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From the editor...



"[People] who never lived under socialism adore it, while everyone who lived under it

hates it," says Garry Kasparov, the Russian former chess grandmaster. New York's enthusiasm for "democratic socialism" (see page 27), and all the superficially appealing yet truly appalling ideas that are part of this package, notably rent controls and attacking the existence of billionaires, is unlikely to last long if Zohran Mamdani actually becomes mayor and implements his policies. It seems just the other day that everyone was gaga for Jeremy Corbyn, while leftist populism is rampant in Europe too (it is often as statist and utopian as far-right populism – there's that horseshoe theory of politics in practice). Socialism keeps popping up, like measles. Given its record, you'd think we'd have herd immunity by now.

Ignorance is bliss

Part of the explanation is a lack of familiarity with economics, due to a statist consensus in which the instinct is to take a static, zero-sum, redistributionist view of supposedly unfair situations and forget how human nature responds to incentives. New York's 84,095 tax millionaires made up 42% of New York's income-tax revenue, but just 0.8% of its taxpayers in 2022. It would be unfortunate if many more left. Rent controls will just reduce



"New Yorkers will learn that nobody who has actually lived under socialism advocates it"

supply by putting people off the idea of renting out their property, since their income is capped. And once you learn that Price's Law (50% of the work is done by the square root of the total number of people who participate in the work) applies to wealth creation too, you realise that having relatively few billionaires in a population does not mean that they are exploiting workers and hoarding wealth.

A bit of historical digging would also show that democratic socialism is ultimately a contradiction in terms. The more the state interferes with the economy, the more it needs to address the perverse outcomes and skewed incentives its meddling created in the first place. The whole process becomes so absurd that sooner or later the process has to happen at gunpoint, or else people would flatly refuse to build 21 tractors by Thursday, or whatever the central planners are

mandating that day. "Socialism: ideas so good they have to be compulsory", read a poster in one of my few non-socialist friend's room at university. Still, none of this is news, and it is clearly not resonating with younger voters, who in New York in particular are facing spiralling costs (notably rents) and can't afford a home. So what has happened to prompt the young to turn to such a lousy alternative?

For a detailed answer, see my interview next week with investment strategist and author Ruchir Sharma, in which we

discuss his book *What Went Wrong with Capitalism*. A shorter answer starts with central banks, the key source of wealth inequality due to repeated credit and housing bubbles that artificially inflated asset markets. One got so big that the fallout from its bursting almost took down the world economy, necessitating a huge bailout that has lumbered us with yet more debt and skewed markets further.

All this goes hand in hand with the spread of crony capitalism (Elon Musk's proximity to Donald Trump is the latest example) and increasing state interference in the economy, hampering competition, enterprise (compliance intensifies, actual work dwindles) and the natural operation of the business cycle. What's gone wrong with capitalism? Socialism.

Andrew Van Sickle

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Meta's AI arms race

Silicon Valley has been abuzz for weeks about Meta's CEO Mark Zuckerberg (pictured) poaching top AI engineers and researchers with pay packages worth up to \$100m, says Lauren Aratani in The Guardian. The owner of social-media platforms Facebook, Instagram and WhatsApp is hoping to gain an edge in the AI arms race. It recently paid \$14bn for a stake in start-up Scale AI and put its 28-year-old founder, Alexandr Wang, in charge of its "superintelligence team" to develop a hypothetical AI system that is smarter than humans. Zuckerberg has personally contacted candidates, including graduates from leading PhD programmes and those currently working for competitors such as OpenAI, whose boss Sam Altman criticised the large signing bonuses as "crazy". Yet, Zuckerberg isn't alone. Anthropic, an AI company set up by former OpenAI engineers, has also been syphoning talent from OpenAI and DeepMind.



Good week for:

A collection of scientific papers by World War II code breaker Alan Turing sold for £465,400 with **Hansons Auctioneers** in Derbyshire – a record-high price for his material and far above the £150,000 pre-sale estimate, says The Independent. Discovered in a loft in Bermondsey, they were going to be shredded before their significance became clear. They include a signed copy of Turing's 1938 PhD dissertation, which sold for £110,500 including fees, and his famous 1936 paper, *On Computable Numbers*, which fetched £208,000.

US author **Sierra Greer** won the Arthur C. Clarke award for science fiction for her novel *Annie Bot*, which is told from the perspective of a robot girlfriend, says The Guardian. The former English teacher will receive £2,025 in prize money.

Bad week for:

Burglars ransacked the \$5.5m Los Angeles home of actor **Brad Pitt** (pictured), says The Times. Pitt had not been at home when the thieves climbed a fence and entered through a window. The actor had been travelling at the time to promote his new racing film *F1*. Police are looking for three suspects who made off with property.

Italian luxury fashion house **Prada** has been accused in India of failing to acknowledge the Indian roots of the design of its new line of sandals, says BBC News. The footwear resembles the traditional Kolhapuri sandals, which have been made by artisans in India since the 12th century. The sandals cost a few hundred rupees (around £2.55) in India and although Prada's website does not mention a price tag, most of its other sandals sell for between £600 and £1,000.



US stocks shrug off Trump shocks



Alex Rankine
Markets editor

"A latter-day Rip Van Winkle... napping since the start of the year, might think not much had changed" over the past six months in financial markets, says Randall Forsyth in *Barron's*. The S&P 500 index ended the first half of 2025 at a new record high, having climbed a steady but "unremarkable" 5% in the first six months of the year.

Little would old Rip know that US stocks had plunged 19% to the brink of a bear market in April following Donald Trump's tariff shock, only for a 90-day pause and *détente* with China to trigger an equally powerful V-shaped rebound. The S&P 500 has soared by almost a quarter since its April low. The tech-focused Nasdaq has leapt a third over the same period as tech stocks come back on the boil.

An unloved rally

Investors entered 2025 in complacent mood as they failed to recognise the looming disruption of Donald Trump's tariff plans, says Dan Jones in the *Investors' Chronicle*. The panic of April has since given way to "relief". With US stocks returning to all-time highs, some worry that "exuberance" is creeping back in.

Although Trump has "retreated from his most outlandish" plans, the effective tariff rate on US imports has nevertheless risen from 2% to 15%, the highest level since World War II, says Hermione Taylor in the same publication. Resilient first-quarter data may have been buttressed by "front-loading" as businesses busied themselves to prepare for tariffs.

Within a few months stagflationary damage could start to flow into US data,



The bull has stirred again, but will its run last?

warns Atakan Bakiskan of Berenberg. An equity-market correction may lie in wait should markets "lose their cool" over the summer. The rally remains widely unloved. "It is incomprehensible that markets are so buoyant," Kristina Hooper of Man Group tells *The New York Times*. "It seems to be a recipe for disappointment."

The "disconnect" between pundits warning of the coming end of US financial dominance and buoyant Wall Street performance is unusually wide at the moment, says Ruchir Sharma in the *Financial Times*. Experience suggests that markets usually know better than the talking heads. For now, US inflation and growth data show little material impact from tariffs. Despite repeated threats to flee America, foreign investors are sticking

around in a manner reminiscent of an unhappy marriage "that survives on inertia and fear of what might come with change".

The rally is not all it seems, however. The dollar has dropped 9% against the pound this year and by a similar amount against other major currencies. US stocks are thus still short of their mid-February level when denominated in foreign-currency terms, making the new highs something of a mirage, says John Authers on Bloomberg. Despite the epic recovery rally, the S&P has lagged most other large markets this year. The 90-day tariff pause that triggered the epic second-quarter rally on Wall Street is due to end on 9 July. The S&P's new high so far hasn't changed the "prevailing" market narrative that it's time to "take money out of the US and reallocate elsewhere".

The pigs are flying in southern Europe

One of the lasting wounds of the eurozone debt crisis is healing. The single-currency bloc was nearly blown apart in the early 2010s by soaring "spreads", which made it far more expensive for southern nations to borrow money than Germany. In 2011 the spread between Rome and Berlin's ten-year borrowing costs topped 500 basis points, meaning Italy was paying a five percentage-point premium over Germany.

Things have changed. Now Berlin is poised to borrow big, just as southern governments get their fiscal houses in order. Today, Italy pays 3.5% to borrow for a decade, less than one percentage point more than the 2.6% yield on German bunds. Italian prime minister Giorgia Meloni recently passed



Italian PM Giorgia Meloni has put her country on a "firm path" to stability

the midpoint of her five-year term, marking a level "of political stability that Italy has rarely enjoyed", says Alessandra Migliaccio on Bloomberg. Italy faces challenges, but Meloni has put her country on a "firm path" to

a better credit rating, with the deficit on track to drop below 3% next year, potentially lower than Germany's.

During the euro crisis, bond investors unflatteringly dubbed Portugal, Italy, Greece and Spain the "PIGS". The pigs are

now flying, says Ian Smith in the *Financial Times*. With once safe bets such as US bonds looking riskier, some investors are reasoning that they might as well get better yields for little added risk among the Club Med countries. A tranche of "common EU debt" issued during the pandemic has tied the currency union closer together.

Spain's position is being improved by rapid growth after GDP expanded 3.2% last year. Meanwhile, the spread between Greek and German borrowing costs "has fallen to its lowest since 2008", says Reuters. Talk of a euro area break-up last flared at the height of the 2020 lockdowns, but such a scenario is "no longer on investors' radars".

Spacs are back on Wall Street

"Tragedy plus time is the formula for comedy, but on Wall Street it equals opportunity," says Jeffrey Goldfarb for Reuters. With time even the "costliest failures" will be forgotten. Look no further than the rush of listings by special purpose acquisition companies (Spacs) – prompted by ultra-low Covid-era interest rates.

Unlike a normal initial public offering (IPO), in which an existing business sells itself to investors, Spacs invert the process, first raising money from investors and then using it to go shopping for a suitable business. It is a risky manoeuvre, with investors needing to trust that the Spac sponsors can secure an attractive deal, typically within a two-year deadline.

US Spacs raised \$250bn in 2020 and 2021, but roughly half ultimately failed to find a suitable acquisition and had to return funds to investors. "Dozens" of those that did acquire a business collapsed, notably including office-space landlord WeWork. More than 90% of completed Spac deals are trading below their IPO price. Higher interest rates and "overhyped projections" brought the likes of space tourism business Virgin Galactic tumbling back to Earth.

Yet Spacs are enjoying a revival. They have raised \$11bn so far this year, more than five times as much as the same time last year. Regulatory scrutiny is easing under the new administration. American investors are nothing if not incorrigible optimists.

Copper leads metals market

The global electricity grid is expanding fast, says Ole Hansen of Saxo Bank. Copper – "the world's most efficient and versatile industrial conductor" – lies at the centre of a commodities megatrend fuelled by the "six Ds" of "decarbonisation, deglobalisation, defence spending, de-dollarisation, demographics and droughts". US copper futures have surged 25% in the first half of 2025, and the long-term outlook remains "firmly bullish".

The International Energy Agency (IEA) forecasts a 26% jump in annual global copper consumption between 2023 and 2035. Over the next two decades, "we will need as much copper as all the copper that has ever been produced up to this date", Shon Hiatt of the University of Southern California tells Scott Neuman for NPR.

Yet supply is tightening. Mining giant BHP says that the average grade of mined ore has dropped by 40% since 1991: "existing mines will produce around 15% less copper in 2035 than in 2024".

Shorter cycles

Commodities prices tend to move in long trends known as "supercycles", as in the early years of the 2000s when China's rapid development fuelled a multi-year bull market. Some argue that the present decade



Over the next 20 years we will need unprecedented quantities of the red metal

marks a fresh supercycle, with the S&P GSCI index of 24 major raw materials rising more than 60% over the past five years. However, the first half of 2025 has not been kind to many parts of the commodities complex, with the S&P GSCI off 2% since 1 January.

Brent crude oil is down 11% this year as global supply rises and Middle East tensions ease. The World Bank's energy-price index is forecast to finish the year down 17%, with a further 6% drop expected in 2026, say John Baffes and Kaltrina Temaj in a bank blog. Meanwhile, food prices look on course to drop 7% over 2025 thanks to a weak global economy and good weather in South America.

A "wild tin market" has been another bright spot in metals, says Andy Home for Reuters. London tin prices hit a three-year high in April and remain

elevated due to "persistent supply pressures" as traders focus on mining strains in Congo and Myanmar.

However, many other industrial metals have yet to recover from Donald Trump's "liberation day" tariff shock. Nickel has flatlined this year, with its "electric dreams" fading as Chinese electric carmakers opt for "non-nickel battery chemistry". Aluminium's "modest 3%" gain this year has disappointed analysts who had predicted much more.

Research shows that commodity boom-and-bust cycles have become "shorter and more extreme" over the past two decades, says The Economist. "More frequent extreme weather," which causes agricultural price spikes – and "rising trade barriers" are making commodities markets more unpredictable than ever.

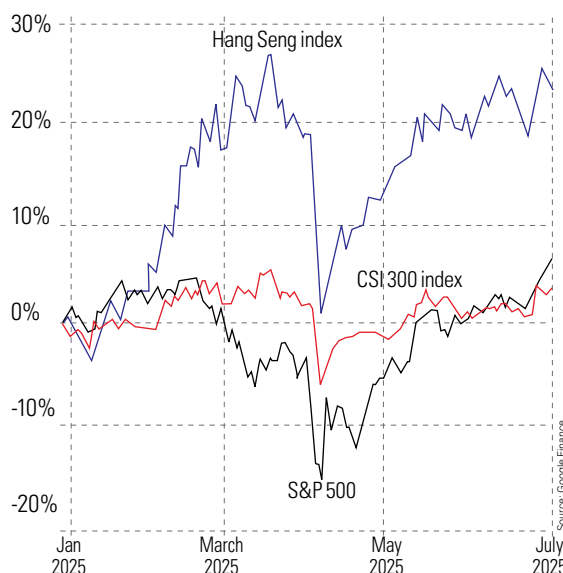
Viewpoint

"China... has long lagged behind when it comes to... home-grown retail brands... This is now changing... the electric car gliding silently by is increasingly likely to be Chinese... Mixue, a purveyor of ice-cream and cold drinks, has dethroned McDonald's as the world's largest fast-food chain by number of outlets... Pop Mart, a Chinese toy maker, has created a buzz worthy of Disney around its strange grinning... dolls... In the past, Chinese firms [replicated] Western products cheaply... Now they are accumulating valuable intellectual property of their own. Investors... should welcome... the [trend]. Investing in Chinese technology companies has long been politically hard because of security worries... But handbags and hot drinks are harmless. Western firms will have to wake up and smell the bubble tea. Within China, the premium that foreign brands command simply for being foreign is eroding."

The Economist

Hong Kong's stockmarket regains its mojo

Percentage gain since 1 January 2025



Hong Kong is poised to regain its crown as the world's premier listings venue, says Sherry Qin in The Wall Street Journal. The city has hosted 41 public offerings valued at \$13.66bn already this year, surpassing the Nasdaq and New York Stock Exchange figures once blank cheque offerings are excluded (see column). Enthusiasm about Chinese technology stocks and secondary listings from the mainland are powering the local Hang Seng index, which is substantially outperforming the New York and mainland Chinese markets this year. Newly listed shares in the city have returned an average of 35% recently, says Lex in the Financial Times. On just ten times forward earnings the Hang Seng is still cheap. So much for talk of Hong Kong's "financial decline".

Babcock rides the boom

The British defence contractor has profited from government spending sprees this year. Will its run continue? Matthew Partridge reports

Babcock International, the UK's second-largest defence contractor, has been the best performer on the FTSE 100 index this year, says Sylvia Pfeifer in the Financial Times: the stock has gained 122%. Last week the group raised its dividend and increased its estimate of future profits. CEO David Lockwood was extremely bullish, hailing what he sees as the "new era for defence", with countries showing an "increasing recognition of the need to invest in defence capability and energy security, both to safeguard populations and to drive economic growth".

Things have certainly changed for the sector, says Nils Pratley in The Guardian. Babcock's update took place on the same day that Nato formally agreed a "defence splurge", which will involve Nato investing 5% of GDP annually on defence and security by 2035. Analysts estimate that even the more modest core defence spending pledges of 3.5% of GDP amount to a huge \$600bn (£440bn) a year, of which \$350bn would come from non-US allies. If even three-quarters of these spending commitments are fulfilled, it will represent a "fundamental change" from the status quo.

The tide turns

The attitude of governments, in both Britain and Europe, has certainly "shifted considerably" from the sense of "managed decline" of only a few years ago, but increased demand isn't the only thing boosting the shares of defence companies, say Matthew Field and Matt Oliver in The Telegraph. For years, Babcock "was just one among many struggling" as an emphasis on environment, social and governance (ESG) led many investors to believe that backing defence was "unethical". However, the "tide has now turned", with investors "piling back into defence". That is buoying share prices and engendering "a sense of purpose" across the



The members of Nato have agreed to splurge on defence

entire industry. Shares in the German contractor Rheinmetall, for instance, have jumped 250% over the past year.

Babcock and other defence companies are "benefiting from the reallocation of budgets and pledges significantly to increase defence funding and pull levers for growth", says Hargreaves Lansdown's Susannah Streeter. But the sector is hardly risk-free, not least because the increase in share prices over the last year means that the increased spending expectations are now "baked in" to valuations. What's more, profits won't necessarily rocket. The pressure on public purses means governments will be eager to "try and drive a hard bargain" in order to get the best value for money.

Still, Babcock is in an especially good position, say Panmure Liberum's Nick Cunningham and Sash Tusa. The strong cash flow highlighted in the latest figures has given it greater balance-sheet strength than in the past, providing a lot more freedom when it comes to deciding between investment, debt reduction and dividends. What's more, changes to terms of trade relating to UK contracts, as well as even stronger funding for nuclear and submarine programmes, seem "to play particularly strongly to Babcock's strengths".

Moonpig makes steady progress

Online card seller Moonpig has suffered a nasty writedown in its experiences division (comprising gifts ranging from spa breaks to adventures). The impairment caused its reported pre-tax profits to plummet from £46.4m to just £3m last year. While the company has announced its first dividend as well as a share buyback programme, this good news was also overshadowed by the fact that CEO Nickyl Raithatha, who has been in charge since 2018, will be standing down after seven "transformative years in charge".

Raithatha has overseen Moonpig's expansion, especially during the pandemic, culminating in its 2021 flotation. However, trading has slowed significantly since lockdown curbs ended and people returned to purchasing cards on the high street. Rising inflation has also dampened consumers' spending.

You can see why investors are cautious, says eToro's Adam Vettese. Still, bear in mind the "strong execution" in the core Moonpig brand, where technology-led customer engagement and a growing subscription base continue to bolster growth. The dividend and share buyback should also "reinforce its appeal to income-focused investors", while the company's digital scale, recurring cash flows, and commitment to shareholders' returns support a "positive long-term case".

