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# MONEYWEEK

MAKE IT, KEEP IT, SPEND IT

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## Catch a fallen star

Britain's best bargain stocks

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## From the editor...



Don't rock the boat. Don't stick your neck out. Don't blow your own trumpet. These are

all lessons Europeans absorb early, while the US economy runs on exuberance, enterprise and risk-taking. A telling pattern that has always stuck in my mind is that the preliminary official estimates of GDP growth tend subsequently to be nudged downwards in the US, but upwards in Europe – another sign of the can-do optimism inherent in the US economy. The flip side of America's gung-ho outlook is overconfidence and sporadic setbacks. At present, the US stockmarket is, not for the first time, getting ahead of itself (see pages 5 and 6). British equities, on the other hand, are barely getting ahead at all.

### A global laggard

The FTSE 100 has just limped to a new high (see page 14), but continues to trail its major counterparts, while a dearth of new issues and interest from investors endures. Fundraising in initial public offerings (IPOs) has just hit a 30-year low, while UK individuals own a mere 10.8% of the stockmarket, down from 54% in 1963. A recent survey by JPMorgan found that only around 9% of households thought stocks were the best form of long-term investment, compared with around 10% preferring cash savings and 20% property. If Britons could overcome their risk aversion and raise their



The US economy runs on exuberance and enterprise

*"The new measures to bolster UK markets are a start, but there is ample scope to go further"*

participation in investments (of all kinds) to US levels, up to £3.5trn could be unlocked for the economy, says investment platform RetailBook (Britons own £14trn of assets).

RetailBook also highlights interesting examples of regulators' excessive caution reducing investment opportunities: since 2005, only 4.89% of UK IPOs have included a retail offer, and there is an €8m cap on retail participation in secondary fundraisings. Access to corporate bonds has traditionally been severely restricted: these are usually issued in large minimum sizes and targeted only at institutions, owing to more stringent disclosure standards that make retail-sized offers less compelling for issuers.

This week there have been several tweaks to the rules to address some of these problems. There will now only be a single disclosure standard for companies wanting

to sell debt, cutting their costs and allowing them to issue debt in smaller batches, as Hargreaves Lansdown points out – so it will be easier to issue bonds to small investors. The time lag between firms issuing a prospectus and the flotation is being reduced by 50% to encourage new equity listings. Simpler regulations covering the documents that firms issue before an IPO will facilitate participation by retail investors in secondary offerings. There will be a new "Tell Sid" campaign to galvanise interest, and easier access to advice.

All this is a reasonable start, but there is plenty of scope

to go further: see page 25 for Merryn's column on what should be done with the Cash Isa. I always think there should be more discussion of one of the earliest examples of regulatory risk aversion: strict new mark-to-market accounting rules in 2000 that prompted pension funds to reduce equity holdings radically and go for bonds instead.

In 2000, they had around 53% of total assets in British stocks. Now the figure is 3%. Rectifying that decline, even to a fairly limited extent, would really move the needle, drumming up further interest – and perhaps turning the market's vicious cycle virtuous. Confidence begets confidence, as the US has always known. Nothing succeeds like success.

**Andrew Van Sickle**  
editor@moneyweek.com

### The money in bringing back the moa

Fresh from claiming to have brought back the dire wolf from extinction, Colossal Biosciences – a company backed by *Lord of the Rings* director Peter Jackson (pictured) – has turned its attention to the long-lost moa, a 12-foot flightless bird hunted to extinction in New Zealand 600 years ago, says Jeffrey Kluger in *Time*. Jackson, himself a New Zealander, tells the magazine he "always dreamed of... [bringing] back extinct species". But the process is far from easy. Essentially, a male tinamou or emu (a living species related to the moa) is genetically engineered to produce moa sperm that can eventually be used to father moa chicks. It will probably take around ten years, says Ben Lamm, CEO and co-founder of Colossal. Nor is bringing back the moa going to be cheap – it will cost "an eight-figure sum". But that could pay off in future by boosting ecotourism to New Zealand and advancing Colossal's research, which is already showing that it has the potential to be profitable.



©Getty Images

### Good week for:

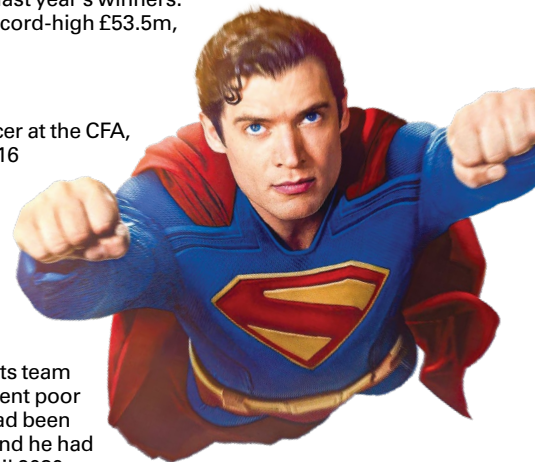
**Superman**, the first film released by **Warner Bros. Discovery** since the company's overhaul of its superhero DC brand, got off to a "solid start" at the North American box office, says *The Wall Street Journal*. The film, which cost around \$225m to make, grossed an estimated \$122m in the US and Canada on its opening weekend and \$217m globally. David Corenswet (pictured) plays the leading role.

Italy's **Jannik Sinner** and **Iga Swiatek** of Poland have each won £3m for winning the gentlemen's and ladies' singles titles at the Wimbledon tennis championships – 11% more than last year's winners. The total prize money available was a record-high £53.5m, compared with £26.75m a decade ago.

### Bad week for:

**Michael Collins**, the chief marketing officer at the CFA, a US financial education group, from 2016 to 2022, has been charged with embezzling almost \$5m, says *Bloomberg*. Collins is accused of having hired outside consulting firms that he actually created and controlled, and submitting fake invoices for non-existent work. He denies the charges.

Formula One team Red Bull has sacked its team principle, **Christian Horner**, owing to recent poor performance, says *The Times*. Horner had been with Red Bull since its creation in 2005 and he had been contracted to earn £12m a year until 2030.





# Regime change boosts cryptocurrencies



**Alex Rankine**  
Markets editor

Bitcoin prices topped \$120,000 (£89,500) for the first time on Monday. The world's biggest cryptocurrency has gained 25% this year as once hostile US regulators become more friendly to digital assets. Ether, the second largest digital token, has also rallied to a five-month high, reports Reuters. The overall market value of all cryptocurrencies "has swelled to about \$3.81trn".

