of the explanation. But soaring annuity rates are a more important factor. With annuity rates now at a 16-year high (see below), pension savings now go further when used to buy a guaranteed lifetime income.

You might need a bigger nest egg than you thought

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However, let's not get carried away. The Financial Conduct Authority's (FCA) latest data suggests the average saver in the UK aged 55 or over has pension savings of just £107,000. That's a long way off what they'll need to hit the PLSA's targets. Still, rising annuity rates benefit everyone who chooses to convert savings into income using these insurance contracts.

That includes savers aiming for more modest pension incomes. This year, the PLSA calculates that the minimum income single people need to get by on in old age is £13,400 a year, requiring pension savings of £28,000; a couple would need £21,600 the PLSA says, which would actually be covered by their state pensions, assuming both partners have qualified for the full amount.

For a moderate quality of life, the PLSA says single people and couples would need annual incomes of £31,700 and £43,900. That would require them to have saved £415,000 and £418,000 respectively.

This isn't a precise science. Quilter's analysis assumes people buy an annuity income that rises by 3% each year, to protect themselves from inflation, but many savers will take different options – including avoiding annuities altogether in favour of drawing income directly from their pension pots. Moreover, annuity rates may change significantly, for better or for worse. Indeed, most analysts expect annuity rates to fall back this year, with the Bank of England now expected to continue reducing interest rates. Still, these numbers give savers some idea of what to aim for as they build their pensions. For some, the lower cost of a comfortable retirement will be reassuring; many others will worry that they're still falling a long way short.

Labour's new pension reforms

Draft government legislation on pension reform has caused controversy with ministers pledging to force schemes to invest more money in the UK – in small companies and infrastructure, for example. But while this element of the reform has attracted most of the headlines, other measures will also have a big impact.

For example, the legislation includes proposals designed to accelerate the adoption of much-delayed pension dashboards, a digital service enabling savers to see all their pension savings on a single screen.

It will also introduce a requirement for defined-contribution pension schemes to be worth at least £25bn – forcing some small employers' schemes to merge – in order to secure economies of scale that keep costs down.

Ministers also intend to introduce default investment plans for savers who opt for income drawdown arrangements at retirement. The goal here is to direct savers into appropriate retirement investment strategies, following concerns that many people don't take financial advice on the right approach.

In addition, new rules will require pension providers to justify fees and charges, reflecting concern that some products remain too expensive. And where savers hold lots of small pots of cash, these will automatically be transferred to their largest holding, a move seen as driving simplicity and efficiency. Advisers are broadly supportive of these measures.

News in brief... avoid inheritance tax

● Annuity rates have hit their highest levels for 16 years, but Canada Life warns that many pension savers aren't shopping around for the best deal when cashing in their savings. While rising gilt yields and rising interest rates have pushed annuity rates to their highest level since 2008, the insurer says one in eight savers are still automatically buying the income on offer from their pension provider – potentially missing out on much higher incomes elsewhere.

● With pension cash set to fall within the inheritance-tax net from 2027, many families are looking to new strategies for reducing their liabilities. Making gifts from surplus income is one option – you can give as much money away as you like in this fashion, reducing the value of your estate. However, you must be able to show that your standard of living isn't suffering as a result, and that payments are being made regularly out of your income as part of normal spending. It's vital to keep good records of the gifts you've made this way.

● Could salary-sacrifice schemes face an attack from the chancellor? They allow you to give up income in return for benefits such as pension contributions and healthcare perks and can be highly tax-efficient. But financial advisers warn that new research by HM Revenue & Customs into the cost and usage of such schemes could presage a crack down in the Autumn Budget.

Seeking out quality and resilience will pay off for patient British investors

Gary Channon (above left), chief investment officer of Phoenix Asset Management Partners, and Kartik Kumar, member of the Investment Team, select three stocks

A stock can be bought today and sold tomorrow. But a stock could also be bought today and never sold. Stocks are unusual investments because they have no maturity date. Bonds mature and loans are repaid. Owning a stock means you own a small piece of a company forever. Yet the average investor only holds a stock for about a year.

This mismatch in time horizons is one reason why stocks can be mispriced, and this becomes even more pronounced in times of uncertainty, when fear takes over and attention narrows to the immediate risks instead of long-term fundamentals.

At Phoenix, we believe these moments create opportunity. But turning a momentary mispricing into an investment with high long-term returns requires two things: deep expertise, and genuine patience. We manage the Aurora UK Alpha trust with this mindset.

Our goal is to identify great businesses, wait for the right entry point, and hold them through their ups and downs – sometimes for years – while their true value is realised. Below are three examples from our portfolio that reflect this approach.

Luxury: a signal of success

Luxury goods consumption boomed during Covid when spending on services was constrained. This temporary expansion was wrongly expected to last, and its recent reversal has created opportunities. The desire to signal success through possessions – what some call "positional goods" – is a deep and enduring human trait. From ancient jewellery to modern sports cars, status symbols have always carried weight.