The "patent disappointment" of the "significant writedown" has completely overshadowed the fact that Moonpig's three core growth drivers are all progressing nicely, says Interactive Investor's Richard Hunter. The number of active customers increased from 11.5 million to 12 million last year. Orders have gone up 4.1%, while the average amount spent per order rose 2.1%. Overall, Moonpig continues to hold a dominant position in a market "where there is significant room for growth". The group's capital-light business model has also "served it well", allowing Moonpig to "scale more efficiently while also using its strong cash flow to invest in technology in an effort to keep ahead of the field".

US-UK trade talks turn ABF's sugar arm sour

Associated British Foods (ABF) is in a "stand-off" with the UK government over the future of Britain's largest bioethanol plant, says the Financial Times. With the trade pact between the US and UK threatening "to flood the market with tariff-free ethanol", ABF has entered negotiations over the future of the Vivergo's biofuel business. A "wind-down" of the facility is on the cards if the talks fail. If ABF does go through with threats to close the £450m Vivergo plant in September, it will be bad news for the 160 people that it employs and a further 5,000 jobs in downstream supply chains. ABF blames the closure on the fact that US firms get two lots of subsidies.

ABF has a point in that importing ethanol from the US is less sustainable than producing it in the UK, with the carbon emission produced by the shipping wiping out any environmental benefits from the renewable aspects of the biofuel, says Kathryn Porter in The Telegraph. It's also another blow to "a farming sector already reeling from successive policy missteps". But Vivergo was never really financially sustainable. It shut down for four months in 2018 and only reopened when the government created a subsidy scheme. So this is more a "textbook example of how net-zero policies can create artificial markets that collapse as soon as

political winds shift", with the renewable benefits becoming less important than the "greater prize" of trade access to the United States.

Despite the potential job losses, the market reaction has been "muted", with ABF's share price barely affected, says AJ Bell's Russ Mould. Still, Vivergo's closure may prompt "wider questions" about ABF's strategy. The Weston family is "protective" of its current structure: the diversification it enjoys was "helpful during the pandemic", when Primark had to close. But the sugar arm, of which Vivergo was a part, has always been "volatile" and its position in the group may now come under "further scrutiny".

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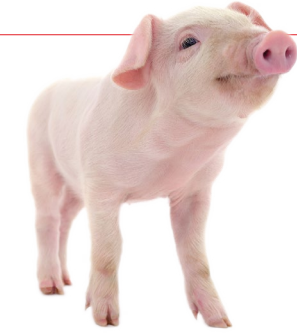
The Telegraph

There could be further dividends and capital gains to come from challenger bank OSB. It is on a similar valuation to rivals Metro and TSB, yet the challenger provides a higher return on tangible equity than both, and Metro will have to work hard over the next few years to match OSB's 35% cost-to-income ratio. Although it faces risks tied to Britain's property sector, OSB boasts a higher net-interest margin, stronger regulatory capital ratios and a forecast 7% dividend yield. *499p*

Bunzl

The Times

Bunzl issued a profit warning after Donald Trump's tariff announcement, and its shares remain stuck at a four-year low, but jitters over its slow recovery are overdone. Shares in the distributor of loo roll, cleaning products and disposable cutlery are "crazily cheap". Analysts expect flat revenues this year and a 4% fall in operating profits, but in 2026 Bunzl's income and earnings will return to 2024 levels. Bunzl has a



"dependable" dividend, and if it remains at last year's level, the shares yield over 3%. *2,328p*

Primary Health Properties

This is Money

NHS landlord Primary Health Properties (PHP) has been embroiled in a protracted bidding war with a consortium led by US private equity firm KKR for rival Assura, which recently backed PHP's improved £1.79m takeover offer. PHP has promised a 0.84p special dividend to Assura's shareholders with its cash-and-share offer worth 53p. "There have been ups and downs" in the real-estate investment trust's stock since 2008, but "loyal" investors have been rewarded with continued annual dividend growth, and there should be "more to come". *101p*

Anpario Shares

Anpario is a "quality small cap with a track record of topping analysts' estimates, positive trading momentum" and a progressive dividend. The maker of sustainable feed additives for animals has won market share and has invested in innovation. Anpario is benefiting from population growth and a shift towards natural feed solutions amid rising concerns over food safety. The stock looks cheap and there is scope for a rerating. *416p*

XPS Pensions

Investors' Chronicle

XPS Pensions has reaped the benefits from offering actuarial advice and administration to companies keen to manage their pension liabilities amid high interest rates. The group's full-year pre-tax profits fell 35% thanks to the previous year's £32.5m gain from selling its NPT business, but underlying growth was "impressive", with cash profits up 27% to £69.7m. Broker Investec forecasts 12% revenue growth for 2026. *381p*

One to sell

Bellway

The Telegraph

Despite Bellway's third-quarter update reading well and the government's efforts to galvanise the housing market, the housebuilder's shares trade marginally above its historic net asset value (NAV), suggesting "the easy money is already in the bag" and it may be "time to bank profits and move on". Higher house prices have boosted sales and profits, but it's unclear if earnings will return to the "go-go times of the late



2010s", and Labour's housing policy remains uncertain. The pandemic, higher interest rates, rising input costs, the end of Help to Buy and regulatory levies have weighed on housebuilders. "Sell." *2,876p*

...and the rest



Investors' Chronicle

Despite record revenue, Marks Electrical swung to a loss of £1.7m in the last financial year owing to higher costs from replacing its planning and accounting system. The online electrical retailer's cash

profits fell thanks to a decline in the average value of orders as customers became more price-conscious, while order volumes grew faster than sales. Marks has taken steps to mitigate the impact of higher wage costs. Analysts expect adjusted earnings to increase this year and next. The stock may be "undervalued relative to its sales". Buy *(59p)*.

Shares

Cerillion, a provider of billing and customer-relationship management software to

telecommunications firms, boasts a 45% compound annual average growth rate over the past five years. Its shares dropped recently after CEO Louis Hall reduced his stake in the firm to 25.5% from 30%. But since no new shares have been issued, there is no dilution of existing holders, and this has created a "great opportunity" for investors to buy the stock at a discount. Cerillion is a "high-quality" business whose investment case has not changed. Its shares have seldom been so cheap. Buy *(1,568p)*.

The Telegraph

Costain's exposure to HS2 and Network Rail's slow spending had prompted fears for Costain's future performance, but a "reassuring" trading statement has allayed fears. The infrastructure specialist's order book of £2.5bn is more than double full-year sales forecasts, and Costain was the preferred bidder for an additional £2.9bn in projects. Costain is aiming for a 4.5% profit margin this year and boasts good cash flow, no debt and a £10m buyback. Hold *(142p)*.

A German view

Spin-offs often do better than their previous owner, says *WirtschaftsWoche*. A case in point is likely to be Valterra Platinum, previously known as Anglo American Platinum and owned by Anglo American. Shares in the last have slipped by a tenth, while Valterra's stock has gained 5%, and there should be further to go. Platinum has been overshadowed by gold for a decade. Over the long term it has traded at a 40% premium to the yellow metal, but is still on a 50% discount. The gap should close: the market is set for a third successive supply deficit this year as output from mines continues to disappoint. Stockpiles above ground, meanwhile, are at historically low levels.

IPO watch

Visma has chosen London over Amsterdam for its initial public offering (IPO) next year, giving a rare boost to Britain's struggling stockmarket following an exodus of big names, says the *Financial Times*. The €19bn Norwegian group, which offers accounting and payroll software to small businesses, has been owned by British private-equity firm Hg since 2006, after it was taken private for £380m. Hg owns 70% of Visma, with other shareholders including Singapore's sovereign wealth fund GIC and US buyout firm TPG. The London listing is contingent on reforms promised by the government and the bourse, such as allowing firms with a euro share price into FTSE indices.

Spanish PM fights for survival

Spanish prime minister Pedro Sánchez is “fighting for political survival” amid mounting allegations of corruption, says Isambard Wilkinson in *The Times*. According to a police report, his two successive right-hand men, José Luis Ábalos and Santos Cerdán, took kickbacks on state contracts. Both deny the allegations.

Other scandals are threatening his leadership, which the Socialist-led government attributes to a “smear campaign” by the right-wing opposition, media and judges. Sánchez is also “on the defensive internationally after refusing to agree to a new Nato spending target last week”, says Barney Jopson in the *Financial Times* (see box).

Public outrage could lead to a snap election, however, says Guy Hedgecoe in *Politico*. With his conservative People’s Party “comfortably ahead in the polls” (34% compared with Sánchez’s party’s 27%), Alberto Núñez Feijóo has “never looked so close” to becoming prime minister.

“Removing Sánchez, however, comes down to tight margins in parliamentary alliances.” It was Feijóo’s inability to form a governing majority in 2023, despite winning the most votes, that allowed Sánchez to claim the throne with the help of a “handful” of small Catalan and Basque parties, which loathe the PP’s hostility to separatism and willingness to deal with the far-right Vox party.

Feijóo’s party has also been tainted by scandals and the Socialists have made much of his former friendship with Galician drug trafficker Marcial Dorado.

For now, Sánchez is refusing to resign or call an election, “arguing that the scandals are isolated cases and that he is keeping an extremist opposition out of power. As long as his delicate parliamentary majority remains in place, there is little Feijóo can do to oust him”.

Labour rebels smell blood

They’ve already scuppered welfare reform. Is the PM next? Emily Hohler reports

In a last-minute climbdown on Tuesday, Keir Starmer “gutted his controversial welfare bill” to fend off a “full-scale” rebellion from Labour MPs, leaving a “multibillion-pound hole” in Britain’s public finances, says Anna Gross in the *Financial Times*. Experts say the bill, intended to generate net savings of £5bn primarily by tightening eligibility criteria for the main disability benefit, the personal independence payment, could “even lose the government money overall”.

Aside from the “blow” to its fiscal plans, it has lost “credibility in the eyes of the bond markets”, says *The Telegraph*. And with 49 Labour MPs still voting against the bill, it shows Starmer may be “unable to manage his party, let alone govern his country”.

“Unserious” people

As Starmer approaches his first anniversary as PM this Saturday, it’s hard to “find anyone who thinks the past year has gone well”, says Simon Nixon on *Substack*. In the past month alone, he has also been “forced into authority-sapping U-turns” on winter-fuel payments and an inquiry into grooming gangs. Labour languishes at 23% in the polls, behind Nigel Farage’s Reform party, while Starmer’s personal approval ratings have plummeted to -30%.

It’s now more likely than not that he won’t lead Labour into the next election, says John Rentoul in *The Independent*. His U-turn over welfare may be popular with his MPs, but it isn’t popular with voters – and it will be even less so when they “have to pay for it in higher taxes”. It shows that Labour’s new MPs are “unserious” people, says



Starmer: There's still time to turn the ship around

The Times. They “profess to represent the party of work, but are happy to encourage and fund chronic worklessness”. A projected £90bn bill for working-age health-related benefits by 2030 is “simply unsustainable”.

Now that Labour MPs “smell blood in the water”, the pressure may well come from an “ascendant left” that demands more spending, more taxation and more state

intervention in the economy, says *The Telegraph*.

The Labour conference followed by the Budget offers the chance of a reset, but Starmer is beset by “huge problems that show no sign of easing”, says Annabelle Dickson in *Politico*. Populists are “breathing down” his neck, small-boat crossings have hit a record high and economic growth remains “elusive”. The Ukraine war, tensions in the Middle East and the “reset” with the EU all demand Starmer’s attention, and he is unlikely to want to relinquish his grip on international affairs given this is one area in which he has enjoyed “real success”.

The main problem is Labour’s lack of “solid ideological grounding” and clear vision, says *UnHerd*. The public is “giving up” on Starmer’s promise of change. Labour does need to stop overpromising and then retreating, says Rosa Prince in *Bloomberg*. Starmer and his team certainly need to become “better at communicating”. But there have been some underappreciated successes: NHS waiting lists are down, employment is up, net migration has halved, infrastructure projects “greenlit”. Tuesday’s volte face was humiliating, but Starmer has “plenty of time to turn the ship around – if only he can learn from his mistakes”.

Nato pledges spending hikes to placate Trump

At last week’s Nato summit in The Hague, all but one of the 32 leaders agreed to raise their defence spending to 5% of GDP as Donald Trump has been demanding, says Jim Lawley in *The Spectator*. The exception was Spain’s Pedro Sánchez, who “enraged” Trump by insisting that 2.1% was sufficient. Trump described the overall result as “tremendous”, but threatened tariffs to make Spain “pay twice as much”.

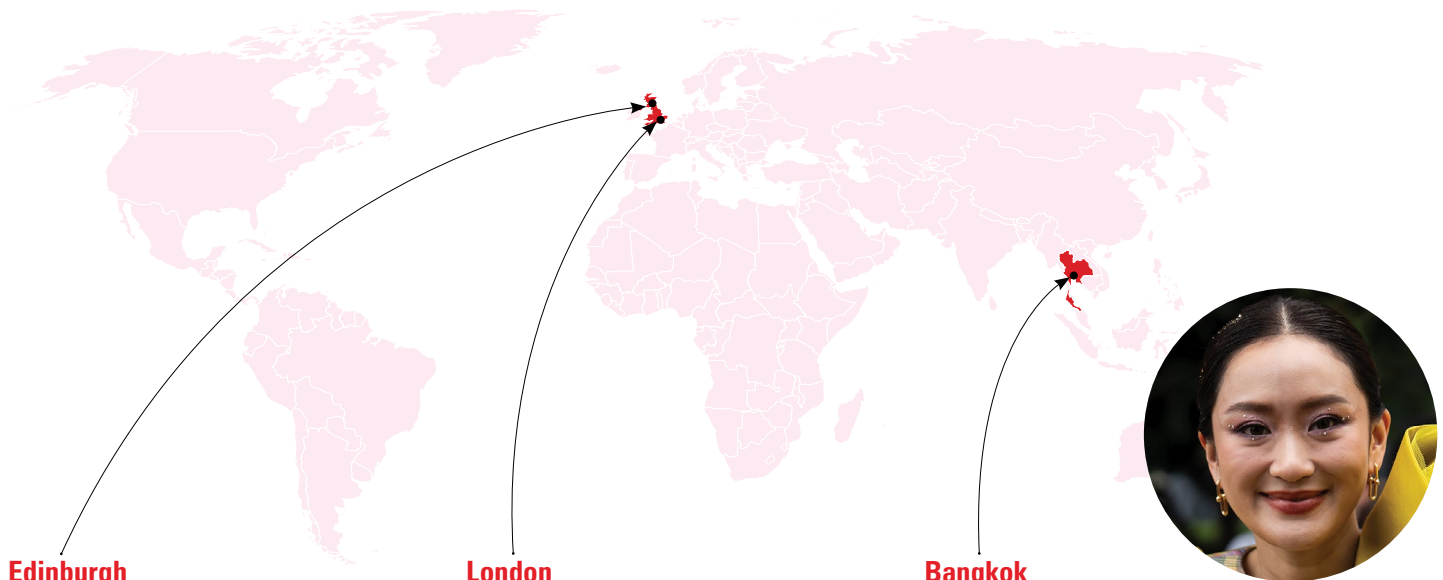
The rise means that Nato’s spending will leap from \$1.5trn last year (more than half of global military spending) to a total of \$13.4trn by 2030, says Nick Buxton on *Al Jazeera*. This “spree” will come mostly at the expense of social and

environmental spending at a time when climate scientists warn that we have two years left to keep temperature rises below the international target of 1.5°C. Indeed, it will make things worse, since the military is one of the world’s major polluters. Nor does it seem justified on security grounds. Russia has increased its military budget, but still spends a tenth of what Nato does. “The security Nato seems most concerned with is that of its arms firms.”

It’s not just that the increased budget represents a “lost opportunity to invest in more socially beneficial projects”; military diplomacy is also “geopolitically destabilising”, says Lawley. Take US efforts to

contain communism in the 1950s and 1960s, which led China to forge alliances with other communist states and ensured that “self-reliance became a cornerstone of China’s economic strategy”.

The main aim of the summit was to keep Trump onside, says Max Hastings in *Bloomberg*. But it’s hard to believe that most nations will “seriously attempt” to hit the ambitious spending targets, set for a decade ahead, by which time most of the current leaders will have left politics. Nevertheless, the Europeans have an “honourable aim – to save Ukraine and to save Nato, not from the Russians, but from the Americans”.



Edinburgh

TSB sold: Spanish banking group Sabadell is selling its British arm, Edinburgh-based TSB, to fellow Spanish bank Santander for £2.65bn. That will make Santander Britain's third-largest bank by personal current-account balances and the fourth-largest by mortgages. It will also add £35bn in customer deposits to Santander, with the combined bank serving nearly 28 million customers in Britain. The transaction, subject to regulatory and shareholder approval, is expected to generate cost synergies of at least £400m, or 13% of the combined lender's cost base, potentially at the expense of jobs and branches.

Sabadell is itself battling an €11bn hostile takeover by Spanish rival BBVA. The latter's chairman, Carlos Torres Vila, plans to continue his pursuit of the smaller lender despite the Spanish government's insistence the banks remain legally separate for three years to minimise job losses and branch closures. "Success will require raising the offer enough to please [Sabadell's] investors without overly irking Torres's own shareholders," says Liam Proud on Breakingviews.

"The upshot is that Torres's €300m of planned savings from staff cuts are delayed," but about €550m in savings could yet come from "cutting technology and administrative expenses and cheaper debt funding." BBVA's bid values Sabadell at €13.7bn. However, since then the premium over the share price has shrunk, which may force Torres to increase his bid.

London

Spectris snapped up: US private-equity giant KKR has trumped an earlier bid from fellow buyout firm Advent International to buy Spectris, a British "tech star" and FTSE-250 constituent, for £4.7bn, including debt, says Jane Denton on This is Money. Spectris makes precision instruments for high-tech sectors, such as the pharmaceutical and semiconductor industries. It had accepted a £4.4bn takeover offer from Advent last month, but KKR's offer represents a 6.3% premium to that bid and a 96% premium to Spectris's share price on 6 June, before news of the takeover talks was made public. Spectris's shareholders will receive a 28p per share dividend on completion of the deal, which is expected to happen in the first quarter of next year.

Spectris is a "prime example of a great British engineering firm with global reach", says Susannah Streeter of Hargreaves Lansdown. "There will be disappointment that instead of pursuing further growth as a listed entity, it looks like it will be snapped up by American investors, with deeper pockets to push its growth prospects."

At least London-listed Primary Health Properties (PHP) looks to have beaten off "stiff competition" from KKR to buy NHS landlord Assura. PHP has confirmed its shareholders have approved a higher offer. But private-equity firms nevertheless "continue to circle around London-listed stocks... [which are being] shown more love by overseas suitors, attracted by the lower valuations this side of the Atlantic".