## Digital money goes mainstream

The Genius Act, which is currently working its way through the US Congress, is a key plank of the Trump administration's efforts to turn the US into the world's "crypto capital". It will create a light-touch regulatory framework for stablecoins, which, unlike bitcoin, are backed by assets such as the US dollar. Advocates say stablecoins deliver the flexibility of crypto, but without the infamous volatility. Bulls hope they will open the way for wider adoption, with stablecoins functioning like "digital cash" to bitcoin's "digital gold".

Bitcoin is prone to "wild swings", but as crypto rallies go this one looks reasonable, say John Authers and Richard Abbey on Bloomberg. It is only logical that a more favourable regulatory regime in the world's biggest market would boost prices. Things don't look particularly overheated. Indeed, this is bitcoin's "second-worst" start to a year since 2021. That said, when someone tells you "light regulation" is "a reason to invest", alarm bells should go off.

Just 8% of US adults used crypto last year, down from 12% in 2021, say Philip Stafford and Akila Quinio in the Financial Times. Where previous crypto run-ups were driven by speculative fever, this rally



Trump wants the US to become the crypto capital of the world

represents a deeper structural shift. The main driver has been an "influx of new money" from big US institutional investors. There is "growing acceptance among investors, regulators and politicians" that digital currencies are an acceptable part of a "mainstream" portfolio. Stablecoins could have another important use – disrupting the cosy payments club dominated by Mastercard and Visa, which extract high swipe fees from merchants because of the lack of ready payment alternatives.

There are dangers, says Barry Eichengreen in The New York Times. The Genius Act opens the way to thousands of privately-issued currencies – imagine transacting in "Amazoncoin". This is similar to the "free banking era" of the mid-19th century, when banknotes were issued

by private US banks rather than the Federal Reserve. The system ultimately failed because not all banks were equally credible, making transactions involving different banknotes a nightmare. The period was prone to panics, bank runs and a pervasive lack of trust.

Still, digital finance is "becoming a geopolitical race", says Simon French in The Times. The US, China, Singapore, and the EU are embracing stablecoins, but the Bank of England remains hesitant. Britain risks being left behind, with rising "disintermediation of sterling-based assets" such as gilts and the pound potentially making the government deficit more difficult to finance. If the UK is to maintain its role as a "global financial hub", it must embrace "digital transformation".

## Korea's stock boom will endure

Move over K-pop, Korea's new "heart-throbs" are on the Kospi share index, say Youkyung Lee and Sangmi Cha on Bloomberg. Korean shares have surged a third this year, delivering one of the best performances globally.

Investors hope new president Lee Jae Myung will draw a line under the turbulence marked by the impeachment of his predecessor and a short-lived declaration of martial law. Lee wants the Kospi to hit 5,000 (it is currently below 3,200) and with his party in control, he is well placed to shake up the sclerotic chaebols that have rigged shareholder rules in favour of a handful of corporate family dynasties.

Though still classified as an emerging market by index



Korea's new heart-throbs are on the Kospi share index

compiler MSCI, Korea is "to all intents and purposes" a developed economy, say Shore Capital analysts Sam Banerjee and Rachel May in a note. The nation of 51 million boasts "diverse", "globally competitive industries" from

cars and shipbuilding to IT and entertainment. Yet for decades they have traded at a persistent discount to comparable businesses elsewhere – 1,000 companies trade at a price-to-book ratio of less than 1, with "around 500" below a lowly

0.5. The causes are complex, but a key driver is high inheritance taxes, which incentivise majority shareholders to structure their holdings in opaque ways.

Could Korea imitate Japan's corporate governance revolution and unlock shareholder value, asks Joe Bauernfreund of AVI Global Trust. The year 2025 might mark a turning point, as president Lee pushes forward forceful legislation to shake up the way boardrooms function. Importantly, shareholder activism – the driver of Japan's revolution – is picking up. "The road to governance reform is a long and winding one, with many wrong turns... along the way", yet "the prize... is great".



## Japan struggles with its debt

Has Japan finally maxed out its credit card? Tokyo has long used spending to paper over the problems created by economic stagnation, say River Akira Davis and Hisako Ueno in *The New York Times*, and debt has ballooned to \$9trn, more than double the size of the economy.

Many have predicted fiscal doom over the years, but negative interest rates kept things under control. Yet with interest rates rising to 0.5%, “yellow lights are flashing, and at any moment any of them could turn red”, says former finance ministry civil servant Koji Yano.

Interest payments already “gobble up a tenth of the central government’s budget”, says *The Economist*. The situation isn’t catastrophic, as 88% of Japanese government debt is held by local investors and institutions, making the country more resilient than it seems. With annual inflation at 3.5%, net debt as a share of GDP is actually falling. “Only modest belt-tightening is needed,” but with politicians locked in a “bidding war” ahead of upper-house elections on Sunday, things are “going in the wrong direction.”

Still, says Craig Mellow in *Barron’s*, markets have held up well, with the MSCI Japan index up almost 12% in dollar terms in the first half of the year. Share buybacks are the “brightest bull indicator”. Major names such as Sony and Mitsubishi “will repurchase 10% of outstanding equity over the next year”, the fruit of years of campaigns for Japanese firms to be more shareholder-friendly.

# Trump spoils Europe’s party

A lot of investors have been “hiding in European stocks this year” as a “safe haven” from turmoil caused by Donald Trump, says Dan Coatsworth of AJ Bell. They’ve now received “a short, sharp shock” – at the weekend, the US president threatened the EU with tariffs of 30%.

EU trade commissioner Maros Sefcovic says 30% is so high that “practically it prohibits... trade”. US-EU exchanges account for nearly 30% of all global goods and service trade. Investors aren’t panicking yet. Most regard Trump’s 30% threat as a negotiating ploy, but it threatens to spoil Europe’s strong start to 2025, says Coatsworth.

Continental bourses slipped on the news, even as the FTSE 100 broke through 9,000 points for the first time on Tuesday (see page 14). “In an uncertain world,” Britain’s stockmarket “is the calming cup of tea” and a “biscuit.”

### Whatever it takes

Euro-optimism is centred on Germany, where the DAX index has risen a fifth so far this year. Chancellor Friedrich Merz, who took office in May, is enjoying a good start, says Craig Mellow in *Barron’s*. His grand coalition has torn up restrictive spending rules, while his approval rating is trending up as a “grumpy German public” gives him the benefit of the doubt.



Germany's new chancellor Friedrich Merz has enjoyed a good start

Change in Germany is frustratingly incremental, but after years of “dithering” under predecessor Olaf Scholz, at least the country is now moving in the “right direction”. Merz’s reforms amount to a bold “whatever it takes” fiscal policy by German standards, says a *Deutsche Bank* note.