Luxury-goods businesses earn high returns because they are hard to replicate. It takes decades to build a brand with global recognition and a sense of heritage. **Burberry (LSE: BRBY)**, founded in 1856, is one such company. Its position as a symbol of British luxury, combined with global distribution and pricing power, gives it the enduring ability to generate high returns.

The funeral and crematoria industry is not frequently discussed, yet it has many attractive characteristics. Demand is steady, largely immune to economic cycles, and set to grow as populations age. We hold **Dignity**, a leading company in this sector, through Castelnau Group (LSE: CGL),

"Ryanair's relentless focus on keeping costs down sets it apart from its rivals"

Burberry has built a brand with global recognition and a sense of heritage

one of the Aurora trust's investments. Until 2021, Dignity suffered from poor management. Prices were raised too aggressively and capital was deployed inefficiently. Dignity has now embarked on a strategic turnaround, focusing on its core strengths, restoring competitiveness, and unlocking value from its unmatched network of funeral homes and crematoria.

Sometimes, great businesses shine brightest in difficult times. Enter **Ryanair (Dublin: RYA)**, which we first invested in during a period of turbulence across the airline industry. What sets Ryanair apart is its relentless commitment to cost discipline. Its ultra-low-cost model fuels growth, creates scale, and strengthens its bargaining power with suppliers, all of which feeds back into lower fares and rising market share.

Today, the industry faces new constraints. Pressures on supply chains are limiting capacity across aviation, which is supporting pricing power, and Ryanair stands to benefit. Its frugal, shareholder-first culture remains intact, backed by a strong net-cash balance sheet and an active capital-return programme. For a business with its quality and growth prospects, we believe the valuation is highly attractive.

Taking back control of Toyota

Akio Toyoda once made a pledge to fulfil his grandfather's dreams for the family business that became Japan's first domestic carmaker. He is now making good on that promise. Jane Lewis reports


©Getty Images

From his early childhood, Akio Toyoda "nurtured a fascination" for his grandfather, Kiichiro – the Japanese industrial visionary who turned the family loom-making business into a fully fledged carmaker and died aged 57 in 1952, a few years before Akio was born, says the Financial Times. When Toyoda himself turned 57, "he made a pilgrimage to his grandfather's tomb", promising to fulfil his dreams for the family group.

Of late, that vow has taken a controversial turn. In a move seen by some as a "power play", Toyoda – who ran Toyota Motor for 14 years before being kicked upstairs to become chairman in 2023 – has orchestrated the $33bn buyout of the original parent company, Toyota Industries. Opinion is divided on whether the "take-private" deal is "a step forward or back for corporate governance in Japan", says Bloomberg. On the one hand, investors and officials have long sought the dissolution of "parent-child listings", such as Toyota Industries, due to their lack of independent oversight. On the other, the deal might be seen as a reassertion of control by the Toyoda family, which technically owns a combined stake of less than 2% in the carmaking company. Toyota Industries, while smaller, still packs a punch: it is the world's largest manufacturer of forklift trucks.

The deal certainly carries "deep symbolic weight", says New York's Observer. It's also complex. Control of Toyota Industries now shifts to Toyota Fudosan – "an unlisted real-estate firm that serves as the Toyoda family's private investment vehicle". Some shareholders allege wheeler-dealing. Not only has Toyoda grabbed the company for less than the $42bn expected, but he's contributing just $7m of his personal wealth to the deal, with the rest funded by Toyota companies and bank loans. Whichever way you dress it up, this is a move "to consolidate" family power across the empire. The move is perhaps all the more surprising because Toyoda's interest in the business appeared to have taken a backseat to his passion for motor-racing in recent years.

"A certain solitude" has always defined Akio Toyoda's life, says the FT. Born in Nagoya, Japan in 1956 – a year after Toyota launched Japan's first domestically produced passenger car – he grew up privileged but also "isolated". His first taste of life as "a normal person" came when he attended Babson College in Massachusetts for his MBA, because in the US no one recognised his name. After a few years working for investment bank AG Becker and consulting firm Booz Allen Hamilton, he joined Toyota in 1984 when his father, Shoichero, was still president. He took on the role himself in 2009 just as the global crisis dragged Toyota into a $4.4bn loss, its first since 1950. A safety recall compounded the sense of crisis. But he pulled through and succeeded in "firmly cementing Toyota's place as the world's largest carmaker by volume", partly because of his scepticism about the pace of transition to electric cars. Toyota's annual revenues now account for roughly 8% of Japan's nominal GDP.