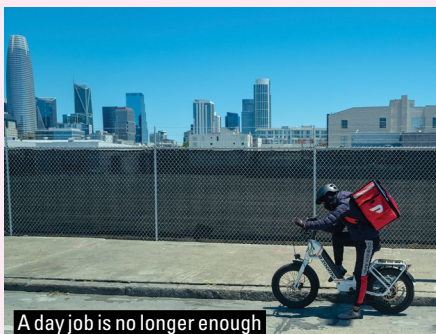
Bangkok

PM suspended: Thailand's prime minister, Paetongtarn Shinawatra (pictured), has been suspended by the constitutional court after the contents of her phone call with former Cambodian leader Hun Sen was leaked, says Sky News. Paetongtarn had been trying to "defuse... tensions" on the border that led to the death of a Cambodian soldier in May. In the phone call, she addressed 72-year-old Hun Sen deferentially and criticised a Thai army commander, a "taboo move" in a country with a powerful military.

Thousands of nationalist protestors took to the streets on Saturday to "urge her to step down". If dismissed, she would become the third politician in the powerful Shinawatra clan to lose power before finishing their term and the second PM from the Pheu Thai party to be removed since last August, say Kelly Ng and Thanyarat Dokson on BBC News. Her ruling coalition is "already teetering with a slim majority" after it was abandoned by a key conservative ally a few weeks ago.

Tuesday's decision "underscores" the power of the court to "unmake governments", which critics argue can be "weaponised" against political opponents. Paetongtarn, whose popularity ratings fell from 30.9% in March to 9.2% at the weekend, apologised for her comments, but said they had been a negotiating tactic. She has 15 days to present her defence, during which time the deputy prime minister will stand in for the head of the government.

The way we live now... moonlighting to make ends meet



A day job is no longer enough

Younger Americans are side-hustling as if the country were already in a recession, says Callum Borchers in The Wall Street Journal. The share of Americans with multiple jobs increased to between 5.3% and 5.5% in the first five months of the year – the highest percentage since the 2000s. This is testament to America's "collective unease" about

the economy and "evidence that careers will look very different than they used to", as "holding one job at a time is on the way to becoming antiquated, or a luxury, for emerging generations".

According to Deloitte, about 40% of Millennials and Gen-Z have side jobs. Many are taking on casual gigs, such as delivering takeaway orders for

food-delivery app DoorDash, or picking up freelance projects on online platform Fiverr. Meanwhile, universities in the US are preparing students for a world that may require them to work in a second job, often unrelated to what they have been studying. "Recession or not, we might be headed back to a time when two jobs are the norm."

©Getty Images

The vertiginous rise of stablecoins

Cryptocurrencies backed by real assets are all the rage and have been enthusiastically backed by Donald Trump's administration. Are they a danger to financial stability? Simon Wilson reports

What's the point of them?

Stablecoins – principally tether and circle – are digital tokens run on public blockchains (digital ledgers) whose value is determined not by supply and demand, as with bitcoin, but are backed by a specified asset (such as the US dollar), or basket of assets. Whereas bitcoins are arguably useful as a store of value – albeit a wildly speculative one – stablecoins are genuinely useful when it comes to transactions. The main use of stablecoins is as a safer currency reserve held between trades on cryptocurrency exchanges. But over the past year – boosted by the enthusiastic backing of the Trump administration – they are increasingly used as a vehicle for sending money anywhere in the world quickly, with low fees, or for trading without wild price swings. Users regard stablecoins as a readily accessible proxy for US dollars that are cheaper and faster than the network of correspondent banks that handle most of the world's cross-border transactions. With stablecoins the money is transferred across the internet, outside the banking system, which “makes them highly attractive in countries afflicted by high inflation, weak or volatile currencies, unstable banks or capital controls”, says Philip Stafford in the *Financial Times*. In Turkey, for example, stablecoin transactions accounted for about 4.3% of GDP in the year to March 2024. Ethiopia is another fast-growing market.

Are they all pegged to the dollar?

Almost all stablecoins are linked to the world's most powerful “fiat” currency. But some higher-risk stablecoins are linked to other cryptocurrencies, and others (even riskier) are based on algorithmic trading. This week, a European joint venture that includes Deutsche Bank's asset-management arm DWS, which manages about a trillion dollars globally, was licensed by the German regulator to issue the first euro-denominated stablecoin. Here in the UK, BCP Technologies last month launched tokenised GBP (tGBP), the first sterling-denominated stablecoin from a UK-registered issuer to go live. According to the firm, each tGBP token is backed one to one by “reserves held in a segregated account at a UK-regulated financial institution and is fully redeemable for sterling at any time”.

How popular are they?

There's currently around \$250bn of stablecoin in circulation, a figure projected (by investment bank Standard Chartered) to grow to \$2trn by the end of 2028. The number of wallets that regularly send and receive payments hit a record average of 46 million in May, up from 27 million a

moneyweek.com



year before. And according to data firm Chainalysis, total trading, payments and transfers in stablecoins hit \$27.6trn last year, or two-fifths of all value settled on public blockchains, up from a fifth in 2020. But as the tokens move into the mainstream, critical voices are getting louder. Sceptics argue that they are essentially unregulated bank deposits, with all the risks of failure and systemic contagion that implies. There's nothing you can do with a stablecoin that “can't be done more cheaply and more easily with debit cards, Venmo, Zelle, wire transfers and so on, argues economist Paul Krugman on Substack. “Why not just use dollars instead of tokens that are supposedly backed by dollars?”

What's the answer?

Anonymity – a highly valuable feature for those who want to engage in money laundering, extortion, the purchase of illegal drugs, and so on. For Krugman, stablecoin issuers are “teched-up” versions of 19th-century unregulated banks, which repeatedly experienced panics, bank runs and failure. Indeed, as shadow banks accumulate large reserves of US government debt, they are even more dangerous: a run on stablecoins could turn into a run on US government debt – driving up interest rates in the real economy and causing global panic. In a nutshell, the “growth and legitimisation of stablecoins poses new risks to overall financial stability” – all in the name of making life easier for criminals.

Who agrees?

The Bank of International Settlements (BIS) issued a scathing report on stablecoins last month. Society must choose whether to modernise payments sensibly, or go down

the free-for-all stablecoin route. If it chooses the latter, we will “relearn historical lessons about the limitations of unsound money” that fails “the triple test of singleness, elasticity and integrity”. The BIS advocates the development of a central-bank-based system that “preserves the singleness of money with more efficient domestic and cross-border transactions” and with anti-crime checks, says Chris Giles in the *Financial Times*. We should wish the central banks well. “It is a race against time.”

Who disagrees?

The US federal government. In January, Donald Trump declared that the US would be “the crypto capital of the planet” and backed “lawful and legitimate dollar-backed stablecoins” as a means of bolstering the dollar's dominance and demand for Treasuries. Last month, the Senate passed the Genius Act, setting out a notably light-touch regulatory framework for stablecoins. The dangers can be over-egged, says Felix Martin on *Breakingviews*. Anonymity of transactions is a feature of physical banknotes. Prudential risks are already a concern for money-market funds and traditional banks. And the potential dilution of monetary policy is a “familiar gripe” of central bankers in emerging markets. Regulators are really spooked not by new risks, but by the “frightening scale, scope, and speed which digitisation allows”. Increased oversight would not be all bad for stablecoins, says *The Economist*, as it would spur interest from mainstream finance companies. Payments firm Stripe recently bought Bridge, a stablecoin-infrastructure start-up. Visa has built a platform to help lenders issue coins. Japan's Sony Bank is testing its own token for payments, and analysts expect other big banks and Silicon Valley tech companies will also join the fray.

BP's days are numbered

Its rival, Shell, has expressed interest in a takeover. That would be the least-worst option for Britain's beleaguered oil giant



Matthew Lynn
City columnist

BP's days as a stand-alone company seem numbered. Shell has had discussions about a takeover of its rival, The Wall Street Journal reported last week. This won't happen immediately – Shell has denied it is about to launch a bid, which means it is now not allowed to make an offer for at least six months. But the blunt truth is that BP has been in decline for a long time.

Rewind a quarter of a century to when the shift into green energy began, and BP and Shell were roughly equal. The two heavyweights of the European oil and gas industry had been slugging it out for a century without either ever coming out decisively on top. In the last decade, however, Shell has pulled ahead. With a market value more than twice BP's, it still ranks in the top five in the industry, while BP has slumped to 14th.

There are many reasons for BP's relative decline. The Deepwater Horizon disaster was a blow from which it was always going to take years to recover, no matter how well the company was managed. The management lost focus, with a succession of chief executives who failed to stamp their authority on the business in the way that John Browne did between 1995 and his departure in 2007. But the major problem was that by focusing on green energy, it made life very difficult for itself.

Looking back, it was always a crazy decision. For an oil company to get out of the fossil-fuel business makes about as much sense as GSK giving up on drugs, or Unilever ditching soap manufacturing. A company abandons its roots at its peril,

and BP's roots, right from its origins as the Anglo-Persian Oil Company, were in drilling for, and distributing, black gold. Green energy may have been more fashionable, but it never managed to generate the same kind of returns for shareholders, nor did it ever quite seem that the company's heart was really in it. Shell, by contrast, has always steered a more sensible path, developing its oil and gas interests, while also investing in alternatives. It is hardly surprising that it has grown so much larger that it is now in a position to make an offer for its great rival. One of the UK's largest and once greatest companies looks set to pay the ultimate price for a rash decision about green energy.

Potential suitors

Given how badly BP has performed, a merger with Shell is almost certainly the best outcome we can hope for. The oil business has always been about scale and BP has now fallen too far behind its rivals to survive on its own. If it doesn't merge with Shell it will probably fall to a foreign owner. The US giants ExxonMobil and Chevron are the obvious suitors, especially given that BP has huge operations in the US and both companies would almost certainly be interested in its assets, and a deal would pose relatively few competition issues.

PetroChina could certainly afford it, but it would pose a big test for the British government if it made an offer. One of the Gulf giants might well be interested, with the giant Saudi Aramco by far the most plausible bidder. With a \$1.5trn market value, it is far larger than any other oil company in the world. Brazil's Petrobras is slightly smaller than BP, but might be able to pitch a deal as a merger of



The dash for something greener proved misjudged

equals, and one that would create a new giant. One of the private-equity firms might even be interested.

Those are all plausible scenarios. And they would all be very bad for the British economy. The UK does not have enough genuinely global corporations left that it can afford to lose any more of them. And it would be a big blow for the London stockmarket if yet another of its heavyweight businesses left. It would be far better for Britain to have a healthy, thriving BP.

Oil used to be one of the global industries where the UK was a genuinely global contender. Sadly, that is no longer the case. BP has fallen too far down the rankings to be considered one of the giants of the industry any more. There is not much that can be done about that now. Given how far it has fallen, a merger with Shell would be by far the best outcome, both for the economy and for the stockmarket.

City talk

● "WH Smith has a strong survival instinct," says Alex Brummer in the Daily Mail. "Executives have a fear of backing away from heritage enterprises because of concern about a consumer and government backlash." However, with retailers coming under pressure from surging costs, WH Smith made the "bold" and "contentious" decision to sell its 230-year-old high street chain to Hobbycraft's owner Modella Capital for £52m. Modella has now negotiated a lower price of £40m to reflect weaker sales volumes in town centres, but this still leaves WH Smith free to focus on its faster-growing chain of

1,200 global travel outlets. Meanwhile, "the bargain price doesn't augur well for the new TGJones" – the brand that Modella has chosen for the high-street stores it is buying.

● When CEO Bill Winters took charge of Standard Chartered a decade ago, the bank was battling high costs, weak capital levels, regulatory issues,

anaemic growth in core markets and a low share price. "In some respects, not much has changed," says Nicholas Megaw in the Financial Times. The underlying cost-to-income ratio is unchanged and the share price has only risen 20%. Yet Standard Chartered is now clearly focused on serving large companies and wealthy individuals. The shares are attracting more growth-focused investors, but still trade at a discount to European peers. Winters' tenure is probably nearing an end, "but he might have just enough time to close the gap before he goes".

● "Don't tell Donald Trump" about TT Electronics, says

Alistair Osborne in The Times. In April 2021, the group consolidated its North American components wing in a new "state-of-the-art facility" in Plano, Texas. Now it is closing the plant, after losing £5.7m last year and writing down a total of £15.5m so far. Management also reported a 5.5% fall in revenue, blaming "headwinds in Asia and North America". Nathaniel Rothschild, executive chair of rival Volex, "will be keeping a close eye" on developments – he withdrew a £249m cash and shares bid for TT in December. Since then, Volex's shares have risen about 24%, while TT's are up less than 4%. "Rothschild may wait. But, whatever plan he's got, he hasn't gone away."



Big shift in Japanese bonds

Rising long-term yields point to growing nervousness about the future – and not just inflation



Cris Sholto Heaton
Investment columnist

There are not that many people still working in investment who can remember a time when Japanese government bond (JGB) yields did not trend inexorably down. They peaked in 1990, just after the bubble began bursting, and declined through most of the following 35 years.

For the entirety of my career, shorting JGBs has been known as the “widow-maker”. No matter how low yields went, they always found a way to fall further, wiping out anybody reckless enough to bet that the bottom had been reached.

This may be why the big upward moves in longer-dated JGBs over the past year have not drawn as much attention as you would expect. Anyone who has been conditioned to expect JGB yields to be low forever will instinctively doubt that can last. This is a brief upheaval and they will soon head right down again.

Yet as Albert Edwards notes (right), something fundamental seems to have shifted. The 30-year JGB currently yields 2.9%, comparable to the 30-year bund at 3.1%. It had ticked up to almost 3.2% before the Bank of Japan said it would reduce the pace at which it is stepping back from quantitative easing (QE), while the Ministry of Finance indicated it would issue less ultra-long-dated debt in future.

The implications of this are significant, Edwards argues – not just for Japan but also for global markets, because low-yielding Japanese debt has been a key funding source for many global carry trades. Borrow at low rates in one currency, invest in higher-yielding assets in another, pick up the difference in returns and hope you can unwind the trade before something – eg, typically a massive currency move – leaves you with sudden losses.

Japan 30-year government bond
Yield to maturity, percentage points



Uncertainty everywhere

Still, the higher yields on long-dated JGBs don't imply that Japanese monetary policy is going to normalise any time soon. Markets are pricing in a very drawn-out adjustment – while the 30-year JGB and the 30-year bund are now in line, five-year yields are still well over a percentage point apart (0.97% vs 2.18%). This long-term distortion in global markets may gradually unwind – which is likely to be bullish for the yen over the long term – but it's not immediate, or so the market thinks. Whether this may be too sanguine is another matter: if inflation (3.5% in May) remains high, rates should go up faster.

Instead, what long-dated bonds are signalling in Japan and elsewhere is a huge amount of uncertainty. Take the US 30-year Treasury, which now yields 4.8%. This doesn't seem to be due to fears of runaway inflation in particular, because the 30-year inflation-linked Treasury is yielding about 2.5% (ie, the rate of inflation needed for them to return the same is just 2.3%). Rather, it simply feels increasingly reckless to lock up capital for so long. Investors worry about increased government spending, the potential for large amounts of bond issuance to fund it, politics (at the time of writing, the UK 30-year gilt had ticked up to 5.4%) and much more. They are right to be worried, and current yields still feel like very meagre compensation for those risks.

Guru watch

Albert Edwards,
global strategist,
Société Générale



“[A] Sword of Damocles still hangs heavy over Western markets – yet most investors seem oblivious to this risk,” says Albert Edwards, the veteran – and famously bearish – strategist at Société Générale.

Volatility in Japanese government bonds (JGBs) has been extreme enough to force the Bank of Japan (BoJ) to delay its tapering of quantitative easing (QE) until April 2026. This development has received “little attention”, but is “possibly the most important” moving part in global markets.

“Investors underestimate the importance of policy shifts in Japan at their peril,” says Edwards. “Super-crazy” Japanese monetary policy – including interest rates at zero and “outsized” quantitative easing – was a feature of global markets for decades.

Investors believed that this was justified by the country's chronic deflation. However, this drove “a tsunami of outbound liquidity” that kept Western bond yields low and allowed US tech and European consumer stocks to achieve high valuations. “That cycle has now gone into reverse.”

The Bank of Japan's modest attempts to ease back on QE (“it isn't even actually doing proper [tightening] yet”) have “punctured demand [for JGBs], which is serious for a bond market hooked on massive QE”. JGB yields are picking up, with the longest-dated yields rising to the point where they have been higher than German bunds. The implication of this “does not seem to have properly dawned on global investors with tech-dominated, US equity valuations still at very high levels”.

“Inflation has returned to Japan, and that will result in the normalisation of interest rates, while the relentless rise in JGB yields will pull the rug from under, firstly, the US bond market and secondly, the equity sectors and markets that have most benefited from low bond yields.” Japanese investors have been selling bunds at the fastest rate in a decade. “That is the appetiser.”

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

Duration is a measure of risk that is typically applied to bonds. It describes how sensitive a given bond is to movements in interest rates. Think of the relationship between bond prices and interest rates as being like a see-saw: when one side goes up, the other goes down.

Modified duration (which can be found in the fact sheet of most bond funds) tells you the likely percentage change in a bond's price in response to a one percentage point (100 basis points) change in interest rates. The higher the duration, the higher the “interest-rate risk” of the bond – that is, the larger the change in price for any given

change in interest rates. So if a bond has a duration of ten, it indicates that a single percentage point rise in interest rates would cause the bond price to fall by 10% (while a single percentage-point drop in interest rates would cause the bond price to rise by 10%).

Modified duration is derived from Macaulay duration, which calculates the weighted average time (measured in years) that it takes for the bondholder to receive the bond's cash flows. Put more simply, it shows how far into the future the holder's pay-off lies. For zero-coupon bonds (those that pay no income at all), the duration is always the

remaining time to maturity. For interest-paying bonds, duration is always less than maturity (because in weighted average terms, the cash flows will always be paid out before maturity).

As a rough guide, the duration of a bond increases along with maturity – so the longer a bond has to go until it repays its face value, the longer its duration. Also, the lower the yield on the bond, the higher its duration – the longer it takes for you to get paid back. Finally, as interest rates rise, duration falls. So does the bond's sensitivity to further rises, which implies that raising rates in a zero-rate environment is likely to be more disruptive than raising them from a higher starting point.

Europe is vulnerable to US tech

Jennifer Johnson
Breakingviews

European businesses have a problem, says Jennifer Johnson. They rely heavily on US cloud-computing providers Amazon, Microsoft and Google. This is arguably “imprudent” given “testier” transatlantic relations. In theory, Washington could legally access European data for criminal investigations or on security grounds and potentially even insist cloud services are shut off. The tech giants’ data centres also help to power AI models, which may play a future role in national defence. The alternatives aren’t perfect. An industry coalition, EuroStack, is pushing for a “mass build out of strategic digital infrastructure”, but this could cost as much as €5trn and would take years. Other options include using US equipment, but switching to European-made cloud software hosted in European-owned data centres or choosing from a “suite” of “sovereign solutions”, including “walled-garden” environments where the client stores and manages the data so the US tech giants cannot gain access. Lastly, there is “client-side encryption”. For now, however, since switching is likely to be costly, difficult and time-consuming, only the “deep-pocketed” and particularly security-conscious are likely to act.