By 2029, the new coalition plans to have borrowed €300bn for new infrastructure investment and to be devoting 3.5% of GDP to defence, more than the UK or France. The German economy has stagnated for three years. Next year it could grow a healthy 2%.

“Rotation” from the US to other markets is another important driver, says Katie Martin in the *Financial Times*. Big investors are not meaningfully selling out of Trump’s America, but they are opting to put new funds

to work elsewhere. With US assets accounting for 70% of developed markets by value, opportunities on Wall Street appear saturated, while a falling dollar is eroding returns for foreign investors in US assets.

Foreign ownership of US shares looks set to dip from 30% at present to 27% over the next five years, UBS analysts tell Michael Msika and Naomi Tajitsu on *Bloomberg*. That may not sound dramatic, but it amounts to €1.2trn in extra capital entering European markets that might otherwise have gone to America.

Even big US institutions are increasingly buying into Europe. Both European and US corporate earnings are expected to rise 10%-11% next year. But at a “35% discount to their US peers”, that European growth comes at a much more reasonable price.

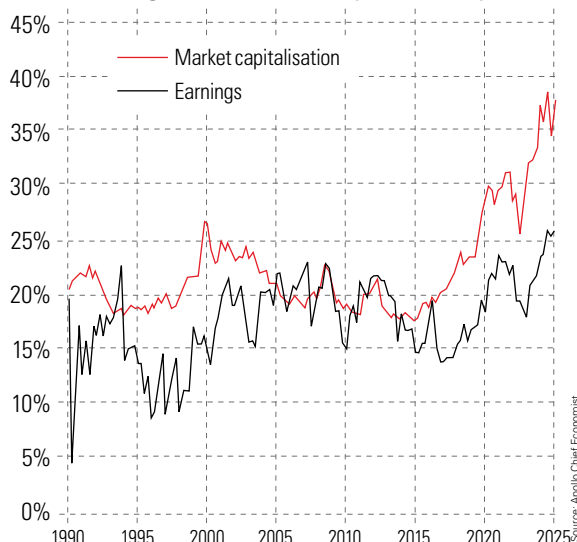
## Viewpoint

“The 69,000 tally of jobs shed in the UK hospitality industry since the increase in employers’ national-insurance contributions [may just be the start]... The UK Hospitality trade association thinks losses could rise to between 150,000 and 200,000 by the autumn, as 70% of member businesses cut more staff and pub closures... continue apace. How obvious is it that bar and restaurant work offers a vital path to keep young people out of welfare queues and other forms of trouble and to teach them principles of customer service that can be reapplied in more progressive careers?... And how important it is for social cohesion... that the last pub in the village should survive?... The more thriving the hospitality sector, the more cheerful the nation [and] the better chance this hopelessly incompetent cabinet has of surviving parliamentary Labour’s left-wing uprising.”

Martin Vander Weyer, *The Spectator*

## The Magnificent Seven skew the market

S&P 500’s concentration  
Percentage share of the top-ten companies



US technology shares wobbled over the spring, say Madison Mills and Dan Primack on *Axios*. Now they are booming again. The sector has accounted for nearly half of all the S&P 500 index’s earnings growth this year. Big Tech’s comeback has sent market concentration back to dangerously “extreme” levels, says Torsten Slok of *Apollo*. The ten largest firms – including Nvidia, Apple and Amazon – now account for nearly 40% of market value and more than a quarter of earnings for America’s top 500 stocks. Investors usually seek diversification, but anyone with a stake in the main US benchmark index today is essentially making a concentrated bet on the “Magnificent Seven stocks climbing even higher”.



# Nvidia: on top of the world

The semiconductor maker has become the biggest company in global stockmarket history. Can its run continue? Matthew Partridge reports

Chipmaker Nvidia is the first listed company on record to reach a market capitalisation of \$4trn, says Blake Montgomery in *The Guardian*. The milestone follows a multi-year “stratospheric” ascent and comes just over two years after it eclipsed a market value of \$1trn. The stock has surged 74% since its lows a few months ago. Nvidia is ahead of Microsoft, another one of the “poster children of the AI revolution”, which has a market cap of \$3.75trn. Nvidia is now worth 7.3% of the entire S&P 500 index.

Nvidia has certainly benefited from its “dominance of the chips that fuel AI services such as ChatGPT”, says Tim Bradshaw in the *Financial Times*. Just two months ago it reported a 70% surge in quarterly revenues, with CEO Jensen Huang suggesting that further advances in AI and new sources of demand were “kicking into turbocharge”. Even the release of China’s AI model, DeepSeek, which claims it uses only “a fraction of the computing resources consumed by the likes of OpenAI”, has failed to temper Huang’s “bullish” view that AI and robotics “can drive trillions of dollars in sales for his company over the coming years”.

## Back to the Middle Kingdom

In the shorter run, Nvidia is set to benefit from a further boost to earnings after being given the go-ahead by the White House to resume selling chips designed specifically for the Chinese market, says Hargreaves Lansdown’s Matt Britzman. This could be a “major catalyst” for its shares as “many had written off the chance of any meaningful revenue coming from China after the White House blocked the sale of Nvidia’s... H20 chips a few months ago”. The new rules will boost sales by \$15bn–\$20bn this year, while Nvidia “may be able to reverse” some of a first-quarter \$5.5bn impairment charge.

However, there may be a cloud on the horizon, says Danny Fortson in *The Sunday Times*. Given the sheer amount of money around



Jensen Huang remains as bullish as ever

– with Nvidia and the other “Magnificent Seven” tech stocks gaining \$9.7trn in value since early 2023, along with the “eye-watering sums” raised by start-ups – we may be in the “midst of a gigantic bubble”. History suggests that when it pops, possibly because the AI revolution will be “more gradual and messy” than people think, it “will lead to the disappearance of most AI companies and wipe out trillions of dollars... in private and public markets”.

Investors rightly worry that Nvidia could suffer the same fate as the telecoms and software networking company Cisco, which enjoyed a similar rise in the late 1990s before suffering a 90% slump when the dotcom hype died away, says Robert Cyran for *Breakingviews*. However, while Cisco reached a valuation of 130 times estimated earnings, Nvidia is “not obviously expensive relative to the very real boost to the business from AI”: it is on 34 times expected earnings. You could argue that if investors were truly to “reach a frenzy equal to the dotcom bubble”, Nvidia “would be worth nearly four times as much”.