"I have always wrestled with the question of whether I am needed by Toyota or not"

Investors should hand him the keys

"My life has always been about wrestling with the question of whether I am a person needed by Toyota or not," Toyoda once observed. The odd thing, says Bloomberg, is that he doesn't get much credit either for this self-awareness or for the resilience of the company on his watch. At last year's AGM, "fully two-thirds of foreign institutional investors opposed his re-election as a director", and his overall support rate among shareholders, at 72%, "was the lowest of any director in Toyota's history". Given his record of delivering shareholder returns that dwarf those of peers, this is "nonsensical". Rather than griping about Toyoda's role as a backseat driver, "investors should be handing him the keys".

A €100m payday for the airline boss we love to hate


©Getty Images

Ryanair chief executive Michael O'Leary (pictured) qualified for a bonus worth more than €100m last month, "putting him on track for one of the largest payouts in European corporate history", says Jasper Jolly in The Guardian. O'Leary will be given shares worth €111m if he stays at the airline until the end of July 2028 because the company's share price stayed above €21 for 28 days.

The payment was described as "excessive", and "morally questionable" by Luke Hildyard of the High Pay Centre. "Lavishing another €100m on someone who already enjoys billionaire status is a morally questionable and practically inefficient way of sharing the wealth that accrues to large companies."

Actually, this is a "rare example of a corporate bonanza that's fully deserved", says Martin Vander Weyer in The Spectator.

It "salutes a chief who has set an example to the rest of Europe for cartel-busting market disruption, operational efficiency and resilience in the face of economic swings, all combined with a wicked sense of humour". O'Leary should not be criticised, but congratulated. The aviation industry "really wouldn't be the same without him".

There's "no question" he has done a good job for shareholders, says Chris Bryant on Bloomberg. The 64-year-old is "now in his fourth decade running the notoriously penny-pinching airline that he's fashioned into Europe's largest carrier by volume", and Ryanair has "massively outperformed" rivals – the shares have more than doubled since O'Leary's €100m bonus plan was put in place.

But it's true that such stock options make little sense. Giving the boss a big payout when the stock reaches a certain level can end up rewarding them for things that have little to do with managerial talent.

Indeed, by his own admission, his talent for straight talking may even have depressed Ryanair's share price in the past, says Ryan Hogg in Fortune. "In Ryanair there's always some news flow," O'Leary has said. "We're fighting some union or some minister or I'm calling some minister an idiot or they're calling me an idiot." But in the end, there's no such thing as bad publicity. No doubt that's why he saw the funny side when a restaurant in Ireland recently added charges to his bill for "extra leg space… and quiet area reservation." He was let off the charges and left a nice tip.

A walk on the wild side in Malaysia

Vaishali Varu connects with nature while at Shangri-La Rasa Ria, on the island of Borneo

Shangri-La Rasa Ria is a beautiful resort beside the beach

Sabah, a state in eastern Malaysia, located in the north of the island of Borneo, offers visitors the chance to explore the rainforest and the sea. Here, you will also find the fabulous Shangri-La Rasa Ria in Kota Kinabalu resort. And while the region may be best known for Mount Kinabalu, Malaysia and Borneo's highest mountain, the resort's 64-acre nature reserve is a real treasure worth exploring. So, I did – at 7pm, a time I would normally associate with cocktails before dinner. I put my headlamp on, took out my binoculars and ventured out for an evening walk in the jungle.

This, the "Reserve After Dark: Glow Experience", isn't your typical evening activity. We wandered through the forest, guided by a UV torchlight to spot the glowing mushrooms. Along the way, the guide explained what we might see and added, quite casually, that a scorpion could be hiding behind one of the trees. It was just as well Rasa Ria had prepared me.

Earlier that day, I had joined the resident naturalist for a buggy tour around the golf course. Just when I was wondering how "wild" a golf course could get, we spotted otters in the water and a type of long-necked bird called an Oriental darter that looks a little like a cormorant.

And while I had every intention of doing the hike at sunrise for a view of Mount Kinabalu, the rain had other ideas. The mountain, a Unesco World Heritage Site, is a huge draw for people coming to the island and on a clear day you can view it in all its glory from the resort.

Wake up to a perfect sunrise

The word "Sabah" means "morning" or "new day" in Arabic, which felt particularly fitting given that I was able to admire the sunrise from the balcony of my "Ocean Wing" junior suite each morning. Inside, the suite was decorated in a calming, natural palette of colours. Think rich wood and olive-green touches. As for the furnishings, there was a king-sized bed, a desk and a dressing table, but the real showstopper was the outdoor bathtub on the balcony, of which I made good use.

Coming back year after year

Shangri-La Rasa Ria is divided into two sections – the Garden Wing and the Ocean Wing, with the latter home to the more premium suites. Staying in the Garden Wing rooms means you forego the outdoor bathtub, but you do have the option of a forest, garden or sea view. This section is ideal for families, as it is situated closer to the children's club and pool. Otherwise, it's definitely worth paying extra for the Ocean Wing. Besides having more space in the suites, compared with the Garden Wing rooms, you also have the benefit of a few added luxuries, such as a private check-in lobby, a complimentary minibar and access to a pool and Jacuzzi that are only accessible to guests staying in the Ocean Wing. It's perhaps no wonder guests come back year after year. I spoke to one couple who have been coming to Shangri-La Rasa Ria every year for the past 15 years. They told me that after so many visits, the staff all knew them by name and that the resort now felt like home. I, too, can vouch for the friendliness of the staff.