Graduates are losing out to AI

Lucy Barton
The Telegraph

The rise of AI, higher employment costs, more stringent workers’ rights and a cohort of older staff who “just aren’t budging” are a terrible combination for the “young and ambitious”, says Lucy Barton. UK entry-level jobs are down by nearly a third since the release of ChatGPT in 2022, with some of Britain’s biggest graduate employers “slashing” recruitment due to AI. Dario Amodei, who runs AI firm Anthropic, thinks AI could Hoover up half of all entry-level jobs in sectors such as law, consulting and finance within five years. Then there are the “UK-specific problems”, namely the government’s decision to increase employers’ NI contributions and its plans for full employment rights from day one. If employers face immediate legal liability for dismissal, they are far less likely to take a punt on candidates. The landscape for those without “flawless CVs” is looking increasingly bleak. Last year, just over a million people graduated. Between January and March 2025, there were 987,000 people aged 16 to 24 not in education, employment or training. Students are often told they are graduating into the worst job market ever. This year, with a “helping hand” from the government, it “really could be”.

Call centres up sticks for Africa

Editorial
The Economist

Africa is likely to be the main beneficiary of the growing demand for business process outsourcing (BPO), which transformed India’s economy in the mid-2000s, says The Economist. BPO, which covers everything from processing insurance claims to flagging violent content on social media, has been given a boost by the rising demand for workers to “train algorithms and annotate digital data”. The jobs are “sorely needed”. Currently, 75% of young Africans don’t have enough work. CEOs say many Western customers prefer the “neutral” accents of Africa’s increasingly well-educated population, while the continent’s time zones are more convenient for America and Europe. African labour is cheap and Kenya, Nigeria and South Africa all offer “generous tax breaks and subsidies”. The BPO boom is no “panacea”. Some jobs are monotonous and stressful. Faced with local difficulties, firms can move work to a different country overnight. Many tasks are at risk of automation. At the same time, demand for more complex and uniquely human services may grow. Wages will rise. For governments, investing in education (AI, computer science) may be the “best hedge against being left behind”.

Leave the good jobs in London

Chris Giles
Financial Times

When not being described as an “urban hellhole”, London is accused of draining England of “talent, good jobs and resources”, says Chris Giles. Last week, reports by the Institute for Fiscal Studies (IFS) and the Resolution Foundation urged the government to shift good jobs away from the capital. The IFS found there were 46% more graduates living in London than would be expected from locals alone, with some 26% of the top academic achievers living in London by the age of 32. Although many then leave, they tend to settle in the home counties rather than return “home”. So what? Firstly, this doesn’t seem like a massive over-representation. Secondly, while the data might be interesting, the fact that clever people move to London and that top firms locate there as a result has been a “key feature of the UK’s economic geography for well over a century” and has powered our success. Trying to move jobs out of London has a “notorious history of failure and is pretty illiberal”. London is competing with New York, not Hull. It makes more sense to build more housing near the strongest labour markets. “There is surely little harm in geographical inequalities generated by people being successful and following their own path.”

Money talks

“I’d have merch with their names on the back so they’d make money, the tournament makes money, everybody makes money. We’re losing out on millions and millions because of that. Numbers are really important! Kids love numbers and they can retire numbers – like a Federer. It’s so obvious. Take what other sports are doing and what people like from other sports.”

Tennis legend Billie-Jean King (pictured) thinks players should be assigned numbers and have names on their kit, quoted in The Telegraph

“We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.”

Microsoft’s co-founder Bill Gates, quoted in American Lawyer

“They’d have to pay me a lot of money because I didn’t get paid what the other people got paid and so I’m p**d off. It was in the time when women were getting paid less than the men. The head of Universal [film studio] was Ron Meyer at the time, and he actually sent me a bonus cheque. It was very sweet.”**

Barbra Streisand on whether she will reprise her role in a forthcoming sequel to *Meet the Parents* (2000), quoted in Variety

“Capitalism’s unequal distribution of prosperity is far better than socialism’s equal distribution of misery. Experience keeps proving it.”

Russian chess grandmaster and political activist Garry Kasparov, quoted on X

“Politics is much more than a job – it’s a crusade. You get involved in politics because things really matter... you don’t do it to pay the bills or because it’s intellectually interesting – although it is. You’re doing it to change things.”

Former education secretary and Brexit campaigner Michael Gove, quoted in The Times



The high cost of clean hands

sfhwebb.substack.com

The British “aren’t as proud as they used to be in the quality of their government”, says Stephen Webb. But most still feel that the lack of corruption is “something worth celebrating”. The UK has slipped down Transparency International’s Corruption Perception Index, thanks to Boris Johnson-era pandemic scandals, including “Partygate” and other misdeeds, but it is still very high up the rankings and cases of serious corruption in public life are rare.

But is this lack of corruption such an “unalloyed” good that less always means better? Perhaps not. It could be that the lack of corruption in the UK is simply a reflection of a suspicion on the part of potential paymasters that there is simply “nothing worth buying”. And this in turn might reflect a loss of what US founding father Alexander Hamilton called

“energy in the executive”. In other words, Britain might have secured a reliable system of checks and balances optimised to reduce corruption, or the perception of it, but at the cost of worse decisions and blurred lines of accountability.

For bribery to be worth it, there has to be a decision-maker worth influencing. Historically, securing a place in government, either as an official or a politician, was seen as a “major prize”. “The contrast with the current state of parliament and the civil service is striking.”

In the UK system, ministers are kept as far as away as possible from specific funding, still less procurement decisions. These have to go through an elaborate process to prevent corruption, and the assessment of bids is often split among multiple players and their individual assessments added together to come up with



a score. This does in some ways make the whole process objective and defensible, but at the cost that no single individual can make sense of whether the actual result makes any sense.

The system is therefore optimised to defend against corruption and allegations of corruption, but not to get the best results for the public – something Dominic Cummings was rightly angry about during the pandemic, when procurement processes continued as usual in an

emergency, when time was of the essence and lives at stake.

If you want “energy in the executive”, then you need individuals with the power to make actual decisions and be accountable for them. Sometimes there is “no substitute” for this, even if the power granted obviously holds out the risk of abuse. A system in which nobody has the authority to make decisions “eliminates one problem at the expense of another” – and arguably an even worse one.

Why can’t we stop phone thieves?

newscientist.com

The market for stolen smartphones is booming, says Matthew Sparkes. In London, 80,000 were snatched last year alone. As victims will know well, the loss “stings”, not just in terms of the value of the phone, but the “dreary administrative slog” you face replacing the device and securing your accounts and data. So why can’t we stop the thieves? It’s more difficult than it sounds because the crime pays and technology firms prioritise useability over security. The UK government, at least, recognises there is a problem. It launched a “crackdown” late last year, promising to pressurise smartphone makers to permanently disable stolen phones and pledging to conduct an investigation into who steals the phones and where they end up in order to stop the problem. An international agreement would be needed to really make an impact. Yet the technology for disabling stolen phones already exists and could be built upon. Manufacturers could bring in “unhackable” features that completely lock down a phone, its apps and its spare parts. That could make it not worth the criminal’s while to steal it in the first place. So far, Apple, Google and other manufacturers have declined. Why not? It’s not a priority for them. After all, stolen phones are “reasonably good business for people that are selling new phones”.

The rise of the tantric sector

spectator.co.uk

In Otford, a commuter village outside Sevenoaks, a “colossal” pedestrian footbridge was recently built, replacing a pedestrian crossing in the same spot, says Rory Sutherland. It must have cost well over £1m, and went ahead in the face of local opposition. This is a “textbook case of what happens when a large bureaucratic entity meets local knowledge”.

moneyweek.com

The bureaucracy is only interested in its own narrow remit, “usually blame-avoidance through slavish adherence to established procedure”. Local opinion is alert to “second-order effects” – in this case, that the bridge is no safer than the old

crossing and would lead people to ditch the safe shortcut and walk down a busy road. The bridge went ahead anyway. Or it did after eight years of delays and costly appeals, anyway.

What this shows is the power of Britain’s “vast tantric sector” – the main motivation of which is “to drag everything out while delaying consummation indefinitely”. The effect is to “slow down all useful activity” while making an army of white-collar workers “seem indispensable by solving problems they themselves defined or created”.



Britain’s new political divide

theconversation.com

At the last general election, the two main parties, Labour and the Tories, together won fewer than three in five of all votes cast, says John Curtice. That’s the first time that’s happened since 1922, when Labour replaced the Liberal party as the Tories’ main competitor. Is a similar upheaval on the cards?

New research as part of the British Social Attitudes report shows it might be. The “traditional anchor” of Tory and Labour support – social class – has been “cast adrift”. The battle between left and right over basic economic issues has been replaced by a division between social conservatives and social liberals. This division is drawing the former to Reform and the latter to the Greens. Low levels of trust and confidence in how we are governed are also driving voters to those parties. Age and education is now the main determinant of how people vote, not the job they do. Last year the Greens won as much as 21% of the vote among under-25s. Reform secured 25% among those with no A-level or equivalent qualification. The challenge facing the main parties now seems “profound”.

4 July 2025

MONEYWEEK

When cheap is not cheerful

Well-balanced infrastructure trusts offer better prospects than high-yielding renewables funds



Max King
Investment columnist

The performance of the UK's listed infrastructure funds continues to be dismal. The average dividend yield of the renewable energy sector is 8.9%, having spiked to an all-time high of 10.6% on 7 April, according to the Association of Investment Companies (AIC). The average yield of the infrastructure sector is 6.1%, having reached a record 6.8%. Weighted average discounts to net asset value (NAV) are 24% and 17.5% respectively.

Surely these are the sort of companies that investors should be buying as the market rotates away from growth to value investing, and from the US to the rest of the world? "Analysts believe that the pessimism is overdone," said Annabel Brodie-Smith of the AIC. "There has been some corporate activity, shares are being bought back and assets realised." Her view has since been partially vindicated with the higher-risk, higher-reward infrastructure funds prospering. Still, the lower-risk infrastructure funds continue to languish, as do renewables.

The subsidy trap

Renewables may not be as much of a bargain as they seem. While the companies claim the economic lives of their projects are up to 40 years, "many funds will see their subsidy revenues



It could be a long way down for renewables subsidies

expire in 2032-2035, and these mechanisms are typically 60% of a fund's annual income", points out Iain Scouller at brokers Stifel. "Once the subsidies end the revenues will be more volatile, as a higher proportion of revenues will be subject to market prices and the funds will lose the inflation linkage provided by current support schemes."

The drop-off in subsidies is taken into account in asset valuations, but dividends are likely to be squeezed. These shares may prove a good investment for those who want to collect the high dividends, but the market is unlikely to favour companies with a visible sword of Damocles hanging

over them. There are other risks as well. Power prices could fall. New technology could make existing projects obsolete. Costs of maintaining equipment could rise. A future government could recoup the subsidies via tax. So Scouller's lukewarm recommendation is probably fair.

Better prospects

Sentiment in the general infrastructure sector was given a boost in February by the all-cash bid for BBGI Global Infrastructure at a premium of 3% to NAV (and 21% to the prevailing share price). The share prices of **HICL Infrastructure** (LSE: HICL), **International**

Public Partnerships (LSE: INPP), **3i Infrastructure** (LSE: 3IN) and **Pantheon Infrastructure** (LSE: PINT) have since revived.

BBGI invested in low-risk public-private partnership (PPP) concessions of limited life. The rest of the sector has moved steadily away into demand-based assets – these are higher risk, but also offer higher returns. The share prices of INPP and HICL, still with significant PPP exposure, offer a slowly rising dividend yield of more than 7%, plus the promise of modest capital growth.

3IN and PINT offer a lower yield of roughly 4%, but target total returns of 8%-10%. PINT returned a remarkable 14% last year from a portfolio invested 44% in digital infrastructure, 29% in power and utilities and 16% in renewables and energy efficiency. However, 3IN returned a lesser 5.1% in the six months to 30 September, held back by adverse currency movements. Its portfolio is 42% in energy transition, 22% digitalisation, 22% essential infrastructure, 8% demographic change and 6% oil storage.

So while investors may be tempted by the high yields and high discounts to NAV of the renewable-energy funds, the opposite end of the spectrum looks more attractive. PINT and 3IN, which are still on discounts of over 10%, offer better long-term prospects. As so often in investment, cheap is not cheerful.

Activist watch

Dalton Investments – which runs the UK-listed Nippon Active Value Fund, among other vehicles – has failed in an attempt to replace the board of Fuji Media, "despite investors' anger over the Japanese media company's damaged brand and profitability from a sex-assault scandal that spooked advertisers", says Bloomberg. Dalton and other investors had proposed 12 new candidates for the board, but shareholders instead backed the slate of directors recommended by Fuji Media in a meeting punctuated by "angry calls for change". Dalton said Fuji Media had still made "significant progress over the last six months" and said it would continue to engage "actively and constructively", including pushing for a spin-off of Fuji Media's real-estate business.

Short positions... Tritax Big Box trumps Blackstone bid

● Tritax Big Box has made a cash-and-shares bid for fellow logistics investor Warehouse Reit, trumping a reduced bid from US private-equity firm Blackstone. The offer, which has been recommended by Warehouse Reit's board, would see investors receive 0.4236 new Tritax shares and 47.2p in cash, plus forthcoming dividends. That represents 111p per share based on Wednesday's prices – a premium to Blackstone's bid of 110.6p (including dividends), which had been cut from 115p due to a valuation dispute, but still a discount to latest reported NAV of 128p.

● Alexander Darwall's Devon Equity Management – which runs the struggling European Opportunities Trust (EOT) – is to be taken over by River Global in a deal worth up to £2.46m. Darwall will co-lead European equities at River Global, which was founded by Martin Gilbert, the co-founder and former

CEO of Aberdeen. The move may mean uncertainty for shareholders in EOT, which faces a continuation vote next year and has been targeted by US activist Saba Capital.

● In the renewables sector, Foresight Environmental Infrastructure said that, following a strategic review, it will focus on "core environmental infrastructure sectors" and sell other assets when they reach maturity. It will also switch from levying fees based on net asset value (NAV) to a mix of NAV and market value. Gresham House Energy Storage Fund has sold a 35% stake in its Glassenbury facility in Kent for £8.6m (at a valuation in line with NAV), which will be used to fund an increase in the storage duration. SDCL Efficiency Income Trust says it's reviewing its options for tackling its persistent discount. It will also move to charging fees on a mix of NAV and market value.

A deep-value property play

Picton Property has all the qualities of a future takeover target



Rupert Hargreaves
Investment columnist

There has been a jump in takeover activity in the real-estate investment trust (Reit) sector over the past six months. Last week, Tritax Big Box Reit (LSE: BBOX) announced a £485m takeover of Warehouse Reit (LSE: WHR), outbidding private-equity giant Blackstone. Under the terms of the deal, Warehouse's shareholders will receive 0.4236 new Tritax shares and 47.2p in cash per share, plus upcoming Warehouse dividends due in July and October.

The deal will create a £7bn giant and one of the largest single owners of warehouses in the UK. The deal followed what seems to be the final instalment of the battle between private-equity giant KKR and Primary Health Properties (LSE: PHP) over the latter's peer Assura (LSE: AGR).

After months of negotiation, Assura has agreed to merge with PHP to create a £6bn, predominantly healthcare-focused, property portfolio. Assura's shareholders will receive 0.3865 new PHP shares and 12.5p in cash for each share, along with a special dividend of 0.84p. PHP's offer values each Assura share at 55.0p, when including declared dividends, and values the company at roughly £1.79bn.

These deals have been driven by necessity as Reits strive to bulk up to remain independent. The synergies achieved from any deal are usually relatively small in comparison with the



Picton Property Income owns and actively manages a £723m commercial-property portfolio

values involved. Instead, Reits are seeking scale to fend off predators and reduce their cost of capital, as well as to appeal to a larger audience of investors.

Most analysts believe this trend will continue. Sub-£1bn market capitalisation Reits are struggling to attract investors and are trading at deep discounts to net asset value (NAV). That makes it hard to raise capital and makes them appealing to private-equity buyers. For smaller, patient investors, there are currently some fantastic opportunities on the market, but these aren't expected to last long as the sector continues to consolidate.

In safe hands

The £430m Picton Property Income (LSE: PCTN) owns and actively manages a £723m commercial-property portfolio, comprising 47 assets with roughly 350 occupiers across London and the southeast. At the end of the last financial year, its NAV was £533m, or 100p per share, compared with

the current share price of 81p. Unlike many other Reits, Picton is internally managed (rather than paying a fee to an outside third-party manager). Michael Morris is the current CEO and has held this position since 2012. He's worked with the business since 2005 and during that time has seen multiple property cycles.

Over the past two years, like many other Reits, Picton has shifted away from office space as the post-pandemic return to the office has proved difficult. The group has rotated into industrial assets with the proceeds, as well as using cash to reduce debt.

In early 2024, the group sold its largest office asset, Angel Gate in central London, for £29.6m, 5% ahead of the 31 December 2023 valuation of £28.1m as a residential asset. After completion, the group's exposure to office assets fell from 30% to 28% (it has since fallen to 25%). Office sales have totalled £51m at an average premium to book value of 5%, although that's off the back of several years of sub-par returns. In 2025, the value of the group's office portfolio fell 5% on a like-for-like basis.

A shift into industry

Two-thirds of the group's portfolio consists of industrial assets such as Parkbury industrial estate, Radlett (Picton's largest asset), acquired in 2014, and River Way industrial estate, Harlow, acquired in 2006. In 2025, occupancy in this part of the portfolio was 99%. Demand is high for these assets because they are no longer being built.

Industrial parks are an integral part of the UK logistics network, but it takes years to push them through the planning system. As a result, demand is outpacing supply and is expected to continue to do so for the foreseeable future.

Across the company's portfolio, it was able to push through rent rises of between 8% and nearly 40% last year, in situations where leases were coming up for renewal. Picton has projected an estimated rental value (ERV) for the industrial portfolio at roughly 15% above current levels. Management expects to push through further rent rises as contracts come up for renewal.

Capital returns

Picton's capital allocation strategy differs from many of its peers. Typically, a Reit must distribute at least 90% of its property income and profits to shareholders each year to retain its tax benefits, which usually leaves little money for other purposes. Picton has adopted a conservative approach that still meets this target. Its dividend cover has averaged 113% over the past three years.