## Cracks in Vistry’s foundations

Last week housebuilder Vistry, the biggest developer in Britain, admitted it would need “a big second half” of the year to meet its annual revenue and profit targets, says Tom Howard in *The Times*. Vistry’s completions, profits, sales rates, site numbers, order book and land purchases in the opening six months of 2025 were all down year on year.

This complicates chairman Greg Fitzgerald’s attempts to “steady the ship” after several profit warnings last year. They were caused by underestimating by £165m how much it would cost to build out nine sites in the south of England. However, Vistry is still optimistic, expecting to beat the £264m annual pre-tax profit it generated in 2024.

The numbers are clearly “not ones on which Vistry will want to linger”, with estimated sales for the half-year of £1.8bn, compared with £2bn the previous year, while pre-tax profits fell from £120.7m to £80m, says Richard Hunter on *Interactive Investor*. Still, the group will benefit from the recent announcement of a £39bn Affordable Homes Programme, which should add to an “extremely healthy” forward order book of £4.3bn.

Meanwhile, the Competition and Markets Authority (CMA) will fine Vistry only £12.8m, compared with the £273m it could have faced – 10% of annual worldwide turnover – for allegedly sharing commercially sensitive information with rivals, thus undermining competition. At the same time, net debt is falling while the company is pressing on with its share-buyback programme.

The Affordable Homes Programme may offer Vistry a “lifeline”, but it still finds itself in an “increasingly desperate position”, says eToro’s Mark Crouch. For one thing, market sentiment is in “ruins” after the profit warnings and the decision to axe the dividend in March.

What’s more, “signs of stress” are beginning to emerge in the UK housing market, with private sales “slowing”, while affordability remains “stretched” and buyers’ confidence “fragile”. Recovery “feels a long way off”, with debt still “uncomfortably high”.

# Warren Buffett ends bet on baked beans

Ten years after Kraft Foods and Heinz were merged with the help of Warren Buffett and Brazilian private-equity firm 3G Capital Partners, Kraft Heinz is now preparing to break itself up, say Lauren Thomas and Jesse Newman in *The Wall Street Journal*.

The idea is to spin off a large chunk of its grocery business, leaving a firm focused on goods such as sauces and spreads, like Heinz’s namesake ketchup and Dijon-mustard brand Grey Poupon. Big food companies are “facing a reckoning as inflation-weary consumers balk at sharply higher grocery prices, hunt for deals and switch to store-brand goods”. These problems are

compounded by households’ growing preference for “fresher, healthier fare”.

The demerger represents a rare miss for the otherwise legendary investor Warren Buffett, says Bloomberg’s Jayna Rohslau. His love of processed food blinded him to the risks. True, Buffett’s Berkshire gained billions from its preferred stock in Heinz, as well as dividends from Kraft Heinz’s common shares.

However, although Berkshire made more money than it lost, it “would have pulled in nearly \$10bn more on its common-shares investment if it had simply put the money in the broader stockmarket”. Those who invested in Kraft Heinz

after the merger did even worse, with the share price falling 60%.

Buffett and 3G can’t even blame industry-wide trends for their failure, as other big packaged food groups fared better than Kraft-Heinz, says Robert Armstrong in the *Financial Times*.

The evidence suggests that 3G’s “relentless” focus on costs hampered revenue growth, while the initial wide expansion in margins has “faded considerably”. All this suggests that “mergers, break-ups and cost-cutting campaigns are secondary sources of shareholder value at best”, especially when compared with innovation.



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

## Five to buy

### Pets at Home

*The Times*

Market leader Pets at Home claims 26% of the £7bn spent on pets each year, and its turnover is three times that of rival CVS. The group sells pet food, accessories and veterinary care, and its loyalty scheme has 8.2 million members. Profits fell after the Covid-era boom, while a regulatory probe and uncertainty over household spending now loom. But given our devotion to our pets, the firm should benefit as growth returns. In the longer term, higher living standards will lead to more pet ownership. 245p

### Haleon

*The Telegraph*

Ever since Haleon was spun out of GSK in 2022, the consumer-

goods firm has had to contend with restrictive monetary policy and high inflation eroding disposable incomes. Yet the stock has gained 26% since 2022, outperforming the FTSE 100. With inflation modest and interest rates set to fall, the owner of healthcare brands such as Sensodyne and Voltaren could raise prices to boost profit margins. Haleon is worth a "premium valuation" thanks to an increasingly upbeat growth outlook and sound finances. 372p

### Amaroq Minerals

*This is Money*

Amaroq Minerals has acquired land and licences to become the largest private holder of mining rights for gold and other critical minerals in Greenland. Gold production has started, and the company recently gained two new sites, financed by a £45m fundraising round, with investors including Denmark's state-backed export and investment fund. Analysts expect the share price to rise further, boosted by heady sales and profits growth. The shares "should deliver long-term rewards". 76p



### Genuit

*Shares*

An upswing in housebuilding and the associated maintenance market bodes well for building-products firm Genuit. Although the broader economic backdrop remains uncertain, Genuit is not directly exposed to higher tariffs, and CEO Joe Vorih is confident it can outperform the market over the medium term. Genuit has a strong balance sheet for potential acquisitions and can weather high labour costs. "Start accumulating" shares. 386p

### Celebrus Technologies

*Investors' Chronicle*

Celebrus Technologies sells software that allows firms to track customers' behaviour on their websites for marketing and fraud-protection purposes. Two new contract wins worth a joint \$4m will boost recurring revenue. These deals weren't included in recent annual results revealing a drop in sales, although adjusted pre-tax profit increased thanks to a shift to higher-margin software. With scope for margins to rise, the stock is a "buy". 171p

## One to sell

### Tesla

*Interactive Investor*

Tesla's first-half sales slumped nearly 60% in Germany and 1.7% in Britain despite an overall increase in electric-vehicle sales. Building a major factory in Germany now "looks increasingly reckless" given its small market share. Meanwhile, CEO Elon Musk has "decided to risk more wrath" and possible sanctions from Donald Trump by setting up a new US political party, which is "another distraction for the mercurial



Musk just when Tesla needs his full attention". Although Tesla presents opportunities for short-term traders, the basic problems remain. It's "not too late to sell at the current lower price". \$309

## ...and the rest

### The Telegraph

Despite doubling since early 2021, shares in International Consolidated Airlines Group (IAG) trade on a "dirt-cheap" valuation. The British Airways owner's earnings per share are set to rise 12% this year and a further 8% next year. A trade war remains a risk, but investors appear to be undervaluing the firm's growth prospects as the impact of lower interest rates and modest inflation becomes more evident. IAG's solid financial position means it can overcome potential near-term



challenges. With the company investing heavily, the stock is a "worthwhile purchase". Buy (371p).