> *"I was able to admire the sunrise from my balcony each morning"*

One aspect of my stay that would have me coming back year after year was the food. As part of the all-inclusive package, all guests have access to the internationally focused Coffee Terrace restaurant for breakfast, lunch and dinner. Guests staying in the Ocean Wing also have the option of eating at Oceano Modern Grill for breakfast and lunch. In the evening, it offers a menu focused on local seafood and premium meat dishes and dinner can be had here for around £18 per person.

The same price applies to the à la carte restaurants. There's a Chinese restaurant, Kozan Teppan-yaki for Japanese and Tepi Laut for casual, poolside dining. The latter was one of my favourites. It is set up like a local streetfood market, with dedicated sections for roti, an Asian grill and fragrant curries. The Japanese restaurant also stood out for the classic *teppanyaki* experience of chefs cooking everything right in front of you on a hot plancha.

Watch out for crocodiles

With around 60 activities on offer, there's no shortage of ways to occupy yourself during your stay. I would recommend spending some time in the nature reserve, but there is also kayaking and jet skiing if you're after something with a bit of adrenaline. One evening, I went on the "Twilight River Cruise", which starts a short, 15-minute drive from the resort. We spotted monkeys in the trees and kept an eye out for crocodiles.

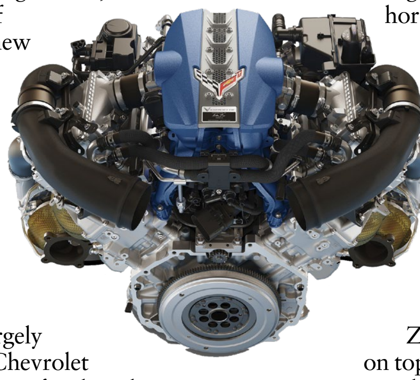
The Dalit Bay Golf & Country Club, an 18-hole championship course, is also next door. The resort's golf buggies can shuttle you back and forth and guests also get a discount. You can even buy biodegradable golf balls, which dissolve into fish food when they land in the water. So, if your swing is off, at least the fish benefit. And if that leaves you feeling hungry, further afield the local food markets are also well worth visiting for a taste of Borneo.

Vaishali was a guest of Shangri-La Rasa Ria, Kota Kinabalu. This 400-acre beach resort features a 3km private beach, two pools, 64-acre forest reserve an 18-hole golf course and ten restaurants and bars. Soak in the sun, sand and the sea or enjoy the great outdoors with over 60 activities at the resort. From £609 per person for the all inclusive package, based on a minimum three-night stay. Visit shangri-la.com.

The new king of the road

Chevrolet's top-of-the-range Corvette ZR1 leaves its European rivals in the dust

Creating a sports car with over 1,000hp would be natural for the likes of Ferrari and Lamborghini, says Mike Austin for Road & Track. "In a Corvette, even a mid-engine one, 1,064hp seems kind of crazy." But while the new Chevrolet Corvette ZR1 is "a lot of car… it's not crazy. At least not in the foolish sense of the world. It is, in fact, magnificent".



It is almost as easy to drive as the entry-level Corvette Stingray and that is largely down to the fact that Chevrolet planned the entire line-up for this, the eighth-generation Corvette, from the start, around a decade ago. So, while that means the chassis for the Stingray is a little overbuilt, no extra bracing is required for the ZR1. That "whopping" 1,064hp is delivered by a twin-turbocharged 5.5-litre V8 engine, which accelerates the ZR1 from 0-60mph in 2.3 seconds, says Caleb Miller in Car and Driver. The advantage of the ZR1's horsepower helps this US supercar to overcome its "significantly higher kerb weight" of 3,831lbs – 299lbs heavier than a Ferrari 296GTB and a "massive" 625lbs heavier than a McLaren 750S. "But power makes up for lots of sins and the ZR1 is still comfortably on top when it comes to [the] power to weight [ratio]." The Corvette covers a quarter of a mile in 9.5 seconds, crossing the line at 149mph – fractionally faster than the Ferrari and the McLaren. "Unequivocally," the Corvette ZR1 is "now the king, triumphing" over its rivals in almost every acceleration metric. And at around $200,000, it does so while costing significantly less than either car.

On the track, an "unexpected thing" occurs, says Mac Morrison on MotorTrend. There is "zero notable drama, save for big speed". Powertrain management systems and the Corvette more generally have come a long way in recent years. Put your foot down and you will "giggle… as the V8's buzzing shriek, part bellowing howl, delivers an emotional experience and connection". Top speed is 233mph. "Flat out," the ZR1 "downs a pint" of petrol every 4.5 seconds, says Ollie Marriage in Top Gear.