It has used the remaining cash as well as income from property sales for debt repayments, select acquisitions and share buybacks. Last year, £11.8m was invested in the portfolio to boost occupiers' amenities and environmental credentials, while £0.5m was spent on an industrial property close to an existing asset. Gearing was cut to 24%, with the remaining borrowing maturing in 2031 and 2032, with fixed interest rates averaging 3.7% (compared with the equivalent yield of 6.8% in the property portfolio). Picton has also announced a £17.5m share buyback – a sensible capital allocation choice with the shares trading at such a deep discount to NAV.

Since 2020, UK Reits have had to navigate a challenging environment, but recent deals show deep-pocketed investors now see value in this downtrodden segment of the market. With its 4.7% yield, low level of gearing, a quality portfolio set for growth, and a discount to NAV, Picton is one of the better plays in the sector.

Picton Property Income (LSE: PCTN)

Share price in pence



What we can learn from Britain's Dashing Dozen

Stocks that consistently outperform the stockmarket are clearly doing something right, says Dr. Mike Tubbs. What can we learn from the UK market's top performers, and which are still buys?

Past performance is not a reliable guide to the future. However, investors' portfolios can benefit from UK shares that have consistently and substantially outperformed the stockmarket. One of the best ways of measuring consistent outperformance is to select several different time periods, over all of which a company's shares should have outrun the market.

We will take one year, six-year and 12-year periods and look for companies that have gained more than the FTSE 100 over all three timespans. Six and 12 years are chosen since five years would take us back to 2020, when stocks were slumping owing to Covid. It is more reliable to measure growth from 2019 to 2025.

Taking 16 April 2025 as our reference date (after stocks reacted to Donald Trump's tariffs), the FTSE 100 had gained 5.8% over one year, 11.6% over six and 28.7% over 12 years. There are at least 12 British companies from several different sectors that have easily beaten the blue-chip index over all three periods. We will discuss these 12, examine the reasons they have done so well and gauge whether their outperformance will continue.

Two leaders of the pack

Two companies from the 12 stand out as having exceptional outperformance. These are Games Workshop and 3i Group, both FTSE-100 firms. Games Workshop has gained 45% in a year, 248% over six years and 1,997% over 12 years. In 3i's case, its shares have gained 48% over one year, 287% over six years and 1,161% over 12 years. Games Workshop's gains are even better than those of Magnificent Seven US firms, such as Amazon, with -4%, 73% and 1,230% over one, six and 12 years respectively and Alphabet (Google's parent company) with -4%, 145% and 615%. The gains made by 3i beat Alphabet over all three periods and Amazon over all but 12 years.

Games Workshop's best-known product is the *Warhammer* series of games. Hobbyists of all ages enjoy collecting, modelling, painting and tabletop-gaming with their miniatures. This hobby is global and supported by a wide range of books, audio books, electronic games and *Warhammer* TV. Games Workshop supplies its global hobbyists through its own stores or trade outlets, and by licensing its deep and extensive range of intellectual property. It has just concluded negotiations with Amazon for adapting the *Warhammer* 40,000 universe into films and TV series together with associated merchandising rights.

3i Group is an investment company specialising in private equity and infrastructure. It invests in mid-market companies in Europe and North America. Its private-equity (PE) portfolio has over 50 companies, with about half that number in the infrastructure portfolio. Action is an example of 3i's PE portfolio companies. Based in the Netherlands, it is the fastest-growing non-food discounter in Europe with 2,918 stores in 12 countries. Action reported sales growth of 10.3% for the year to December 2024 and paid a dividend of £215m to 3i, leaving it with a cash balance of €814m.

“Action, one of investment group 3i's core holdings, is the fastest-growing non-food discount retailer in Europe”

Europe's drive to defend itself

Our 12 companies include three from the aerospace and defence sector: BAE Systems, Cohort and Rolls-Royce. All three have benefited from the realisation by major European countries that they can no longer regard the US as a reliable ally given Donald Trump's behaviour since taking office in January. European countries have realised that they need to increase their support for Ukraine and raise their defence budgets to over 3% of GDP – a figure that, among large countries, only Poland exceeds at present, with 4.2%.

It is raising this figure to 4.7% this year. The UK government has pledged to raise its defence budget from 2.3% to 2.5% of GDP by 2027 and to 3.5% after that. Other European countries are also making substantial increases. These changes have led to sharp increases in the share prices of European defence companies since early January this year.

Cohort is a group comprising seven innovative firms providing satellite, military and naval communications; advanced electronic and surveillance technology; data technology; and naval sonar systems. One of these seven is EM Solutions, an Australian developer and producer of high-end satellite-communications terminals for naval and defence customers. Australia is an increasingly important defence market, as highlighted by the recent AUKUS agreement. Cohort's share price has risen 68% over one year, 237% over six years and 863% over 12.

BAE Systems designs and makes a broad range of defence equipment for global customers. Offerings include land, sea and air systems, with products such as combat vehicles, artillery systems, complex naval surface ships and fighter jets. The group also focuses on military electronics, intelligence and cybersecurity.

The company develops the future technologies on which new products are based and also offers a full spectrum of services from engineering to information management. One example of a future technology is the Tempest programme, which is a joint British, Italian and Japanese collaboration to develop and manufacture an advanced fighter jet independent of the US. It will incorporate a wide range of new technologies. BAE's share price is up 32% over one year, 253% over six years and 364% over 12 years.

Rolls-Royce has three divisions. In defence it is the market leader in military aircraft engines, naval propulsion and nuclear propulsion for submarines. When it comes to civil aerospace, it produces engines for large commercial aircraft, regional and business jets. Its power-systems business includes power generation for data centres, manufacturing, and utilities.

Rolls is developing small modular nuclear reactors (SMRs) to provide a low-cost, clean power source – each SMR being capable of powering a million homes for 60 years. Rolls has been selected as the supplier of sets of SMRs for the UK, the Czech Republic and the Netherlands, and is shortlisted for orders in Sweden. The share price is up 82% over one year, 131% over six years and 87% over 12 years.



Hobbyists of all ages enjoy collecting Games Workshop's miniatures

A deep dive into data

Our 12 companies include two major providers of data, RELX and London Stock Exchange Group (LSEG). RELX provides leading content and data sets with information-based analytics and decision tools to customers in 180 countries. For example, the legal profession is served by LexisNexis, which hosts over 161 billion documents and provides searches, analytics and AI capabilities. RELX is up 18.5% over one year, 123% over six years and 421% over 12 years.

LSEG comprises three major divisions. One is data and analytics, which includes trading and banking, enterprise data, and investment solutions including indices. It makes up 63% of profits. Then there is the capital-markets division, focusing on equities, foreign exchange, and fixed income. The post-trade arm covers derivatives, securities and reporting. LSEG's shares are up 24.4% over one year, 127% over six years and 821% over 12 years.

Shopping sprees

Two engineering companies in our 12, Diploma and Halma, have grown steadily through both organic growth and successfully integrated acquisitions. Halma has the magnificent record of having raised its dividend at least 5% every year for 46 years.

Diploma has three main arms – controls, seals and life sciences – which all supply specialised products and services to sectors such as healthcare and environmental management. Offerings include industrial automation equipment, specialised cables, adhesives, fasteners and controls. The group made

two acquisitions in each of 2023 and 2024. Diploma's shares are up 8.5% over one year, 139% over six and 570% over 12 years.

Halma consists of 55 decentralised businesses operating in three segments: safety; environmental and analysis; and medical equipment. Halma buys small and medium-sized firms to secure the leading market share in a range of niche markets. It has acquired 55 companies, but also invests strongly in research and development (R&D) to ensure its products rate as the best available in their niches. Its shares are up 21% over one year, 48% over six and 433% over 12 years.

Two specialised engineering businesses

Our specialised engineering businesses are Concurrent Technologies in electronics, and Goodwin in mechanical and refractory engineering. Concurrent supplies the aerospace and defence, telecoms, transport, scientific and industrial sectors with high-end embedded computer products. Products are made to perform reliably in extreme conditions, such as shock, vibration and extreme temperatures/humidity. Concurrent's shares are up 83% over one year, 99% over six years and 221% over 12 years.

Goodwin's mechanical engineering consists of the manufacture of high technology castings, valves, antennae and pumps. Clients include the aerospace and defence; mining; oil and gas, water and power-generation industries. Goodwin Steel Castings makes specialised castings for frigates and submarines.

“Specialist technology conglomerate Halma has raised its dividend by an annual 5% or more for 46 years”

Continued on page 20

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The refractory engineering arm makes refractory powders and processes them for the jewellery, aerospace, and fire-protection industries. Four of five directors are members of the Goodwin family and 56% of the shares are family controlled. Goodwin's shares are up 12.7% over one year, 129% over six and 230% over 12 years.

Next is a top-class retailer. Sales jumped 32% between 2021 and 2024. Next sells clothing, accessories, footwear and home products and operates through three main segments: Next online, Next retail and Next finance. I remember interviewing Simon Wolfson, Next's CEO, along with other CEOs and chairmen for the UK Government's business department when I was senior industrialist there. I was impressed both by his grasp of detail and his clear strategic thinking and he has guided Next's profitable growth. The shares are up 36% over one year, 108% over six years and 175% over 12 years.

Racing ahead

The share price growth of all 12 companies discussed above has vastly exceeded that of the FTSE 100. The FTSE grew 28.7% over 12 years, but eight of our 12 stocks grew more than ten times as much (more than 287%). The FTSE grew 11.6% over six years, but ten of our 12 rose over ten times faster.

Given that the FTSE 100's performance is modest, it is interesting to compare our 12 companies with America's S&P 500, which has gained 4.4% over one year, 79% over six and 230% over 12 years. Over 12 years, eight of our firms beat the S&P and one equalled it. Over six years, 11 of our 12 beat the S&P and, over one year, all 12 beat the S&P 500.

Our 12 businesses are all profitable and all pay dividends. However, all invest in growth, so forward dividend yields are modest, ranging between 1% and 2%. The highest forward yield is from Games Workshop, with 2.72%.

Valuations and growth drivers

Games Workshop (LSE: GAW) is on a forward price/earnings (p/e) ratio of 32. In the six months to 1 December, 2024 revenue rose 21% and operating profit 34%. The firm continues to grow briskly and there is still ample scope for it to exploit its intellectual property to expand its licensing income.

3i Group (LSE: III) has a forward p/e of nine. The 2024-2025 results to 31 March delivered an increased return on shareholders' funds of 25%, while net debt was down to £771m; gearing was 3%. **Cohort (LSE: CHRT)** has a forward p/e of 25.8. The results for the half year to 31 October 2024 showed sales up 25% at £118.2m, while the order book jumped 53% at £541m. The May trading update reports strong revenue and profit growth.

Rolls-Royce (LSE: RR) has a forward p/e of 39. In 2024 sales grew 17% to £18.9m and underlying operating profit rose 53%. Cash-flow growth of 88.7% enabled a £1bn share-buyback programme for 2025. The 2025 outlook was upgraded. There are clear growth drivers for all three segments.

BAE Systems (LSE: BA) has a forward p/e of 25.8. The 2024 results show sales up 14% to £28.3bn, underlying EBIT of £3bn and an order book of £60.4bn (over two years of sales). **RELX (LSE: REL)** sells for 30 times forward profits. The 2024 results show sales up 14.7% to £18.9bn, operating profit up 49.7% to £2.9bn and net cash of £475m.

London Stock Exchange Group (LSE: LSEG) has a forward p/e of 26 at a share price of 10,675p. The 2024 results show income up 6.1% to £8.5bn,



Rolls-Royce's offerings include nuclear propulsion for submarines

operating profit up 6.7% to £1.5bn and free cash flow of £2.2bn. The first products from the partnership with Microsoft partnership are now reaching customers, with more planned through 2025.

Halma (LSE: HLMA) has a forward p/e of 31 at a share price of 3,206p. Halma completed seven acquisitions in the year to 31 March, has a healthy acquisition pipeline and a strong balance sheet to fund it. It delivered record 2024-2025 revenue up 11% at £2.25bn, with EBIT up 12% at £411m and the total dividend up 7%. This is Halma's twenty-second consecutive year of record profits. Net debt to EBITDA was reduced to 0.97 (down from 1.35 a year ago). Halma says it has made a strong start to its new financial year.

Diploma (LSE: DPLM) has a forward p/e of 27.8. The full year results to 30 September 2024 showed sales up 13.6% to £1.36bn and operating profit up 11.3% to £207m. The May interims showed sales up 14% with the operating margin climbing to 21.5%. **Goodwin (LSE: GDWN)** has a trailing p/e of 29. Revenue for the year to 30 April 2024 was £191m with operating profit of £26.9m and net debt of £35.4m. The March 2025 trading update reported that the order book had reached a record £300m and that both the mechanical and refractory divisions are seeing strong growth, with debt cut by a further £10m.

Concurrent (Aim: CNC) has a forward p/e of 29 at a share price of 193p. The results for 2024 show record sales up 27% at £40.3m, pre-tax profit up 40% to £5.2m and cash climbing 23% to £13.7m. The company says that 2025 has started strongly in terms of both output and orders.

Selecting your stocks

Next (LSE: NXT) has a forward p/e of 17. Revenue to 31 January 2025 was up 11.4% to £6.12bn, with operating profit up 12.7% to £1.09bn (exceeding £1bn for the first time). Growth is driven through the Next brand, the Next online platform and product development. Next's branded sales through its international websites have grown 350% over the last ten years and sales through third-party platforms now account for 30% of global sales.

Given these 12 firms' excellent growth records, it is no wonder seven of the 12 have forward p/es between 25 and 30, three over 30, one between 15 and 20, and just one, 3i Group, below ten (9). A diversified group of five or six stocks for investment might include Games Workshop, one of the three defence companies, one of the two data companies, one or two of the four engineering companies and either Next or 3i.

"I was impressed by Next's CEO Simon Wolfson's grasp of detail and clear strategic thinking"

Don't let the pundits panic you

Analysts have repeatedly heralded disaster this year, says Max King. But being bullish is a better bet

A month hasn't gone by this year without the experts forecasting disaster for markets. First we heard that the "bubble" in the stockmarket following Donald Trump's election was about to burst. US disillusionment with Ukraine and its withdrawal from the defence of Europe would lead to a Russian *blitzkrieg* on Europe. Then, tariffs were a catastrophe that would lead to at least a US, if not a global, recession.

Next, rising budget deficits in the US, UK, Europe and Japan would lead to a funding crisis and a crash in the bond market. With the launch of DeepSeek, Chinese technology was set to torpedo the "Magnificent Seven" US stocks. Finally, Israel's pre-emptive strike on Iran, followed by the US, would send energy prices sky-high, triggering inflation.

And yet the FTSE 100 index is up 6% in 2025, the S&P 500 3.8% and the MSCI AC World index 7.3%. Sterling's 9% gain against the dollar has turned the sterling gains negative, but this is hardly Armageddon. Moreover, the US market is outperforming again.

Meanwhile, ten-year government bond yields have fallen to 4.5% in the UK and 4.3% in the US. Many of the dire forecasts for the US economy and markets are dictated by politics rather than analysis, and are based on a visceral disdain for Trump. Anatole Kaletsky at Gavekal is sticking with his prediction that "Trump's tariffs will make a US recession almost inevitable", coinciding with "an upsurge in inflation" and "a full-scale bear market" by the autumn.

JPMorgan and Goldman Sachs have reduced their assessment of the probability of a US recession from 60% to 40% and 45% to 30% respectively. Ray Dalio, the founder of hedge-fund giant Bridgewater, has said that "I am worried about something worse than a recession". In the past, recessions were often the result of reductions in stocks and cutbacks in capital expenditure, but with streamlined supply chains and a much less capital-intensive economy, these are much less likely. The credit cycle was another culprit, but the global financial crisis caused banks to become more cautious and regulators to restrict their ability to lend.

A sharp cutback in government spending might still cause a recession, but, as Argentina has showed, this can be bullish for markets and the private sector. The US economy is probably slowing and the UK and much of Europe is in structural stagnation, but there is no need for investors to worry.

US technology regains its confidence

With Nvidia's share price hitting all-time highs again and the "recovery of the US market led by the Magnificent Seven", worries about Chinese technology are abating. Rumours are circulating that Chinese president Xi Jinping's hold on power is diminishing and that he may be forced to step down. This would be very positive for US-China relations.

Conflict in the Middle East has severely reduced the power, threat and influence of Iran, potentially to the benefit of the whole Middle East. The prices of oil and gas have fallen back to levels seen before Israel started bombing targets in Iran, while the Strait of Hormuz remains unblocked. Russia's much-predicted summer assault on Ukraine has failed to materialise and the threat to Europe of Russia is fading.

That undermines the risk of cost-push inflation and may explain why bond yields have faded despite gargantuan and growing fiscal deficits. These may

moneyweek.com



Chinese president Xi Jinping's grip on power may be loosening

still precipitate a fiscal crisis, but as Ed Yardeni of Yardeni Research (one of the very few pundits worth following) says this would precipitate a solution and soon be welcomed by markets. Solving deficits is simple but, for politicians, not easy.

So why are the pundits (apart from Yardeni) so persistently gloomy? Part of the reason lies in the popularity of pessimism, particularly in Britain. "If it bleeds, it leads" goes the journalistic saying. Pessimists attract attention, optimists are ignored. Hedge funds, investment strategists and talking heads in general have a vested interest in making the world look a dangerous place in order to justify their standing. Also, as Jonathan Ruffer, founder of Ruffer Investment Management, used to say, "investors like making money, but they hate losing money more than they like making it". Pandering to fear is better for business than pandering to greed.

But this has consequences. Research by Alliance Witan shows that only 20% of potential UK investors feel very confident about investing, with the fear of losing money stopping 71% of them. Of course, short-term losses are endemic to investing; good investment decisions take time to be proved right. Interest rates of 4.25% in the UK and US may look tempting (and are higher than inflation, before income tax) but, points out Duncan Lamont at Schroders, long-term stock market returns have been 8% ahead of inflation over ten and 20 years and 9% ahead over 50.

Arguably, the US stockmarket is expensive on more than 20 times forward profits, but without a recession and a consequent fall in earnings, what will cause it to fall? Yardeni expects the S&P 500 to hit 6,500 by year-end. Other markets and smaller companies are much cheaper, although not necessarily better value.

Of course, there are risks, but the real worries are what Donald Rumsfeld, the former US Secretary of Defence, called the "unknown unknowns: the things we don't know we don't know". Everything else has been weighed by investors and is largely in the price. Ignore the scary magazine covers and the hedge-fund billionaires keen to restrict entry to their exclusive club. The investment-trust team at JPMorgan point out that had you invested in the S&P 500 every time CNBC had a "markets in turmoil" special, your average return after one year would be 40% – with a 100% success rate.

"Hedge funds and strategists have a vested interest in making the world seem a dangerous place"

Now's the time to buy into cybersecurity

Cyberattacks can cost companies millions. Here's how to invest in the firms fighting back. Dan McEvoy reports

The dust is finally settling on the cyberattack that downed Marks & Spencer's online store for more than six weeks this spring. The ransomware attack, carried out by a hacker group calling itself Dragonforce, wiped £300m off M&S's 2025-2026 profits, according to the company's results announced in May. Throughout the spring, usually the key season for clothes shopping revenues ahead of the summer, customers were unable to complete orders.