### Shares

Shares in games distributor Gaming Realms have been

on a tear, jumping 43% in six months. Fiscal 2024's sales rose 22% to £28.5m thanks to new releases of its popular *Slingo* game (a mix of slots and bingo) and new global content partners. The firm ended the year with £13.5m in cash and no debt. It announced a £6m buyback and expects further growth. The stock offers "exciting" long-term potential. Buy (53p).

### Investors' Chronicle

Jet2's full-year earnings were in line with forecasts, with

strong sales underpinned by an increase in capacity. The dividend grew, while ongoing buybacks meant earnings per share beat expectations. Trading this summer remains in line with forecasts. But the shares fell due to concerns over last-minute flight-only bookings lowering the ticket yield per passenger, and large capital expenditure on new aeroplanes. Still, Jet2 has a solid balance sheet and the overall flight-only and package-holiday numbers increased. Jet2's valuation looks "too cheap". Buy (1,702p).

## An American view

Natural-gas pipeline operator Kinder Morgan is benefiting from the AI boom as data centres demand more and more energy, says Barron's. The stock looks reasonably priced thanks to robust demand in the US, Europe and Asia. Liquefied natural gas (LNG) prices have surged as gas is considered a cleaner alternative to oil and coal. The shares could surpass their January highs if the US government green-lights new projects, while Kinder can easily expand capacity at existing assets. Analysts expect earnings per share to grow more than 10% this year. Kinder's strong balance sheet, contracts with big AI players, and fee-based revenue are a hedge against a possible slip in natural gas prices.

## IPO watch

Joe & the Juice could list as soon as next year in New York with a valuation of about €2bn, says Bloomberg. The Danish juice-and-coffee chain's majority owner, General Atlantic, is speaking to advisers about a potential initial public offering (IPO) and could select banks later this year. The US private-equity firm first invested in Joe & the Juice in 2016 and bought a majority stake in November 2023 from Swedish investor Valedo Partners. Joe & the Juice, founded in 2002, owns 363 outlets in Europe, Asia, and the US, with some run by franchisees. For fiscal year 2023 revenue grew by DKr600m (£70m) to DKr2.4bn and adjusted earnings of DKr498m.



# A new deal for Ukraine

Trump's U-turn is good news for Ukraine's war effort. Emily Hohler reports

Donald Trump's new weapons deal for Ukraine and threat of tariffs against Russia represent his strongest support for Kyiv following months of "dramatically shifting positions", say Catherine Belton and Robyn Dixon in *The Washington Post*.

In February he halted the flow of military aid to Kyiv after giving the president, Volodymyr Zelensky, a dressing down in the Oval Office, and appeared to be more sympathetic to Russia. That all seems to have changed, with Trump saying that the US will resume the supply of weapons and threatening 100% secondary tariffs on Russia if there's no peace deal by September.

Former Russian president Dmitry Medvedev said Russia "didn't care" about what he described as Trump's "theatrical ultimatum", although the Russian elite are increasingly uneasy about the economy, which is pitching "toward a credit crisis and recession", and fear Putin could "overplay his hand". Trump may be overreaching, too, says Marc Bennetts in *The Times*. His threatened secondary tariffs of 100% would largely hit China and India, which have increased their purchases of Russian energy since the war started in 2022, providing a much-needed source of cash for the Kremlin's war chest. Many in Moscow dismiss the idea of the US taking such drastic action against major trading partners as unrealistic.

There's more to Trump's announcement than "meets the eye", says Owen Matthews in



Zelensky's deal with Nato will provide vital air defences

*The Telegraph*. The promise to send Patriot air defence batteries to Ukraine is the "fruit of three months of negotiation" by senior Nato officials and aims to provide Ukraine with an "integrated anti-missile and anti-drone defensive system similar to Israel's Iron Dome".

Protecting Ukraine from Russian air attacks is a cornerstone for any sustainable peace deal, but it won't come cheap. A single Patriot battery costs more than \$1bn; with a border 1,000 miles long, the project is expected to cost up to \$200bn. It will be funded by Europeans.

## Putin, too, shall pass

By going through Nato, Trump "maintains deniability with his Maga base", which doesn't want to fund foreign wars, while raising pressure on Putin and boosting US defence contractors, say Dan Perry and Daniel DePetris in *Newsweek*. But given his flip-flopping so far, there's a "decent chance he could flip again". Putin will take this into account.

Ultimately, however, this is a "war of attrition," and though more US weapons will strengthen Kyiv's defences, Putin will continue with his "wasteful" and "morally bankrupt" war because defeat, "even the perception of defeat", is "intolerable" to him. The only comfort one can take is that "no leadership is permanent". Dictatorships "seem invulnerable", but Russia has "taken many forms in the past century alone. And Putin, too, shall pass."

## South Africa begins corruption probe

South African president Cyril Ramaphosa has suspended his minister of police, Senzo Mchunu, after a top police official accused him of colluding with a criminal syndicate and interfering in high-profile investigations, says Nomsa Maseko on the BBC.

Ramaphosa also announced a judicial commission to investigate the claims, which he said "undermined the constitution and threatened national security". Mchunu, 67, denies all allegations.

Mchunu is an influential figure in Ramaphosa's African National Congress party and has been tipped as a potential candidate to succeed him when the ANC elects its next leader in 2027.

Nhlanhla Mkhwanazi, police commissioner of KwaZulu-Natal province, who went public with the claims, alleges that Mchunu's "political endeavours" were being funded by a suspect in a corruption case.

Mkhwanazi himself is under investigation after corruption allegations relating to a contract for bulletproof vests, says the local *Sunday Times*.

Ramaphosa was under pressure to act swiftly from politicians who say the allegations call into question the integrity of South Africa's criminal justice system. His rise to the presidency was "built on promises" to tackle corruption. For years, investors have expressed concern over "rampant crime that the World Bank estimates costs South Africa an estimated 10% of GDP each year".

Although Mchunu's suspension was welcome, this is the fifth commission Ramaphosa has established since taking office in 2018, and to date they have "produced little action", says Jane Flanagan in *The Times*. This case will test his ability to maintain his "fragile coalition" with the "increasingly rebellious" Democratic Alliance.