The ZR1 probably won't be available in Britain, where European pedigree "plays such a strong role". But it does "[sound] great [and] is both amusing and composed". This is, after all, "the most powerful production V8 ever made in America. God bless the US of A".

Visit chevrolet.com for details.

Wine of the week: four brilliant Beaujolais wines

2024 Beaujolais Villages, Domaine de Boischampt, France

£21, bottleapostle.com

Matthew Jukes
Wine columnist

Domaine de Boischampt was founded in 1642, and it celebrates the magnificent blue stone soils of Juliénas in Beaujolais. All four wines this week are organically grown, resulting in wines made from soils that telegraph precisely the elemental and extraordinary uniqueness found here. These wines all sit between 12% and 13.5% alcohol, with my featured Beaujolais coming in at the low end. You can drink it chilled with great effect, particularly with sushi and sashimi. It sings on the nose and palate with devastatingly pure fruit notes, with a wild berry edge that surprises and delights the senses.

The 2023 Beaujolais-Jullié Blanc Boischampt (£22.99, harrowgatefinewinecompany.com; £22.95, vinogusto.co.uk, spywinesandspirits.co.uk) is the crystalline chardonnay from this electric estate, and it realigns the senses like an alpine breeze with accompanying wildflower details. The 2023 Juliénas Boischampt (£24.99, winelibrary.co.uk; £19.75, farehamwinecellar.co.uk; £22.95, spywinesandspirits.co.uk) ups the intensity and the complexity, making it a main course red, but one with a cleansing, vital feel. Finally, 2023 Juliénas Les 4 Cerisiers Boischampt is a remarkably serious wine with a palate shape and impact akin to a Volnay or Pommard, only with a distinct gamay-driven, red berry-soaked theme. You will only find it in top-flight restaurants, so keep your eyes peeled!

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

This week: properties with outdoor swimming pools – from a family house in Wimbledon Village, London, to a

▲ **Cheriton, Alresford, Hampshire.** A Grade II-listed, 18th-century house with later additions. The walled garden includes a heated swimming pool, pool room, outdoor kitchen and a sauna. It has period fireplaces and a grand entrance hall. 5 beds, 5 baths, 3 receps, library, tennis court, 3-bed house, 9.23 acres. £2.85m Savills 01962-841842.

▶ **The Old Rectory, Yielden, Bedfordshire.** A Grade II-listed former rectory set in grounds that include a recently installed heated swimming pool and a custom-build pergola. It has mullion windows, open fireplaces, and a kitchen with an Aga. 6 beds, 4 baths, 3 receps, summer house, orangery, paddocks, 10 acres. £2.6m Fitzjohn Estates 01234-380360.

▶ **Losely Farm, Ewhurst, Cranleigh, Surrey.** A renovated Grade II-listed Elizabethan house with later additions overlooking the Surrey Hills, with gardens that include a swimming pool, pool house and gym. It has a drawing room with a vaulted ceiling, and a Shaker-style kitchen and living area. 4 beds, 3 baths, 2 receps, study, 2-bed cottage, stable block, paddocks, 16.08 acres. £3.4m Knight Frank 01483-617930.

1640s mansion in Derbyshire with a heated swimming pool in the grounds

West Farm, Attleborough, Norfolk. A Grade II-listed house set in large landscaped gardens that include an outdoor swimming pool, a pond and a bespoke summer house. The house has exposed wall and ceiling timbers, an open fireplace with a wood-burning stove and an oak-framed conservatory. 5 beds, 3 baths, 2 receps, breakfast kitchen, garden room, 1-bed annexe, 2-bed annexe, stables, barn, workshop, office, gym, paddocks, 4.3 acres. £1.5m Sowebys 01953-884522.

The Old Hall, Netherseal, Swadlincote, Derbyshire. A Grade II-listed, 1640s mansion with later additions, including a newly installed heated swimming pool and outdoor kitchen in the grounds. It has panelled walls, beamed ceilings and open fireplaces. 8 beds, 6 baths, 3 receps, 2 kitchens, orangery, lake, woodland, 14.75 acres. £3.5m Savills 0115-934 8020.

Mintons, Torquay, Devon. A Grade II-listed villa built in 1835 in a conservation area with landscaped gardens with a heated swimming pool with a removable enclosure and a tented canopy. It was once home to the ceramic manufacturer Herbert Minton and retains its original Minton tiled floors, and has a large orangery. 5 beds, 5 baths, 3 receps, breakfast kitchen, library, conservatory, gym, workshop, 2 x 1-bed annexes, courtyard. £2.3m Strutt & Parker 01392-215631.