M&S is far from alone in falling victim to a high-profile cyberattack. Cryptocurrency exchange Coinbase's share price fell 5% on 15 May as news emerged that cyber criminals had bribed members of its support staff into handing over customer information, costing the business \$400m. A data breach at the UK's Ministry of Justice on 19 May exposed sensitive personal information of legal-aid claimants dating back to 2010. As of June 2025, some British Library services are still unavailable following the October 2023 cyberattack, which could cost it as much as £7m.

Data on the proliferation of cyberattacks makes sobering reading. Microsoft estimates that an astonishing 600 million take place every day, and according to the Identity Theft Resource Center, 3,158 of these were successful in compromising data in the US in 2024. That figure is up almost 320% from 2018's equivalent of 754. The costs of falling victim are rising, too – IBM estimates the average data breach cost \$4.9m last year, 10% more than the year before.

There is a geopolitical aspect to the rise in cyberattacks. As conflict and tension escalate around the globe, some governments are increasingly turning to cyber warfare. Iran has previously launched successful cyberattacks against Saudi Arabia's state-owned oil firm Saudi Aramco and Israeli missile-defence systems. The US Department of Homeland Security has warned that "pro-Iranian hacktivists are likely" to target US networks.

The threat seemingly extends to US allies. Prime minister Keir Starmer told a Nato summit on 25 June that Iranian and Russian actors were carrying out cyberattacks "on a regular basis" and that the UK needed to be prepared to resist them. It is, perhaps, no coincidence that the government's minister of state for investment, Poppy Gustafsson, has a background in cybersecurity, having co-founded the Cambridge-based cybersecurity firm Darktrace.

AI: cyber's double-edged sword

Darktrace was noteworthy in many respects for being one of the first cybersecurity companies to put artificial intelligence (AI) at the heart of its product. That trend is now well under way, with most of the leading cybersecurity products available on the market today incorporating AI. That, however, is a double-edged sword.

"AI has created a new era of cybercrime, lowering the barrier to entry for attackers," says David Spillane, systems engineering director at cybersecurity firm Fortinet. "Individuals with little to no coding or hacking experience can now generate malicious

"600 million cyberattacks occur every day and 3,158 of these were successful in compromising data last year"



Geopolitical tensions around the globe have led to a spike in cyberattacks

code using AI, while experienced threat actors use it to execute new techniques." By 2027, 17% of cyberattacks will involve generative AI, according to technology consultancy Gartner.

"In an 'agentic world' where, essentially, robots are attacking you rather than humans, you need to fight fire with fire and have robots fighting back with really innovative tools," says Ben James, chair of Baillie Gifford's US Growth Trust. Cybersecurity firms such as Fortinet and Cloudflare are incorporating AI into their systems to counter these emerging and constantly evolving threats. Some of these responses include "AI-powered threat hunting" and "hyper-automated incident response", in Spillane's words – in essence, automating the process of both identifying potential breaches and initiating responses to any that slip through the net.

AI, then, is both a headwind and a tailwind as far as the cybersecurity industry is concerned. In fact, for investors, the proliferation of threats only serves to increase demand for protection, which favours the most innovative providers.

AI is only the latest technology to have had this impact on cybersecurity. In many respects, AI is following where cloud computing led. Cloud's rise to prominence also marked a departure from a more secure world where data was stored on the premises to one where business-critical and often sensitive personal information is, theoretically, accessible by anyone in the world. At the same time, though, it offers a new form of response to the threats that cyber criminals pose to businesses and individuals.

In like vein, newer forms of computing are creating yet more opportunities. James argues that this forms a large part of Cloudflare's competitive advantage. Its system is deployed using "edge computing", which, unlike the cloud, distributes data storage globally.

"Rather than being something that you add to your computers and which slows everything down, Cloudflare wants to improve performance and provide enhanced services," James explains. "They essentially build mini data centres near their customers, which



“Most of the leading cybersecurity products available on the market today incorporate artificial intelligence”

makes things a lot faster, and then they’re able to bundle cybersecurity options together.”

Opportunities in cybersecurity

With the increased threat of cyberattacks, and the costs of falling victim to it rising, businesses are naturally increasing their spending on cybersecurity measures. According to Infosecurity Europe’s latest report, cybersecurity professionals expect budgets to increase by 31% on average in 2025. Of the 231 respondents to the report, 20% expect budgets to increase by 50% or more.

Last August, Gartner forecast that global cybersecurity spending would increase by more than 15% in 2025 to \$212bn. More recently, Fortune Business Insights has forecast that the sector will be worth more than half a trillion dollars by 2032, implying annual growth of more than 14% through that period. Crucially, that investment isn’t going to fall in a recession or a war. If anything, the incentives for cyber criminals increase in either of those scenarios, and as such, so does the imperative for firms to spend on cybersecurity. “People will spend on cybersecurity whatever the macro [economic environment], and in fact potentially increase it,” says James, citing a cybersecurity CEO he is familiar with.

That could give cybersecurity stocks a defensive quality. While sitting firmly in the world of technology and, as such, growth, these businesses will hope to maintain their revenue streams even when markets go south. “When asked the question, ‘What part of your IT spend is most resilient?’ or ‘What part are you least likely to cut if there’s a downturn?’, cybersecurity figures very highly,” says Jeremy Gleeson, chief investment officer of global technology equity at Allianz Global Investors. “In a more challenging economic environment where companies are looking to rein in costs, I always say that a lot of technology spending is arguably discretionary. You can defer expenditure for a time when you’re feeling more certain about the world. Cybersecurity feels like it’s something you can’t [defer], unless you are willing to put your business at risk. You don’t want to be cutting the cybersecurity budget.”

How to invest

There is a counter-argument, as Gleeson explains. “If you take a step back and look at the equity market as a whole, defensive equities typically have a strong dividend profile. They might be lower growth, but they’re usually relied upon to be able to pay those dividends year in, year out.” That doesn’t apply to most cybersecurity stocks, largely because the industry is still too young to have a large number of dividend payers. Plenty of diversified big tech companies (Microsoft, IBM and the like) have cybersecurity arms, but in terms of specialists, none of the largest cybersecurity firms by market capitalisation (Palo Alto Networks, CrowdStrike and Fortinet) pay a dividend. “They’re investing for the future, rather than thinking about returning capital to shareholders,” says Gleeson.

They are also priced much more like growth stocks than value or defence stocks. Fortinet is the most reasonably priced of those three, with both its forward and trailing price/earnings ratios sitting at around 42. This is still higher than most of the Magnificent Seven and the Nasdaq 100 average. But it pales in comparison with Palo Alto, which has a trailing p/e ratio of 117 and a forward p/e of 56, and in particular with CrowdStrike, which trades at 141 times forward earnings and more than 400 times trailing earnings.

Cloudflare isn’t yet profitable on a full-year basis, but is expected to become so in the coming year – it currently trades at more than 230 times projected earnings. All these companies have a lot of growing up to do before they can really be thought of as defensive plays. But growth-minded investors might well see an opportunity when these businesses start to look less like overpriced start-ups and more like reliable cash cows.

Innovation is key, and that comes at a price. Most cybersecurity firms derive revenue on a SaaS model (wherein customers enter into long-term contracts, generating annual recurring revenue or “ARR”), but they also have to invest substantially in research and development, which eats into their margins.

“As a cybersecurity company, you’re only as good as the last attack that you were able to prevent or block,” says Gleeson. CrowdStrike serves as a cautionary tale of how much rides on reputation for cyber firms – it gained notoriety last year when a routine software update caused a major global outage. Its shares fell roughly 49% from their peak in the aftermath, and while they have since recovered and climbed above their level prior to the outage, gains have lagged some of its competitors. With all these imperatives to spend, investors picking cybersecurity stocks should look for revenue growth rather than profit margins or dividend payouts. That underscores their status as growth stocks, for the time being.

A better bet might be to spread your bets across multiple opportunities rather than try to pick individual winners from what is still a nascent market. Various thematic ETFs target the sector, including the L&G Cyber Security ETF (LSE: ISPY), the WisdomTree Cybersecurity ETF (LSE: WCBR) and the Invesco Cybersecurity ETF (LSE: ICBR). Gleeson manages the Allianz Global Hi-Tech Growth fund, which invests in cybersecurity stocks alongside the broader technology sector. As of 31 May, Palo Alto Networks is a top-ten holding, and the fund also holds cyber firms CyberArk and SailPoint.

There is also a dedicated Allianz Cyber Security fund, managed by Erik Swords, for investors that prefer a pure-play approach. Top holdings include Cloudflare, CrowdStrike and CyberArk. Alternatively, Baillie Gifford’s US Growth Trust holds Cloudflare as its fourth-largest holding, as of 31 May, alongside other US growth stocks.

A fine British fintech going cheap

Don't overlook investment platform AJ Bell, says David C. Stevenson

I've been tracking the financial technology (fintech) sector for a decade now. It strikes me that three significant changes are under way. The first is the rise of cryptocurrency and all the digital assets associated with it, which requires little explanation.

The second is the advent of "neobanks", or purely digital banks, such as Starling and Monzo. And then there's the ascendancy of online investment platforms, also known as online brokers.

The first stage of this revolution began long ago. I'm old enough now to remember the rise of fund supermarkets such as Hargreaves Lansdown in the 1980s, after financial deregulation. Every few weeks a new newsletter arrived in my mailbox, and I'd phone to buy some funds or stocks. Today, trading shares (and bonds) has shifted almost entirely online.

Investors have woken up to the fact that arguably the most profitable part of the internet and e-commerce boom has been investment and share trading. First came the initial public offering (IPO) of firms such as Robinhood in the US, which experienced a dramatic surge in customers between mid-2020 and mid-2021. The number of funded accounts (those with money deposited in them, not merely opened) grew from 13 million to 22.5 million. Since then, growth has continued at a more modest pace, reaching over 25 million by the end of 2024.

Going global

More recently, we've witnessed the rapid rise of a firm called eToro. This fast-growing Israeli-based company listed on the US markets a few weeks ago. It has proved enormously popular with both users and investors in the US. They value the firm at well over \$5bn on a forward price/earnings (p/e) ratio of 28.

The group achieved \$12bn in sales in the last financial year – an increase of 276% year on year. The firm manages assets worth \$16bn, with 3.5 million funded accounts worldwide. Active online share dealing has become a worldwide marketplace. Crucially, crypto trading is set to account for 37% – 43% of revenues in 2024.

eToro may be the brash new kid on the global online trading block, but the epitome of a global trading fintech giant is a platform called **Interactive Brokers, or IBK (Nasdaq: IBKR)**. This is the fintech behemoth that no one has heard of, at least in the UK.

The online-brokerage firm's relentless focus on its global platform, broad product offering and competitive pricing has attracted a surge of new clients, pushing its total number of accounts from 690,000 at the end of 2019 to a staggering 3.79 million by the end of May 2025. The group is worth more than \$85bn.

IBK's shares trade at a multiple that is roughly the same as eToro's. It has also been aggressively expanding globally. Its UK operation now boasts competitive offerings not only in its core advanced trading products, but also in Isas and Sipp's. I've started using IBK and can attest to the sheer sophistication of its platform, although its not exactly an easy platform to navigate.

IBK's steady move into the UK market is noteworthy: it thinks there's an opportunity. And plenty of other firms agree. Only a few months ago, IG Group, which built its profitable business on spread betting, bought Freetrade, an online-dealing platform,



Customers have flocked to investment platforms all over the world

to expand its share-dealing offering. Competition is hotting up as the UK share-dealing market grows fast. In 2015, the market size was approximately £586.9m. By 2024, this figure had rocketed to £2.12bn, with £2.28bn pencilled in for 2025. The value of the online-brokerage market has more than tripled in just under a decade.

This brings me to **AJ Bell (LSE: AJB)**. Since Hargreaves Lansdown was acquired by private equity, this Salford-based UK fintech has become the City's favourite investment e-commerce platform, boasting assets under administration of £90bn. That figure is many times greater than eToro in the US. eToro's total market capitalisation is just under \$5bn, while AJ Bell's market cap is slightly over \$2.6bn, so just over 50% of the US firm's value, but it has many times more assets under administration.

AJ Bell trades at 20 times earnings, with analysts forecasting revenue growth of 20% in the coming year. Earnings per share (EPS) are expected to grow by 16% in the current financial year, although that growth rate slows to single digits over the next two years. This slowdown is partly due to a reduced pace of expansion in the number of customers attracted to the platform over the past two years. Nonetheless, the firm's return on equity has remained steadily above 35%-45%, with a net income margin also consistently above 25%.

I've gone into some detail about AJ Bell and its key financials because, yet again, I think we're witnessing a classic example of British exceptionalism – of the negative variety. The big story for UK equities in aggregate is that we undervalue our most successful businesses, and at some point, the outside world notices (be they US, Asian or private equity), swoops in and buys the assets on the cheap.

The worry among some investors at AJ Bell has been that customer growth is slowing, but surely that's in part a function of the UK's risk-averse investor/saver culture, which is more inclined towards cash Isas than stocks and shares Isas.

However, that is slowly but surely changing, with the government increasingly determined to encourage savers to invest, mirroring broader trends in the US and other European countries where the incentives for investing over saving are more prevalent. And in the meantime, rather like IBK in the US (another very solid, relatively undervalued stock), in AJ Bell we have a significantly undervalued British business with an excellent financial base.

"The UK undervalues its successful businesses, leaving them vulnerable to takeover from foreign predators"

Make AI work for you

Don't be intimidated by the array of artificial-intelligence tools available



David Prosser
Business columnist

Small businesses are in danger of missing out on the AI revolution: the British Chambers of Commerce finds that just 25% of small and medium-sized enterprises (SMEs) have started to use AI. Yet research by Microsoft claims that AI adoption by SMEs could boost the UK economy by £78bn. What explains the slow take-up rate? Many SMEs feel intimidated by the hype around AI. They worry that complicated and sophisticated technology will cost them a fortune. They fear lack of technical expertise will leave them unable to exploit AI's potential. And they're concerned by warnings about ethical issues and inaccuracies.

The key to overcoming those anxieties is to start slowly and carefully. There's lots of talk about the transformative impacts of huge AI implementations, but there are also many individual AI-backed applications that you can put to work within your firm with little effort. They require very little IT know-how and are generally very affordable. In many cases, providers offer free versions of these tools that you can try out to see whether they work for your business.

Start at the back

The best place to begin will depend on the nature of your business, but all SMEs have back-office work to attend to – from managing invoices to dealing with suppliers – so this can be a good starting point. For example, financial AI tools such as QuickBooks, Xero and Sage Intacct promise to take away much of the manual work involved in accounting, invoicing and financial management; they're aimed specifically at SMEs and designed to be simple to use.

Similarly, all businesses could benefit from getting organised. AI-based virtual assistants such as Siri, Google Assistant and Microsoft Cortana can all help. You can use them to set up meetings, send reminders and track email responses. Otter can



A mere quarter of small companies have started to use AI

also prove very useful: it will transcribe meetings and calls, providing a summary of what was discussed and key action points. As for marketing, Jasper AI is a highly regarded content-creation tool that can help you produce written materials such as marketing copy, product descriptions and blog posts. Hootsuite will help you manage your social-media presence, creating posts according to its analysis of what has worked in the past. Synthesia turns text into spoken videos.

Alternatively, if you depend on email to generate new business leads, AI-driven solutions such as Mailchimp and Brevo are designed to improve your response rates. As well as automating the process of managing mass-email exercises, they work out which subject lines and content to use to ensure good results. Customer relations is another area where AI tools are evolving fast. Tidio is a platform that enables you to

create and deploy automated sales and customer-service agents. Livechat will help you set up and run chatbots you can put to work on your website to liaise with potential customers. That's assuming you have a website, of course. If not, Wix's AI Website Builder could be a pain-free way to use AI to get you up and running.

Equally, if you want to know more about what your customers think about you – and why – try a customer-sentiment analysis tool. For example, Sprout AI monitors online conversations about your brand to understand how it is perceived. HubSpot is a good way to set up alerts for mentions of your company. Keyhole will tell you who is talking about your company – and why.

Also try using AI to get more accurate sales forecasts and to plan for demand. Big names in enterprise software such as Salesforce and Zoho have developed tools aimed at smaller firms too; these can

UK SMEs face funding drought

Britain's SMEs are struggling to raise equity funding, with investment falling back across the country. Data from the British Business Bank shows that 15% fewer small UK businesses raised money from equity investors last year – with total investment falling back 2.5% to £10.8bn.

The British Business Bank also warned that the number of deals in the first quarter of 2025 remained at historic lows. Business angels have continued to hold back from new equity investments, while funding from the Enterprise Investment Scheme has also dwindled.

The data suggests that increased anxiety about the prospects for the UK economy – part of a broader story of global volatility – has taken its toll on investors' appetite to put money into small businesses. Just 2,048 firms in the UK completed successful equity rounds last year.

For businesses looking for investment to fund growth, this creates a potential stumbling block. While the most successful companies are managing to raise equity – particularly in fashionable sectors such as technology – others are struggling to attract the capital they need. That may require them to explore other funding avenues, including private credit arrangements.

help you analyse your company data to understand how sales are likely to evolve, and to make plans accordingly. The list of AI tools is almost endless – the key is to have the courage to try some of them out.

Petty cash... HMRC targets SMEs

● Emma Jones, the founder of Enterprise Nation, is to be the new Small Business Commissioner, the government has announced. Jones will oversee the activities of the agency, which has powers to intervene in disputes between small companies and larger organisations. However, while Jones is widely respected in the SME sector, she will have her work cut out to make a tangible impact on the late-payments problem, with data suggesting unpaid invoices are becoming more common rather than less.

● SMEs need to be ready for more inquiries and investigations from HM Revenue & Customs, tax experts warn. New HMRC data suggests small businesses now account for 60% of the UK's

£5.3bn tax gap – the difference between the amount collected from taxpayers and what they theoretically owe. The fact that the SME sector is the only area of the UK economy where the tax gap is now increasing will put pressure on tax inspectors to crack down, accountants predict.

● More than a third of small businesses in the UK are under-insured for the summer season, according to a survey from Allianz UK. The insurer says that while around half of small businesses say summer is their busiest period of the year, 34% aren't increasing their insurance cover to protect the additional stock they hold. That potentially leaves them vulnerable to theft or damage.

The new products and growth sectors driving America's long-term winners



A professional investor tells us where he'd put his money. This week: Felix Wintle, manager of the VT Tyndall North American Fund, highlights three favourites

Our investment process focuses on companies that are growing revenue, margins and earnings. When you find these three factors accelerating at the same time, there is a good chance you have a stock that's going to perform well. We often find that companies with these characteristics are at the beginning of a new product cycle, and much of our stock analysis is concentrated on finding those companies.