## Israeli government teeters on edge of collapse

The future of Israeli prime minister Benjamin Netanyahu's government was "thrown into doubt" on Monday night when the ultra-orthodox United Torah Judaism (UTJ) alliance announced it was pulling out of the ruling coalition, effective as of Wednesday night, says Aaron Boxerman in *The New York Times*. If more parties quit – and a second, larger ultra-Orthodox party, Shas, is threatening to do so – that would wipe out Netanyahu's majority in the Knesset.

At issue is an end to the exemption from compulsory military service for religious seminary students. The exemptions have been in place since Israel's founding in 1948, but Israel's supreme court has

deemed them unconstitutional and the "vast majority" of the public are in favour of conscription for the ultra-Orthodox community, also known as Haredim, says Neri Zilber in the *Financial Times*.

Netanyahu has been reluctant to upset the Haredi parties, which have "formed the backbone" of his governments for more than a decade, but pressure has been mounting after 21 months of war, with thousands of recruits needed to fill roles "across multiple fronts" from Gaza to Syria. The Haredim used to be a "tiny minority", notes Boxerman, but now comprise 14% of the population.

The timing may work in Netanyahu's favour, says

Ariela Karmel in *The Times* of Israel. The Knesset is due to go into recess on 27 July for a three-month break, which gives him time to "resolve the crisis behind closed doors". It looks like UTJ and Shas are using this as "leverage" more than trying to bring the government down.

But the "Haredi threat" is not the only one. Netanyahu's two far-right coalition partners have threatened to quit if he ends the war against Hamas, which would leave him with "no partners at all". This has "fuelled speculation" that Netanyahu may call elections early next year instead of in the autumn, as scheduled, "hoping to control the narrative rather than face a slow-motion collapse".



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## Washington, DC

**Inflation raises its head:** “With new higher [US] tariffs now in force for three months, there was one question that the June consumer price index [CPI] numbers needed to answer – ‘Are tariffs at last beginning to push up inflation?’,” says John Authers on Bloomberg. “The answer is an unsatisfying ‘Probably’.” Core CPI, which strips out volatile food and energy prices, ticked up from 2.8% in May to 2.9% in June, year on year. (The headline rate rose from 2.4% to 2.7%.) Within that, it is in the core cost of goods measure that tariffs would most obviously “raise their ugly head”. So far, it hasn’t, though

“the trend is plainly going in the wrong direction”. Ignoring a spike in core goods inflation caused by the pandemic, prices are now rising at their fastest pace in a decade. “None of this proves that tariffs are going to create another price spike,” but it does suggest that what progress had been achieved on lowering inflation has ended. Unless there is a clear improvement in the data, “there’s little obvious case” for the Federal Reserve, led by Jerome Powell (pictured), to lower interest rates from the current range of 4.25%-4.5%.

Meanwhile, in Britain “there is a real threat of stagflation as the rate of inflation

moves higher and the economy is stuck in the mud,” says Dan Coatsworth of AJ Bell. Headline CPI rose to 3.6% in June year on year, from 3.4% in May – still well above the Bank of England’s 2% target. “If the return of higher inflation becomes a trend, then the Bank might find it hard to keep lowering rates at a decent clip.” For the moment, the market still expects a cut from 4.25% next month, but there is “a lot less confidence in future cuts”.



## Milford

**Waters branches out:** Massachusetts-based medical equipment maker Waters is acquiring the biosciences and diagnostic solutions unit spun off from rival Becton Dickinson for about \$17.5bn. The tax-free deal “comes at a cheap price” and could get “even better if promised cost and revenue synergies emerge”, says Robert Cyran on Breakingviews. However, the “snag is, it’s a big combination that adds debt and comes just as US government cuts are hitting researchers”. By offloading the unit, Becton can focus on its core business of selling products for surgery and devices to deliver medicine, which has boomed thanks to demand for pre-filled syringes for weight-loss drugs. The unit was sold at a premium to Becton’s own “drab” valuation, “even if it was far from a knock-out price” and “unusually” for a “Reverse Morris Trust” transaction (which allows a company to avoid a big tax bill by spinning off a unit and merging it with another company), Waters will gain majority ownership. Waters is paying about five times the projected 2025 revenue of \$3.4bn. The company plans to cut \$200m in costs over three years and promises \$290m in profit boosts from increased sales.

## Rahway

**Merck buys UK drugmaker:** Pharmaceuticals giant Merck is buying British respiratory drug maker Verona Pharma for around \$10bn, say Katerina Petroff and Amber Tong on Bloomberg. The New Jersey-based group, led by its chief executive Rob Davis (pictured), is hoping the acquisition will soften the blow from the patent expiration in 2028 of its top-selling cancer drug Keytruda – an event that is expected to erode sales by \$18bn over the following five years. However, investors remained largely unconvinced the deal would be enough to plug the hole in the balance sheet. Merck will pay \$107 per Verona American depositary receipt (listed certificates representing shares in a foreign company) – a 23% premium to the recent closing price.

Keytruda is the “best-selling drug in pharmaceutical history”, accounting for almost half of Merck’s revenue last year with \$29.5bn in sales. While Merck has other respiratory drugs in development, it is banking on Verona’s Ohtuvayre treatment for chronic obstructive pulmonary disease (COPD) to make up for some of the shortfall. Ohtuvayre is a new inhaled treatment for COPD, the first to come to market in 20 years. However, peak sales for the drug are only expected to amount to \$4bn a year.



## The way we live now... the root causes of crime



Thieves prize citrus trees

“Britain is facing a plant theft epidemic,” says Ellie McDonald in The Times. Two-thirds of gardeners nationwide – and 76% in London – have had trees, flowers and shrubs stolen, according to a survey of 2,000 people. The rise in garden-related crime – 47% of respondents said it was getting worse in their area – follows the sharp rise in the prices of plants. Gardening as an activity boomed after the pandemic and Brexit red tape has accelerated the price rises. But that hasn’t dented demand, leading to potential shortages and the expectation that prices will continue to rise in the coming months.

Unsurprisingly, the plants most commonly targeted by thieves are those that are valuable and easy to lift. Tree ferns can sell for £1,000 each and a hanging basket can fetch up to £100. Japanese maples, which can sell for thousands of pounds, citrus and olives in pots and certain hydrangeas all have a high resale value. “It’s like stealing art,” James Wong, a TV presenter and four-time RHS medal winner at the Chelsea and Hampton Court flower shows, tells the paper. A would-be thief needs “to know what’s a Picasso and what’s an Ikea print... You need a certain amount of knowledge”.