Lingfield Road, Wimbledon Village, London SW19. A family house created from two properties, with a large garden with an outdoor swimming pool with a safety cover. The house has panelled walls, period fireplaces, and a conservatory with French doors leading onto a terrace. 7 beds, 6 baths, recep, breakfast kitchen, study, gym, cellar, outbuilding, off-street parking. £7.5m Fine & Country 020-8798 2135.

Brockhurst Barn, Washington, West Sussex. A converted barn set in landscaped gardens with a swimming pool and a pavilion with an open fireplace and a bar. It has exposed wall and ceiling timbers, an inglenook fireplace with a wood-burning stove and a kitchen with an Aga. 4 beds, 4 baths, open-plan dining/sitting room, gym, stables, barns, shepherd's hut, courtyard garden, golf putting green, post and rail paddocks, manège, 4.7 acres. £2.65m Hamptons 01403-885501.

The original MAGA hat

Napoleon would not be out of place in Trump's America, says Chris Carter

"He who saves his country does not violate any law," Donald Trump posted on social-media platform X in February. It was an interesting choice of words, not least because those words have been attributed to Napoleon Bonaparte, the French emperor, who, as The Guardian noted at the time, also "rode roughshod" over his country's constitution. But it does perhaps help to explain the US president's, some would say, unhealthy interest in acquiring Greenland from Denmark for the United States. And as for Canada, it was only last weekend Trump was reminding Canadians they would pay "zero dollars" to be covered by his proposed "Golden Dome" missile defence shield if only they would "become our cherished 51st state". Otherwise, their share of the bill would come to $61bn, according to the man in the White House. Napoleon, who was involved in his own real-estate deal with the US in 1803 with the Louisiana Purchase, would probably approve.

Napoleon's portrait is expected to fetch €300,000

Making America great

Last Friday, Trump got an opportunity to inspect an important historical artefact from that transaction up close when Sotheby's in New York unveiled the green leather portfolio that is believed to have held the paperwork that transferred 800,000 square miles to the fledgling US. The land between the Mississippi River and the Rocky Mountains not only comprises the state of Louisiana today, but much of the territory of another 14 states and, as Trump may be interested to note, chunks of modern-day Canada. In return, the US paid France $15m – a bargain at four cents an acre.

The portfolio displays in gold lettering the name of Francois Barbé-Marbois, the man who led the negotiations on behalf of Napoleon in order to, in the words of his boss, "prevent [the British from] ruling America as they rule Asia". The papers it contained are today kept in the Washington Archives.

Sotheby's put the portfolio on display to drum up interest in other Napoleonic relics from the collection of Pierre-Jean Chalençon (a French television personality and collector) that are appearing in its sale on 25 June in Paris. They include Napoleon's hand-written codicil that distributed his "modest" possessions to his followers, which the deposed emperor wrote "in a moment of illness, paranoia and isolation" while in exile in Saint Helena, says Sotheby's.

That is expected to fetch up to €500,000. There is also the ceremonial "sword and stick" used in his coronation in 1804, which has been given a pre-sale estimate of up to €400,000, and the grand portrait of the emperor in his robes, from the studio of François-Pascal-Simon Baron Gérard and estimated to sell for up to €300,000. But perhaps Trump, a fan of statement headwear, would be most interested in the headline lot – Napoleon's bicorne hat, which the emperor wore *en bataille*, that is with the wings parallel to his shoulders to ensure he stood out in the public eye as well as on the battlefield. It is valued at up to €800,000.

Auctions

Going…

A 10.38-carat pink diamond (pictured) once owned by Duchess Marie-Thérèse d'Angoulême, the only surviving child of the ill-fated French queen Marie Antoinette, is heading for auction with Christie's in New York on Tuesday. Marie Antoinette is said to have entrusted her jewels to her hairdresser before her failed escape from Paris in 1791 and many of these were later passed on to Marie-Thérèse. It's not known whether the pink diamond was one of these, but it did pass down through the family until it was sold in 1996. The current owner then commissioned the famous American jewellery designer Joel Arthur Rosenthal to design a new setting for the diamond. The jewel is expected to fetch $5m.

Gone…

The turquoise-and-diamond Cartier tiara that the American-born British MP Nancy Astor wore to the premiere of *City Lights* at the Dominion Theatre in London in 1931 sold at auction with Bonhams last week. Astor's husband, Waldorf Astor, second Viscount Astor, had bought the tiara from Cartier in 1930. The design is typical of Cartier for the period, drawing inspiration from Egyptian, Indian and Persian motifs. Such items were "hugely fashionable" at the time, says Jean Ghika, head of jewellery at Bonhams. The Astor diamond tiara is set throughout with diamonds and boasts a principal brilliant-cut diamond at the centre. It sold for £889,400, including the buyer's premium – well above its £350,000 high pre-sale estimate.

A momento from Trafalgar

Not to be outdone by Sotheby's Napoleonic sale (see left), rival Christie's in London is proudly flying the Union Jack – specifically that which flew from *HMS Spartiate* at the Battle of Trafalgar in 1805 (pictured).