We marry our fundamental work with macroeconomic analysis, which helps us identify where we are in the business cycle. This informs our risk appetite: aggressive in bull markets, defensive in bear markets. Finally, we use technical analysis to time our buys and sells.

Our style is active and we like to find stocks exhibiting strong share price momentum, showing that the market validates our fundamental views. In constructing our portfolio, we apply a split approach – core stock selection based on finding long-term thematic winners, and tactical selection driven by the outlook for growth and inflation.

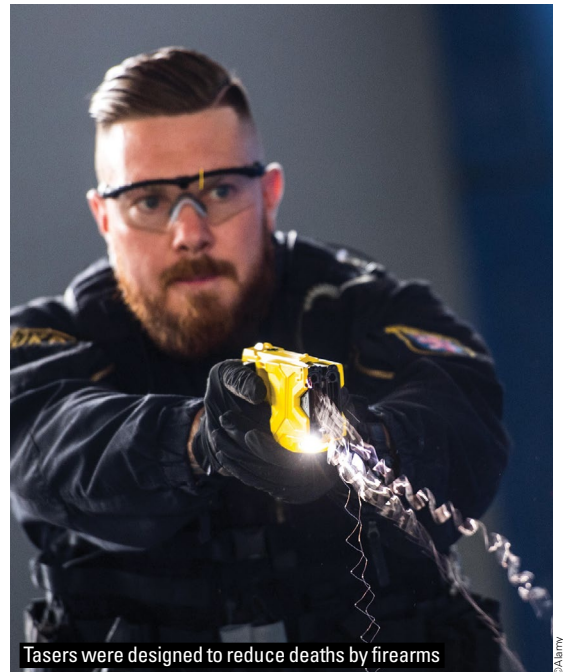
The resulting portfolio tends to vary significantly from both the index and our peer group. We believe that the following three stocks boast considerable upside potential.

Two top investment themes

Palantir (Nasdaq: PLTR) is at the centre of two of the biggest investment themes of today, namely defence and AI. It is a software developer embedded with organisations such as the CIA and the US military, enabling them to interpret and use the huge amounts of data they receive on a daily basis.

Palantir also has commercial applications and helps companies optimise their supply chains and other operational functions. The company is unique in that it doesn't have any true competitors in terms of the product suite it provides. It is growing revenue at an annual pace of 55% and looks set to continue its strong performance.

Axon Enterprises (Nasdaq: AXON) is the company formerly known as Taser, and it still makes the iconic Taser product. Its mission is to reduce dramatically the number of deaths by firearms, and it has done that over the years as its non-lethal alternative has gained traction globally. It also has a bodycam product, which is where the real potential lies. The bodycam



videos the arrests of suspects and then Axon's AI software takes the footage and writes up reports for police officers. This saves an average of four hours of police time a day and is one of the few real-world applications of AI today. Axon's penetration of global markets is still in the single digits, and we believe it can continue its 27% top-line growth.

More bang for the buck

We believe that **Dollar General (NYSE: DG)** is in the early stages of a big turnaround. The main reason for this is that one of its competitors in the dollar-store sector, Family Dollar, is closing stores at a rapid rate, and in doing so, it is donating market share to Dollar General. Its last earnings call gave this thesis a boost – the company reported accelerating revenue and margins, and the stock jumped 16%.

Concerns over tariffs and household spending have been priced into this stock, in our view, and with the company trading at 0.4 times sales, it is cheap and primed for a rerating.

"Axon's AI writes up reports for police officers, saving four hours a day"



A young radical wows New York

Zohran Mamdani, 33, has won the Democratic candidacy to be mayor of the city. That has energised his supporters and enemies alike – and terrified the rich. Jane Lewis reports

“It’s an awkward moment to be an American billionaire,” says *The Times*. Zohran Mamdani, who has just won the Democratic candidacy to become the next mayor of New York City, is calling for their extinction. “I don’t think we should have billionaires,” he told NBC News. Even the merely wealthy are in his cross hairs. Mamdani, 33, plans to partly fund a radical raft of pledges – including a rent freeze and a scheme for government-run grocery stores – by raising income taxes on New York’s millionaires by two percentage points.

As a progressive Muslim immigrant, the young firebrand bills himself as “Donald Trump’s worst nightmare”. Yet, just a few months ago, few people outside the district of Queens he represents had even heard of Mamdani, says *The Economist*. His unexpected victory over former state governor Andrew Cuomo has “delighted” fellow travellers, but “scared the living daylights out of many well-heeled New Yorkers”. Although unabashedly left-wing (he belongs to the Democratic Socialists of America, an activist group that believes “working people” should run things), the former rapper’s most effective calling card is his likeability. His success isn’t “primarily about his ideology. It’s about his talent as a new media-savvy politician”, says Jesse Arm of the Manhattan Institute think tank. Some compare Mamdani’s approachability to that of Ed Koch, a charismatic mayor in the 1970s and 1980s. “New Yorkers deserve a mayor who they can see, they can hear, they can even yell at,” he says.



“The progressive young firebrand bills himself as Donald Trump’s worst nightmare”

It’s easy to understand the frustration of Mamdani’s opponents, says *The New Yorker*. “Most have spent years carefully plotting their mayoral runs, building their resumes, political connections and fund-raising networks. Now the kid with the nice eyebrows is running circles around them.” Mamdani’s opponents have tried to nail him for his views on the Israel-Palestine conflict and “tried to make him a bogeyman”. Indeed, the Trump administration has “raised the prospect of stripping Mamdani of his US citizenship” as part of a crackdown on foreign-born citizens, says *The Guardian*.

Born in Kampala, into an intellectual Ugandan Asian family, Mamdani arrived in New York at the age of seven, grew up in an artistic, radical circle, and became an American citizen only in 2018. He credits

his parents for providing him with a “privileged upbringing” – he was educated privately at the Bank Street School for Children in Manhattan (a redoubt of New York’s progressive elite) before attending the Bronx High School of Science and later Bowdoin College in Maine, graduating in 2014 with a degree in Africana Studies. Before he entered politics in 2020 – when he was elected to the New York State assembly – Mamdani “dipped his toe into hip-hop”, under the name of “Mr Cardamom”, says *The Economist*. He was not successful. He then put in a stint as “a foreclosure-prevention counsellor” in Queens. He recently married artist Rana Duwaji, whom he met on dating app Hinge.

A 100% communist lunatic

Even those fully supportive of Mamdani’s politics might balk at his lack of experience. But if he beats his Republican rival – Curtis Sliwa, founder of the Guardian Angels – in November, he will become the first Muslim mayor in New York City’s history, as well as the youngest and the first immigrant in decades. “More importantly, he will be the first political star of the left to emerge during Trump’s second presidency.” Mamdani is “the sort of refreshing politician that Democrats have been looking for as an answer to the Visigothic vim of the Maga movement”. But Republicans may be just as delighted by his victory as progressives are. Mamdani is “a 100% communist lunatic”, says Trump. Let’s see if New Yorkers agree.

Britain’s meanest landlord

The Prince Charles Cinema (PCC) is “one of the best things about central London”, says India Block in the *Evening Standard*. It has long been a “stalwart of independent cinema”, the place to go to catch the “latest horror film, a hard-to-find overseas release, or a *Lord of the Rings* marathon”. The “much-loved institution” dates from the 1960s and is a “London success story”, selling more than 250,000 tickets to 858 films in 2024 alone, at a time when cinemas are struggling and closing up. But the PCC is under



threat from “another London institution: landlordism”.

At the end of January this year, the company that owns the cinema’s freehold, run by billionaire Asif Aziz (pictured), sought to hike rents and introduce a six-month break clause in the lease, which could leave the cinema homeless and the building available for more profitable redevelopment, says Kate Mossman in *The New Statesman*. A local campaign to save the cinema was launched, but it’s hard to be hopeful: no city in the world has such a “flagrant disregard for its own culture” as London. A similar campaign to

save the world’s first YMCA, also bought by Aziz, failed. Aziz is also known for closing down the Trocadero, which housed music hall and cinema from the 1890s, and converting it into a hotel, and taking legal action against shops and restaurants that fell behind on rent during the Covid lockdowns, and sending the Criterion restaurant into administration by hiking rent by 60%. *The Times* dubbed him “the meanest landlord in Britain”.

When asked by Will Coldwell of *The Guardian* whether this is a fair description, Aziz, 58, is calm and “unflappable”. It’s all a “lot of misinformation”, says Aziz. The cinema was “paying nothing” and now they have to find a

market rent, “so it’s human nature to feel upset”. He suggests all the criticism is a result of “Islamophobia”. Aziz’s gaze is now anyway “fixed firmly east”, says Megha Merani for *MSN* – he joined the exodus of billionaires fleeing Britain’s increasingly hostile environment for the rich, and spends most of his time living in Abu Dhabi, which he has found more “welcoming” and full of opportunity.

The good news for the cinema, says Coldwell, is that in May Westminster council approved it as an “asset of community value”, which raises the bar for planning permission. The defiant cinema’s battle against London’s “property Goliath” is not over yet.

A feast for the senses in Thailand

Stay at Trisara resort on Phuket island for the top-notch food and spa, says Chris Carter

What are the first two thoughts that pop into your head when you read the word “Thai”? If you’re like me, you’ll be picturing yourself flat on your front in the spa, your back being expertly kneaded as if it were a soft, pillowy dough by a masseuse skilled in the arts of Thai massage. For the other thought, for me the word “Thai” conjures up a mental image of a banquet table, laden with fragrant dishes, incorporating all manner of Southeast Asian herbs and spices.

For me, these are Thailand’s greatest cultural exports. The more restless among you may be thinking of Thai boxing in place of either of the aforementioned two. We’ll come back to that one. I’m more of a “make dinner, not war” kind of chap, you see, and at Trisara, an upmarket resort on the island of Phuket, off southern Thailand, they do Thai massage and Thai food beautifully. The name “Trisara” comes from the Sanskrit language and it means “the garden in the third heaven”. A stay here will certainly lift your spirits. Food and massage are, after all, both good for the soul.

So, an appointment at PRU is in order. This superb restaurant boasts Phuket’s only Michelin star. If that weren’t enough, it also has a second “green” Michelin star, which it has been awarded for its efforts in sustainability. The “fourth wall” in the kitchen is absent, so you can watch the chefs tweezer on the intricate details to the assortment of small dishes that will make up your dinner from the tasting menu (priced at around £155 for “The PRU Experience”).

I won’t go into every dish, although all were lovely. But of note was the opener, billed as “The King of the Fruits”. And quite right, too. If you have travelled around Southeast Asia, you might be familiar with this much maligned fruit from signs at the airport banning you from carrying it on the aeroplane, along with explosives and sharp objects. It is otherwise known as durian, infamous for smelling like rotting flesh. But not at



The private beach at Trisara is one of the best on the island

PRU. Here, the flesh of the durian has been rendered into a delicate, creamy moose that has a pleasant nutty taste.

Chef Florian Desportes enthusiastically explained each dish as it was served. He is a native of Lyon, the gastronomic capital of France, so it’s not surprising the menu leans towards Europe. (The executive chef, Jimmy Ophorst, is Dutch.) But as with the use of durian, the menu has its feet firmly planted in Thailand.

The mackerel and Makwaen pepper (a Southeast Asian spice), for instance, is served with ant eggs – a delicacy in parts of the country. They look a little like Rice Krispies and taste like popcorn, lending a delicious toasted buttery flavour to the fish along with an ever so slightly crunchy texture. The aged duck and tamarind is another standout

“The lobster and tiger prawns are juicy and fresh from the Andaman Sea”

dish. But it is in the dessert that you get a taste of how PRU earned its green credentials.

Letting nothing go to waste, chef Desportes has concocted a sweet, dark and sticky sauce for the ice cream from the mackerel heads drying in the kitchen. Trust your tastebuds. You don’t win accolades for being boring.

Farm-to-fork dining

Very much in keeping with the principle of sustainability, Trisara runs its own farm. You can visit it, and you should. It is simply lovely. Most of the herbs and many of the vegetables are grown beside the large lake, home to the ducks that lay the eggs for the restaurants. Here, you will also find a second superb restaurant called Jampa, which is housed in a very stylish, modern

building that has a slight safari-lodge feel. This is real farm-to-fork dining and the leg and breast of dry aged pigeon was a particular favourite. (Around £95 for the seven-course “Jampa Experience” menu.)

Thai boxing or Thai massage

For more East meets West cuisine, head to restaurant La Crique, where the lobster and tiger prawns are juicy and fresh from the Andaman Sea. Thai Library is the go-to for authentic local cuisine, done to a very high standard and don’t pass up the chance to try the excellent local wines at any of the restaurants. Thailand produces a wide variety and all the ones I tried were very drinkable, the viognier in particular.

Cielo & Spice is Trisara’s main restaurant, offering a menu of Asian favourites, and there is the bar, 7.8°N, which is perfect for an aperitif cocktail enjoyed while gazing over the hub of the resort to the private beach, with its attractive swimming pool stretching off just to the side. In the high, drier season, you can enjoy much of this outside, while listening to live music.

Not for the first time I’ve been distracted by the food and I’ve run out of space to talk about how indulgent the sea-view villas are – how they have their own private infinity pools overlooked by absolutely no one; the outdoor showers and the huge bath tubs. But then the food really is that good.

So, I can either finish at the resort’s Muay Thai boxing ring, next to the tennis courts. The friendly coaches will (gently) show you the ropes and, don’t worry, they were still smiling when I left. Or I can finish at Jara Spa. Trisara will soon be offering health plans tailored to individual guests, led by wellness practitioner David Melladew. But for the time I was there, I was very happy to let my masseuse, Pai, untie the knots in my shoulders with her expert elbows. Hmm, I wonder.

Chris was a guest of Trisara. From \$1,100 per night, visit trisara.com for details.

The pinnacle of Bentley

The luxury British marque has raised the bar yet again with the new Bentayga Speed



The new Bentayga Speed is the “pinnacle of Bentley luxury”, says Top Gear magazine. It used to be that the “majestic saloon” was the “most sumptuous” Bentley you could buy. Not any more. That accolade now belongs to the SUV.

The Bentayga first arrived in 2015. It underwent a facelift five years later that helped to “tone down the awkward looks” of the first-generation car. With the arrival of the Bentayga Speed, a “new light” has been shone on the range. The regular Bentayga doesn’t try to be “sporty or defy physics” – it just aims to be a “high-rise luxury car” and it does this “very well, whether you’re experiencing it from the front or back seats”. The Speed model takes this further, “[digging] deeper into its repertoire with impressive conviction”.

It’s “notable” that the Speed is the first high-performance variant of the company’s evergreen SUV to be fitted with a twin-turbo, 4.0-litre V8 engine, rather than the

“mighty-but-obsolete” W12 found in the first-generation car, says Jonathan Bell in Wallpaper*. The Speed is also the only “ICE machine” (internal combustion engine) in the range. All the others have a plug-in hybrid set-up. It feels “a little weird” to be driving a new car that “eschews... all forms of electrification”. Stripping out the 17.3 kWh battery does lighten the load, but to talk of a “lightweight SUV” is slightly oxymoronic. “The real story here is in the power.” Launch control mode helps you to reach 60mph in just 3.4 seconds and the top speed is 193mph.

Exhilarating SUV

“The Speed really does romp down the road,” says Alastair Crooks in Auto Express. “The shifts from the eight-speed automatic [gearbox] are silky and well-suited to the [car’s] linear power delivery.” Despite driving on the “seemingly never-ending straight roads” of the “vast” US

state of Montana, “we did come across the odd corner... and the Speed didn’t disappoint. Yes, it’s a big, heavy, luxury SUV, but there’s genuine fun to be had”.

The Speed is even capable of, in the words of Bentley, “exhilarating drift” and “we found... [it] surprisingly fun to throw around, with the four-wheel drive system directing enough power to the rear to initiate easy slides”. That’s not something you would typically expect from a Bentley, nor how well it stops. The optional 440mm carbon ceramic brake discs help to “rein in the power and weight”, accompanied by six-piston calipers. “The braking power is truly phenomenal.”

The Bentayga Speed is “better than good in many ways”, says Richard Lane in Autocar. It is “an overbearing, overpowered, over-the-top SUV that’s not just very capable but likeable, too”.

Price: £219,655, [Bentleymotors.com](https://www.bentleymotors.com)

Wine of the week: an exemplary albariño

2024 Mar de Frades, Albariño Atlántico, Rías Baixas, Galicia, Spain

£17.50, [Tesco and tesco.com](https://www.tesco.com)



Matthew Jukes
Wine columnist

Winemaker Paula Fandiño has shaped the future of Mar de Frades over her 18-year tenure at this pioneering winery. The albariño grape is one of the most enchanting and intriguing. While many examples appear soapy and simple, Paula’s sensitive handling and innovative winemaking have made hers one of the most delicious expressions of this grape.

With roughly 2,250 hours of sun per year and 1,500mm of rainfall, the Rías Baixas region is a complicated place to make wine. Humidity is a constant enemy, so

the vines are trained high on pergolas to maximise air circulation and prevent disease. However, it is the Atlantic breezes and the airborne salinity that are also the signature of great albariño – so much so that Paula includes the word Atlántico on the label of her wine. To create a kaleidoscopic perfume and flavour, she sources grapes from her vineyards in the Salnés Valley, as well as from an additional 200 small,



independent neighbouring growers. This includes grapes from sub-zones scattered throughout the region, which brings inherent complexity to the final wine. In the winery, Paula uses a Ganimede macerator, or dynamic skin maceration method, to capture all albariño’s traits, from the more tropical nuances to citrus and herb strictness, while building a luscious texture cut by the stunning sea spray freshness that forms the backbone of this wine.

Matthew Jukes is a winner of the International Wine & Spirit Competition’s Communicator of the Year ([MatthewJukes.com](https://www.MatthewJukes.com)).

This week: properties with award-winning gardens – from a Victorian Gothic rectory in Hampshire, to a Georgian



▲ **Sloelands Farm, Ashley Green, Buckinghamshire.** A Grade II-listed, 17th-century house with gardens that include a Japanese garden, a maze, and a sunken garden. It has open fireplaces and a kitchen with an Aga. 5 beds, 3 baths, 3 receps, sun room, 1-bed cottage, swimming pool complex, 5.59 acres. £3m Knight Frank 01494-689263.



▶ **Nursted Barns, Petersfield, Hampshire.** A Grade II-listed, converted barn with two cottages on a small country estate. The award-winning landscaped gardens include box hedges and an ornamental pond. 5 beds, 4 baths, 3 receps, study, kitchen, 1-bed cottage, 2-bed cottage, barn with swimming pool, 5.24 acres. £6m Strutt & Parker 01428-661077.