## London

**Octopus spins off an arm:** Can Kraken, a software platform named after the mythical giant cephalopod, “bring forth riches from the deep?” asks Lex in the Financial Times. Octopus Energy, founded by CEO Greg Jackson, “hopes so” as it plans to sell a 20% stake and spin off its technology arm, which powers the utility’s back-office functions, into a standalone entity. While an expected \$10bn valuation “looks rich” – Octopus, including Kraken, was valued at \$9bn last year – “perhaps mythical beasts demand heroic assumptions”. Kraken’s revenue increased by a third in 2024, and assuming it maintains that pace over the subsequent three years, it would rise to almost \$440m. Yet, Kraken, a software-as-a-service company, has shown form when it comes to profitability and growth, generating regular licensing fees and income for implementing and integrating systems. “This is dull business, but like the suckers of an enormous sea creature, it is sticky.” Companies that switch their billing and business functions to a software platform usually stay for a while. Kraken serves about 40 clients besides Octopus, managing over 70 million customers. It aims to reach one billion customers in a decade, and “beyond energy, it has tentacles in water and telecoms, too”. A successful spin-off and subsequent float of Kraken could “set the tone for other tech platforms to cut loose”.



Jackson is unleashing Kraken

© Getty Images

## Melbourne

**Digging for efficiency:** British-Australian mining giant Rio Tinto has promoted the head of its iron-ore business, Simon Trott, to lead the wider group, and he has his work cut out, says Antony Currie on Breakingviews. Ordinarily, a 42% margin on earnings before interest, taxes, depreciation and amortisation (Ebitda) would be the stuff of which directors’ dreams are made. The trouble is, arch rival BHP looks set to achieve 50% this year. Improving financial discipline will be one of Trott’s first tasks at the \$100bn miner. Still, he is no stranger to what has been holding Rio back. The iron-ore business, which Trott has run since 2021, accounts for 70% of Ebitda, yet the miner’s operation in the main mining area of Pilbara, in Western Australia, is only the third-most efficient. BHP leads, again, in efficiency. Rio would be able to close the margin and valuation gap with its larger rival if only it could find \$4bn of cuts, equivalent to 14% of annual costs. Alas, “it’s not that simple. Rio’s mines are spread over a larger area and some are getting depleted”. The miner is slated to open one new mine a year over the next four years. Trott has already shown he is nothing if not determined, having got the iron-ore division’s production targets back on track. Now, he must do the same for copper, aluminium and lithium. But first, Rio Tinto must catch up with BHP.

## Alba

**Sugar rush:** Ferrero, the Italian maker of Nutella chocolate spread, “has added another item to its junk-food empire” by buying US cereal maker WK Kellogg for around \$3.1bn, says Aimee Donnellan on Breakingviews. Privately held and family-controlled Ferrero “seems to be setting up an edible equivalent of the ‘bad banks’ that warehoused the non-performing loans of ropey European banking systems after the 2008 global financial crisis”. The new acquisition does look “pretty unappetising”. The Corn Flakes maker’s first-quarter operating profit fell 56.5% from a year earlier to \$20m, as cash-strapped shoppers shifted to cheaper supermarket brands, used weight-loss drugs and restrictions were imposed on junk-food advertising. That said, there is “logic in meshing all this sugar together” as increased scale can lower costs to fend off lower-priced alternatives, and Ferrero’s deeper pockets mean it can invest more in marketing and innovation. Yet the deal’s financials “don’t look that sweet”. Kellogg gets more cash to reinvigorate itself away from the scrutiny of public markets and its shareholders will be bought out at a roughly 30% premium to the share price. But Ferrero “may wind up with the sort of indigestion that accompanies putting Nutella on one’s Corn Flakes”.

## Milan

**Hung out to dry:** Italian luxury clothing brand Loro Piana has been placed under judicial administration for a year by the Court of Milan for “serious negligence” in the oversight of its supply chain, says Andrea Bigozzi for Italian fashion magazine The Spin Off. An investigation revealed that subcontractors used by the Evergreen Fashion Group, to which Loro Piana had entrusted production, were exploiting mostly Chinese migrants, who worked “gruelling” hours in Italian factories, slept on shop floors and were paid a fraction of the minimum wage – around €80 to make a sweater retailing for €3,000. Loro Piana says that it was only informed about the existence of subcontractors in May before ending dealings with the supplier. The brand, which was bought by French luxury goods conglomerate LVMH in 2013, is the “fifth fashion company to have been placed under court administration over labour issues in Italy in the past 18 months”, says Silvia Sciorilli Borrelli in the Financial Times.



# The global boom in defence spending

Will soaring expenditure on defence be a boon for the economy? That's what politicians are telling voters. But is it really the case? Simon Wilson reports

## How much does the world spend?

Total military spending by nation states reached \$2.72trn in 2024, a rise of 9.4% in real terms on the year before, according to the Stockholm International Peace Research Institute. That's the tenth consecutive year of increases, and the steepest year-on-year rise since at least 1988 – and takes spending on defence to about 2.5% of global GDP. The world's biggest spenders are the US, China, Russia, Germany and India; together, these five account for about 60% of the total. Last year, spending increased in every region of the world – with especially strong growth in Europe and the Middle East – as geopolitical tensions grew. Average military spending as a proportion of overall government expenditure rose to 7.1%, while world military spending per person was the highest since 1990, at \$334.

## Which countries saw big jumps?

Israel's spending surged 65% to \$46.5bn – the steepest annual rise since the Six-Day War of 1967 – taking its total to 8.8% of GDP, the second highest in the world (after Ukraine's 34%). Lebanon's spending rose by 58% to \$635m; Iran's fell 10% in real terms. The Middle East's biggest spender is Saudi Arabia, with an estimated \$80.3bn. But it saw a modest rise of 1.5% and real spending is 20% lower than a decade ago, when the country's oil revenues peaked. The biggest jump in spending in Asia was in Myanmar, where it rose 66% to an estimated \$5bn. Japan's outlay is up 21% to \$55.3bn in 2024, the largest annual rise since 1952. Mexico's spending rose by 39% to \$16.7bn, as part of the government's militarised response to organised crime. In Europe, Sweden increased its spending by 34% to \$12bn (2% of GDP) in its first year of Nato membership – a direct response to the increased threat from Russia.

## And the rest of Nato?

Germany's expenditure rose by 28% to reach \$88.5bn, making it the biggest spender in Europe (not counting Russia, where spending grew 38% to an estimated \$149bn – twice the level of 2015 and 7.1% of GDP). Poland's spending grew by 31% to \$38.0bn in 2024, or 4.2% of GDP. Total spending by Nato members totalled \$1,506bn (\$1.5trn), or 55% of the global spend. Easily the world's biggest spender remains the US, where the total rose 5.7% to \$997bn – that's 66% of the Nato total, and 37% of the world's. China, the second-biggest spender, upped spending by 7% to a \$314bn, marking three decades of consecutive growth.