The "monumental" ensign, which measures 91 inches across, bears the scars of the battle that ended Napoleon's hopes of invading Britain. A hole in the shape of a half-moon in the top of the flag is thought to have been made by a cannonball, while shards of metal and splinters of wood have been found in the fabric following careful and detailed analysis. "[Admiral Horatio] Nelson was one of the first naval commanders to fly the Union Jack in battle, and to be able to look at one of the very flags flown by his fleet at the Battle of Trafalgar 220 years ago is both remarkable and inspiring," says Thomas Venning, head of books at Christie's in London.

Vexillologists will also find the flag interesting for another reason – it is an early, if not completely accurate, example of the second and current design of the flag that was introduced at the start of 1801, following the Act of Union with Ireland. (The red and white cross of St. Patrick is not quite right.)

The *Spartiate* Union Jack for sale with Christie's is one of only three that are known to have survived more or less intact from the Battle of Trafalgar. That day, on 21 October 1805, Nelson's tactics of directing his outnumbered fleet into two columns, along with superior seamanship and gunnery, defeated the combined ships of the French and Spanish navies. After the battle, the ensign was claimed by James Clephan, second lieutenant on the *Spartiate*, as was the practice among junior officers at the time. It has appeared on the market once since and it is expected to sell for up to £800,000 on 1 July as the leading highlight of Christie's Classic Week in London.

Bridge by Andrew Robson

Transparency

This week's deal is a 3NT that East did not enjoy one bit. I know – I occupied that seat.

Dealer South East-West vulnerable

North: ♠ AQ54 ♥ AJ62 ♦ K7 ♣ 942

West: ♠ J7 ♥ 853 ♦ QJ9 ♣ KJ1083

East: ♠ 10963 ♥ Q1074 ♦ 1085 ♣ Q5

South: ♠ K82 ♥ K9 ♦ A6432 ♣ A76

The bidding

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

* Stayman – a request for four-card majors.
** No four-card major.

West led the Knave of Clubs, overtaken by East's Queen, declarer ducking. Declarer ducked a second Club too, winning the third Club with the Ace as East discarded a Diamond to retain equal length with dummy's majors.

East's choice of a Diamond discard was not lost on declarer, Middlesex's Tony Waterlow. He cashed the King-Ace of Diamonds, crucially removing East's remaining Diamonds. He then cashed the King of Hearts then played the three top Spades finishing in dummy. I knew what was coming next: the fourth Spade. East won the ten, but his forced Heart exit went round to dummy's Ace-Knave. Nine tricks and game made.

I winced at the transparency of my defence. Retrospectively, I think perhaps I should have let go a Heart, pretending I have five cards. Would declarer have read the position and simply played on Hearts to give dummy a long card? We'll never know.

Luckily (or, rather, skillfully), teammate Tony Forrester duplicated Waterlow's line of play card for card. Flat board.

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

Sudoku 1264

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

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

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

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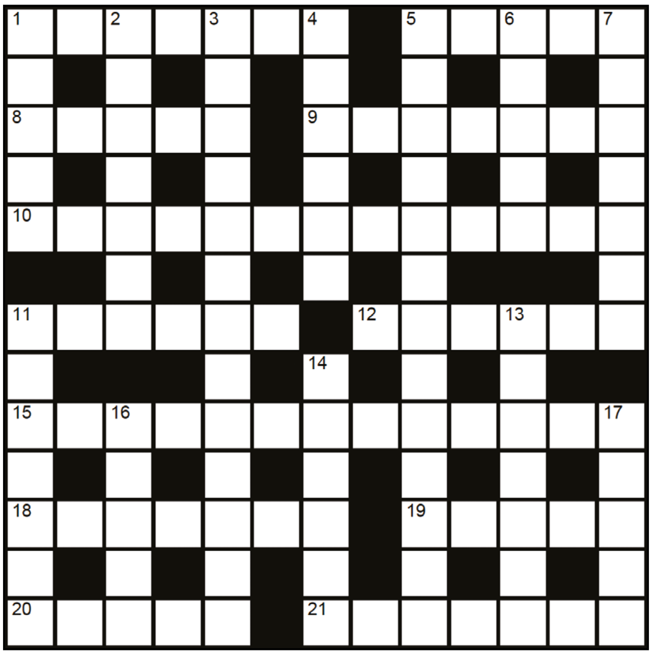
Caper's Quick Crossword No.1264

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 23 June 2025. By post: send to MoneyWeek's Quick Crossword No.1264, 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.1264 in the subject field.