▶ **Silver Street Farm, Prescott, Devon.** A restored Grade II-listed Georgian farmhouse surrounded by award-winning gardens that are bordered by a stream and command far-reaching views over the Culm Valley. It has beamed ceilings and a large kitchen with an Aga. 8 beds, 3 baths, 3 receps, 1-bed cottage, events barn, cinema room, stabling, courtyard, wildflower meadow, paddocks, pasture, 9.6 acres. £2.5m Knight Frank 01392-423111.



house in Kent with gardens designed by multiple Royal Chelsea Flower Show gold medallist Roger Platts



▶ **Roman River House, Church Road, Fingringhoe, Colchester, Essex.** A converted Victorian granary dating from 1895 in the protected Roman River Valley reserve, with riverside gardens designed by Chelsea Flower Show gold medallist Andrea Parsons. It has beamed ceilings, a covered veranda and access to the gardens and river. 5 beds, 4 baths, 2 receps, open-plan kitchen/living room, garage, grounds, wildflower meadows. £1.45m Jackson-Stop, 01206-982272

▶ **Goldhawk Road, Brook Green, Hammersmith, London.** A period property with gardens designed by Jonathan Snow, winner of the Chelsea Flower Show, that include an outdoor kitchen, a swimming pool and a summerhouse. The house has an open-plan kitchen and living room, 5 beds, 4 baths, 2 receps, wine cellar, garage. £4.95m Domus Nova 020-7221 7817.



▶ **Walton Street, London SW3.** A Georgian townhouse in a quiet street between Chelsea and Knightsbridge with a garden created by the award-winning gardener Jon Uglow. It has period fireplaces and a partly open-plan kitchen leading onto a balcony. The kitchen has Miele appliances, including a Teppanyaki hotplate 2 beds, 2 baths, recep, home cinema/bed 3, wine cellar, study. £3.5m Hamptons 020-7717 5134.

moneyweek.com



▶ **The Old Rectory, Dummer, Basingstoke, Hampshire.**

A Victorian Gothic former rectory with gardens created by Sarah Eberle, winner of Chelsea best in Show 2007, which include a parterre, a woodland walk, a croquet lawn and a converted coach house with one bedroom. It has oak doors and fireplaces with Victorian tiles. 5 beds, 4 baths, breakfast room, dressing room, 2 receps, library, study, wine cellar, indoor swimming-pool complex, 1.20 acres. £3.45m Savills 01962-841842.



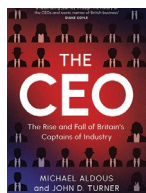
▶ **The Old House, Painters Forstal, Faversham, Kent.** A Grade II-listed 18th-century Georgian house set in gardens designed by Roger Platts, multiple gold medallist at the Royal Chelsea Flower Show and winner of the People's Choice garden 2010. It has oak floors, open fireplaces and an open-plan kitchen with a wood-burning stove and French doors leading onto the gardens. 4 beds, 3 baths, 2 receps, study. £1.5m Strutt & Parker 01227-473700.

Book of the week

The CEO

The Rise and Fall of Britain's Captains of Industry

John Turner, Michael Aldous
Cambridge University Press, £25

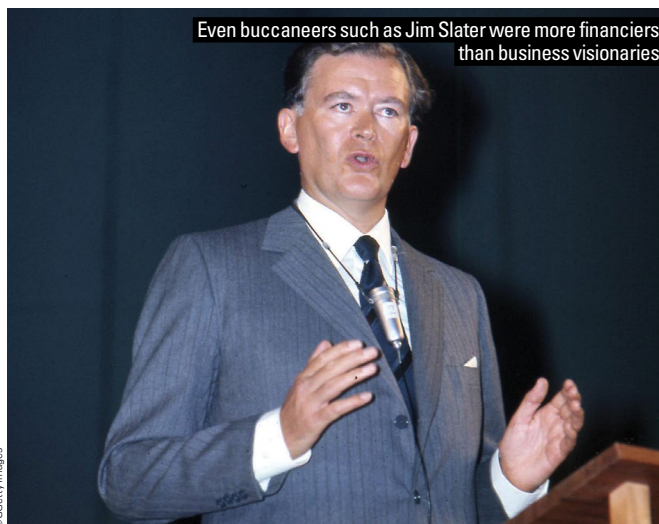


Why did Britain go from being one of the richest countries in the world at the end of the Victorian era to today being in the middle of the table of developed nations, in terms of both per-capita GDP and labour productivity?

One factor that has been blamed is the supposedly poor quality of business management. British CEOs have been castigated for demanding US-style pay, yet lacking the dynamism of their American counterparts. In this book, John Turner and Michael Aldous explore this question and examine how British executive leadership has evolved since the Victorian era.

Some argue that decline had already set in by the late 19th century, but Turner and Aldous argue that British companies actually did a surprisingly good job at modernising their management structures in the first half of the 20th century.

In this period, power moved from the chairman to the chief executive (or managing director), whose ranks were increasingly drawn from those who had worked their way up the company ladder. Many of these managers copied the best practices across the Atlantic, amalgamating and rationalising companies into corporate giants fit for global competition.



“British CEOs have been castigated for demanding the pay of their US counterparts yet lacking their dynamism”

Sadly, these trends did not continue into the post-war era. While other countries ensured their leaders received advanced business educations, so they understood the importance of everything from marketing to personnel, in Britain companies increasingly hired specialist scientists and accountants in the hope that expertise in one particular area would translate into overall success.

This gave rise to one-dimensional leadership – firms that produced excellent cars no one wanted to buy, accountants controlling costs by slashing research and development. Even the buccaneers and corporate raiders, such as Jim Slater or James Hanson, who attempted to shake things up, were more financiers than true business visionaries. The behaviour of

today’s “fat cats” still leaves a lot to be desired.

These are provocative arguments, but although the authors provide a lot of data on the background of Britain’s CEOs, they don’t give similar information for our main economic competitors, so it’s hard to know if British business leaders were genuinely different from those in the United States or elsewhere.

Although the book is far from the final word on the subject, Turner and Aldous have produced a work which should stimulate a lot of discussion. It’s particularly timely given current anxiety about the fact that Britain is failing to turn its record of innovation into producing world-beating companies.

Reviewed by
Matthew Partridge

How Not To Be A Political Wife

A Memoir

Sarah Vine

HarperElement, £20



“If you want a friend in Washington, get a dog” said Harry Truman. If Sarah Vine is to be believed, Westminster is little different. In

this memoir, she recounts how she and her ex-husband Michael Gove went from being close friends of David Cameron and his clique to being sworn enemies when Gove switched camps to back the 2016 Leave campaign.

Like the memoirs of Sasha Swire, who moved in similar social circles to the Goves, a lot of the book is devoted to gossip and score-settling. She gripes about how hard life is for MPs and their families, and the emotional and financial costs of being in the public eye. She is particularly bitter about their relationship with the Camerons, who demanded absolute loyalty, but did not reciprocate.

All this may make the book seem rather lightweight and full of self-justification, but it is redeemed by the section on the aftermath of the Brexit referendum. Vine argues that the drama of her husband’s last-minute decision to abandon his support for Boris Johnson in favour of his own leadership bid wasn’t the result of some Machiavellian master plan, but rather reflected the fact that the chief architects of the Leave campaign were so taken aback by their victory and Cameron’s resignation that they didn’t have a plan for what to do afterwards. This makes for a fascinating, if flawed, insight into a period of British politics that will continue to affect us for years to come.

In the news... a new documentary about a terrible tragedy

Grenfell: Uncovered

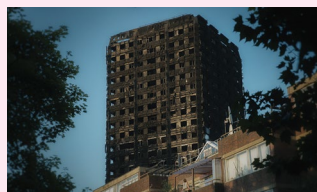
Directed by Olaide Sadiq
Available on Netflix

In the past few years there have been several dramas in the theatres about the 2017 Grenfell Tower fire, including *Grenfell: Value Engineering* and *Grenfell: System Failure* by Richard Norton-Taylor and Nicholas Kent, and *Grenfell: In the Words of Survivors* by Gillian Slovo. Now Netflix has released its own full-length television documentary about the tragedy, which led to the death of 72 people when flammable cladding caused what should have been a routine and easily containable domestic fire to spread rapidly through the London tower block.

Using a mix of interviews and news footage, the documentary tells the story of what happened, both on the night in

question, and in the years that led up to the disaster. Mistakes were made by the London Fire Brigade – lessons had not been learned from past tower-block fires – and Kensington council, which was responsible for swapping the zinc cladding in the original plan for a highly combustible alternative, to save just a few thousand pounds. However, the documentary makes the case that most of the blame should fall on Arconic, the company that sold the cladding, and the civil servants and politicians who rejected the suggestions of past inquiries.

Certainly, some of the internal emails from Arconic, which are revealed in the documentary, including one from a



volunteer firefighter, are genuinely shocking. The arrogance and sense of entitlement displayed by Eric Pickles, who was secretary of state for communities and local government from 2010 to 2015, was even more

astounding in real life than depicted on the stage. And although former prime minister Theresa May comes across as a bit more self-aware than you might expect in her interview, she struggles to explain her initial refusal to meet the survivors and families of the victims. This is an excellent examination of what happened, which should increase the pressure on the authorities to ensure the people responsible are held accountable for their misdeeds.

Bridge by Andrew Robson

Don't be a (knee) jerk

Knee-jerk reaction: "an immediate unthinking emotional reaction".

Playing bridge necessarily involves using tried-and-tested principles, normally along immediate unthinking emotional reaction lines. The thing is – they are not always right. West led the Queen of Diamonds v Four Hearts – plan the play.

Dealer South

Neither side vulnerable

♠ AJ9652	♠ 74	♠ Q103
♥ 82	♥ AKJ3	♥ 5
♦ Q10	♦ KJ3	♦ A987654
♣ J95	♣ AK73	♣ Q4
	♠ K8	
	♥ Q109764	
	♦ 2	
	♣ 10862	

The bidding

South	West	North	East
2♥*	pass	4♥	pass
pass	pass		

* Weak Two

Declarer naturally covered with the King, and East won the Ace. East had a tricky decision as to whether to play West's Queen to be singleton, in which case a second Diamond would be best; or to switch to Spades through declarer's strength. Viewing correctly, he switched at trick two to a Spade. Declarer's King lost to West's Ace, a second Spade was cashed, and the defence waited to score their third-round Club – declarer could throw one Club on dummy's Knave of Diamonds but not two. One down.

Declarer should play low from dummy at trick one (key play). East cannot afford to win the Ace (in order to switch to Spades through the King) because now dummy has two promoted Diamond winners for his Club losers. However, West winning trick one with his Queen of Diamonds is also no good for the defence. Say West switches to a Club. Declarer wins, draws Trumps finishing in dummy, then leads the King of Diamonds, ruffing out East's Ace. He crosses back to dummy, throws a Spade on the promoted Knave of Diamonds, and merely gives up a Club (setting up the long card) and a Spade. Ten tricks and game made.

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

Sudoku 1267

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

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.

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

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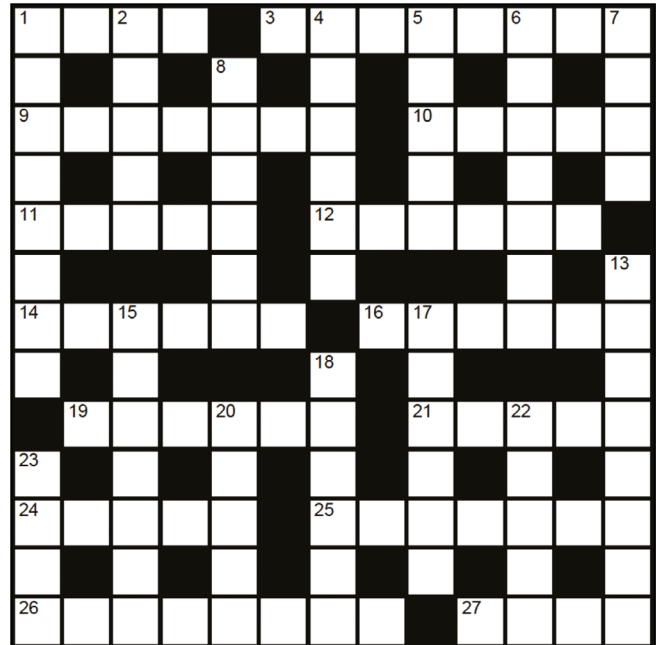
moneyweek.com

Caper's Quick Crossword No.1267

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 14 July 2025. By post: send to MoneyWeek's Quick Crossword No.1267, 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.1267 in the subject field.



TAYLOR'S
PORT



Across clues are cryptic and down clues are normal

ACROSS

- 1 Raise back (4)
- 3 Cut fine fabric with speed (8)
- 9 Picks cults to entertain the Spanish (7)
- 10 Angry buccaneer loses his head (5)
- 11 Vehicle departs NW City to get fabric (5)
- 12 Partly admire a deranged lecturer (6)
- 14 Pass first part of exam with error (6)
- 16 Decrease – but not as an order (6)
- 19 Legal document with explosive twist (6)
- 21 A short hearing in Chambers (5)
- 24 Confuse a theologian with first bits of Leviticus (5)
- 25 Mean to get older entertaining forces' sweetheart (7)
- 26 Yeoman losing female bird (3,5)
- 27 Gossip for a time after church (4)

DOWN

- 1 Determined (8)
- 2 Book of maps (5)
- 4 Ridiculous (6)
- 5 Heather (5)
- 6 Person engaged in sport but not for money (7)
- 7 Biblical garden (4)
- 8 Groups of eight performers (6)
- 13 Level of readiness for impending crisis (3,5)
- 15 Shorten (7)
- 17 Very happy (6)
- 18 Ten years (6)
- 20 Eighth letter of Greek alphabet (5)
- 22 Hold out (5)
- 23 Baby sheep (4)

Name

Address

email

Solutions to 1265

Across 1 Repairs *Anag* 5 Depot *Toped* reversed 8 Negligent *Lgen* reversed / *Gent* 9 Ran *Two* meanings 10 Hop it *Ho(e)* pit 12 Endorse *End* (H)orse 13 Musical chairs *Cryptic* definition 15 Evening 2 meanings 17 Gusto *Gust* O 19 Tag *Gat* reversed 20 Onslaught *Hidden* 22 Ogres *Go* Reversed plus *Res* 23 Scholar *Anag* around *H*.

Down 1 Ranch 2 Pug 3 Idiomatic 4 Speleologists 5 Dated 6 Portraits 7 Tankers 11 Passenger 13 Maestro 14 Hogwash 16 Irons 18 Otter 21 Gel.

The winner of MoneyWeek Quick Crossword No.1265 is: Neil D. Pande of London

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



What would you do?

Another shot at the question of where to put your money now



As "Clarkson's Farm" shows, farming is an uphill struggle



Bill Bonner
Columnist

“What would you do?” was the question posed. Your columnist took one swing at it last week. This week he has another go. Last week, we opined that the best place for money is always in a business – as close to you and as tightly controlled as possible. In the financial world, proximity is prosperity. The more you know about a business and the closer you are to it, the more money you are likely to make from it.

But such opportunities are not available to everyone and not available all the time to anyone. So, we have to go into the “public” markets and make “allocation” decisions. That is, we have to choose a broad category of investments in which we, as public-market investors, can participate. Stocks? Bonds? Gold? Commodities? Real estate?

Our preference is for farmland. But again, you have to know what you are doing, and be prepared to manage it in such a way that it is profitable. Not easy! In the US, cropland sells for an average of about \$5,500 per acre. Cropland rents are small, reportedly under \$200/acre, leaving the owner with a small return. To do better, he must go into the farming business, a notoriously

low-return, high-risk industry – and, for the amateur, almost always a way to lose money.

Farming, perhaps more than other industries, is a “loser’s game”. Amateurs lose because they don’t know what they are doing. But the way to win in farming is simply not to lose. It is an enterprise in which flashes of brilliance and thinking “outside the box” are unlikely to pay off. The successful farmer is the one who stays in the box, sticks with the tried and true, and doesn’t make mistakes. He takes care of his equipment. He rises early to tend crops. He is never a day late nor a dollar short. Then, if he is

“In business, proximity is prosperity”

lucky, prices for his output go up, just before he sells it.

How about commercial property? We became heavily invested in office space by accident. When our business was expanding, we often found it cheaper to buy than to rent. Then, when the Covid hysteria hit the US in 2020, the buildings emptied out. And now, five years later, there are still many – at least in Baltimore – that are as empty as a beggar’s purse.

Commercial property in most US cities is still cheap. Owners sit tight – if they can afford to – and hope the market will turn around. But the value of commercial buildings depends

on rents – and rents are still down, perhaps permanently. Again, commercial real-estate, like farmland, is a very local matter. If you can find a good building, in good shape, with a reliable tenant and decent cash flow – where you can keep an eye on it – then it could be a good place for your money.

As for stocks and bonds, remember that as far as Wall Street is concerned, we are all absentee landowners. Big banks, brokers and hedge funds have billions of dollars. They can buy what they want. So, whatever they are selling you is what they don’t want for themselves. It is unlikely to be a good deal.

Take US bonds. We know the biggest borrower in the world will have to borrow more. Almost \$10trn in funding is needed for the next 12 months. And as the old economists predicted, federal borrowing is now “crowding out” private borrowing. That means interest rates will have to go up. This will put more pressure on the feds to print money – and thereby reduce the value of their own bonds. In the short run, anything can happen. A recession could take the pressure off rates and lead to a boom in bonds. But that would be a speculation, not an investment.

For more from Bill, see bonnerprivateresearch.com

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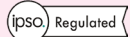
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for young
wheelchair
users



Jasper,
age 11

I'm young, disabled, but not so different

The right wheelchair is the real difference

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TRUST IN A STYLE TO LAST THROUGH THE AGES

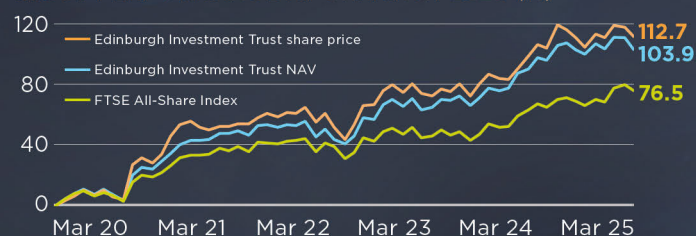


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The investment team have managed the Trust since 31 March 2020, delivering a share price return to 31 March 2025 of 112.7% and an increase in the net asset value (NAV) of 103.9% compared to a return of 76.5% by the FTSE All-Share Index.

TRUST PERFORMANCE AT 31 MARCH 2025 (%)



DISCRETE PERFORMANCE* 12 months performance to quarter ending (%)

	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Edinburgh Investment Trust share price	46.4	10.6	8.4	8.9	11.3
Edinburgh Investment Trust NAV	34.8	14	7.9	13.4	8.3
FTSE All-Share Index	26.7	13	2.9	8.4	10.5



For more information visit:
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