Across clues are cryptic and down clues are normal

ACROSS

1 Promoter snoops around side of ring (7)
5 It's like a judge to ruin robes (5)
8 Anger about loud gun (5)
9 Start to play with many small dogs (7)
10 One informing on referee? (7-6)
11 Jerky metro starting to roll and shake (6)
12 Small fairy – that's a popular image nowadays (6)
15 Flooded NHS lab upset family (5,3,5)
18 It's forever outside dismissing Number 10 (7)
19 A truck filled with instruments, primarily to do with birds (5)
20 Ideal Tosca features good ones? (5)
21 Grandee cooked pineapple (7)

DOWN

1 Tube for drinking (5)
2 Being away from principal work area (3-4)
3 Loving words (5,8)
4 Sword (6)
5 Scapula (8,5)
6 Under (5)
7 Keep back for future use (7)
11 Lustrous silk cloth (7)
13 Southeastern US state (7)
14 Disconnect from power source (6)
16 Choose by voting (5)
17 Move to music (5)

Name ....

Address ....

....

email ....

Solutions to 1261/1262

Across 1 Rudd *Ruddy minus Y* **3** Schooner *2 defs* **9** True rib *Rue in Trib(e)* **10** Eaten *Sounds like Eton* **11** Arête *Hidden reversed minus VN* **12** Lascar *L A Scar* **14** Entrée *ENT ER rev E* **16** Muffle *FF in Mule* **19** Godiva *Go Diva(n)* **21** Brave *B Rave* **24** Sable *B in sale* **25** Meat pie *Sounds like Meet, I in PE* **26** Swelling *S Welling* **27** Glad *G Lad* **Down 1** Retraced **2** Douse **4** Cobble **5** Opens **6** Not half **7** Ring **8** Greece **13** Pliocene **15** Trouble **17** Upbeat **18** Tasman **20** Ideal **22** Lapel **23** Asps.

The winner of MoneyWeek Quick Crossword No.1261/1262 is: Mark Hubbuck of Romford

Lessons from a golden age

Every dog has its day. But not a single one lasts for ever


Tulips were the proto-cryptocurrency of the Dutch golden age

©Getty Images


Bill Bonner
Columnist

On our way back from Argentina, we stopped over in Amsterdam. Every dog has its day. And the Dutch Republic – precursor to today's Netherlands – had its in the mid-17th century. It broke away from the Spanish Empire in 1579 and became the richest place in the world with a far-flung empire of its own. Today, the country is still prosperous and attractive. Everything is clean and well-maintained.

One of the first things you notice is the lack of noise. Most of the cars are parked along the leafy streets. And those few in motion are quiet: they are almost all electric. People get around on bicycles – millions of them. The loudest sound you hear is the *tching tching* of bells warning you to get out of the bicycle lane. Another thing you notice is an absence of fat. The Dutch are big, but rarely do you see American-style heft. Perhaps that's a result of cycle culture.

Even the quietest residential areas are punctuated by restaurants, bars and shops. The overall effect is one of calm elegance along with urban convenience. It seems like a nice place to live, where you can leave your house and find a good restaurant or coffee shop within walking distance.

Donald Trump promised the American electorate a "golden age". The Dutch "golden age" ended with the death of Prince William III in 1702, or so they say. But it got us to thinking, What does it take to have a "golden age"? Ancient Lydia had its day in the sun, making its king "as rich as Croesus". Greece had its golden age, too, which came to an end when Athens banned trade with Sparta and set off the Peloponnesian War. Hollywood had a golden age – between the 1920s and the 1960s. Golden ages, like empires and head colds, come and go.

"Amsterdam became a dynamic melting pot thanks to free trade"

With only 1.5 million people, and a tiny surface area, the Dutch Republic flourished from trade. It bought and sold. Did it get "ripped off" by its trading partners, as Trump insists is happening to the US today? The question seems absurd. If they had felt they were being ripped off, Dutch merchants wouldn't have done the trade!

But it was not only free trade that brought the Dutch wealth. Freedom of religion and freedom of movement also contributed. Jews from Spain and Portugal, protestants from France; thinkers and tinkers from all over Europe found freedom in the Dutch Republic. René Descartes, Pierre Bayle, John Locke, Baruch Spinoza – all took refuge in Holland. And the new immigrants brought fresh ideas – and capital.

New products came in, too. In the 17th century, Europeans were expanding their trade routes into Africa, Asia and the Americas. They brought back tobacco, tomatoes, potatoes and many other things never before available in Europe. With the new imports, and immigrants, Amsterdam became what New Amsterdam (aka New York) was to become years later – a dynamic melting pot.

The arrival of the tulip from the Ottoman Empire also caught the eye of investors. One of the innovations made by the Dutch was futures markets. They could bet on the prices people expected in the future. As ever, all went well until – the future arrived. In February 1637 there were no buyers at auction. Word got around. Prices collapsed. Promises went unfulfilled. Loans went unpaid. Contracts were torn up. The bulbs were still there. But the "paper" wealth had disappeared. And so it went for the golden age of the proto-crypto traders.

For more from Bill, see bonnerprivateresearch.com

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