## What about the UK?

It raised defence spending by 2.8% to reach \$81.8bn, making it the sixth biggest spender



Starmer: greater outlay on defence will create "the next generation of good, secure, well-paid jobs"

worldwide (France, with \$64.7bn, is ninth). The UK currently spends 2.3% of GDP on defence, but last month – under intense pressure from the US – joined the rest of Nato (except Spain) in promising to raise spending to 3.5% of GDP by 2035, and 5% once further security-related spending is taken into account. If they achieve that target, Nato members will be spending \$800bn more every year, in real terms, than they did before Russia invaded Ukraine.

## Will that drive economic growth?

That's what politicians are telling voters. Keir Starmer says defence will offer "the next generation of good, secure, well-paid jobs". The European Commission says it will bring "benefits for all countries". In reality, such hopes are likely to prove forlorn, says The Economist. Rather, the "most obvious economic consequence of bigger defence budgets will be to strain public finances", meaning higher deficits and probably higher interest rates – none of which will aid growth. Historically, military spending is "not a major growth booster", agrees Pierre Briand on Breakingviews. A recent paper by the Kiel Institute for the World Economy found the "fiscal multiplier" is often lower than one – meaning that a rise of 1% of GDP in military spending triggers an overall rise in GDP of less than 1% in the short term. Similar analysis by Goldman Sachs estimates that the multiplier in Europe is even lower, at 0.5, meaning that for every extra €100 spent on defence, the region's GDP rises by just €50.

## So nothing to get excited about?

Any long-term economic effects will depend on where the extra money comes

from and how it is spent. According to Ethan Ilzetzki, professor at the London School of Economics and the author of the Kiel Institute report, any growth boost will be greater if governments choose to fund it through borrowing instead of higher taxes, which would have a negative impact on growth. This will be much easier for low-debt Germany than for higher-debt Britain and France. Moreover, simply setting targets risks wasteful spending on low-value projects. For the economic impact to be significant, it is crucial to focus the spending on research and development, given that "publicly funded innovation often has the effect of spurring private innovation", says The Economist. Currently, for the EU, expenditure on research and development is a paltry 4.5% of defence spending, compared with 16% in the US.

## What else will help?

Greater pan-European co-operation and integration – importantly, including the UK – and a shift away from buying American. Europe's most pressing need is to create its own "strategic enablers" independently from the US, says Hugo Dixon, also on Breakingviews. That's military-speak for projects such as satellite-based intelligence, air-defence shields, and a joint command and control system. Such things are expensive and technologically complex, and it makes sense to create them collectively. To get the biggest bang for their buck – militarily and economically – Europe needs to favour its domestic industry. Imports currently account for more than 80% of Europe's defence procurement, of which three-quarters comes from the US. "To manufacture more weapons at home, national capitals would have to agree common strategic needs, pool resources and keep restructuring the defence sector."



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# Reeves gets a win at last

The FTSE 100 index of leading shares has broken through 9,000 for the first time. That's not as impressive as it appears...



**Matthew Lynn**  
City columnist

When chancellor Rachel Reeves was seen with tears in her eyes in the House of Commons recently, it was probably because she had been contemplating the prospects for the economy over the next few months. She promised she would generate “growth, growth, growth”, but so far, there has been very little sign of it. Her Budget last autumn stopped the economy in its tracks. The non-doms fled. Companies put a freeze on hiring. It has been a dismal start to her time in office and it's not now clear how long she can survive.

Yet she can claim one achievement. The FTSE 100 hit an all-time high this week, briefly nudging through 9,000. It fell back soon afterwards, but it is still up significantly on the year so far. It could even punch through the psychologically significant 10,000 barrier later in the year. It may not be long before we see Reeves brandishing a chart of the index to show how well she is doing and claiming that global investors are backing her policies.

## Still lagging far behind

Still, the reality is that there is nothing to celebrate. The FTSE is only just starting to catch up with markets around the world after years of dismal underperformance. The index hit 6,930 all the way back in December 1999, meaning it has taken 25 years to add just another 2,000 points. For a comparison, Germany's Dax index has tripled over the last 25 years. In the US, the S&P 500 has risen fourfold over the same time period; the tech-heavy Nasdaq more than six-fold. True, the CAC-40

in Paris has done almost as badly, but otherwise every other major index around the world has soared past the FTSE 100. Indeed, simply to have kept pace with its peers the index should be somewhere between 20,000 and 30,000 by now. In that context, 9,000 does not look like anything to get very excited about. The returns have still been miserable compared with what you might earn elsewhere.

What success it has had won't last. The FTSE 100 is a very international index, with companies from Shell to GSK to Diageo earning most of their profits from the rest of the world. But it is still basically tied to the British economy. And the outlook for growth in this country is grim, and getting worse all the time. Foreign investment has collapsed, retail sales are flat, and very few new jobs are being created.

Worse, with the government desperate for extra money to spend, taxes are inevitably going to rise, and businesses will bear the brunt of that, just as they did last time around. We may well see higher business rates for big shops and warehouses, an extension of windfall taxes on the energy companies and the banks, and we may even see a “temporary” corporation tax surcharge, modelled on the levy that was charged in France last year. Whatever form it takes, it will mean lower profits and lower dividends to distribute to shareholders, and that will stop the index from climbing much higher.

## A dull backwater

Finally, companies are still leaving, with a wave of major businesses choosing to list their shares in New York instead of London. The likes of Flutter and Wise have



Hold the Champagne – the FTSE is going nowhere

already gone; even the largest company quoted on the FTSE, the pharmaceutical giant AstraZeneca, has discussed a move to the other side of the Atlantic. Meanwhile, fast-expanding new businesses such as the fintech star Starling Bank are looking towards Wall Street instead of the City, and global companies, such as the Chinese fast-fashion powerhouse Shein, are turning down the opportunity to list here. For an index to grow at a decent rate it needs a steady stream of faster-growing new companies to join it, and to replace the older, more mature giants that don't have much potential for expansion. The FTSE 100 has entirely lost the ability to attract those kinds of businesses, and that is going to make it very hard to keep up with its peers, especially in the US.

The blunt truth is that the FTSE is turning into a backwater – and investors are still a lot better off putting their money to work elsewhere.

## City talk

● “Those Warehouse Reit sheds must be looking prettier,” says Alistair Osborne in *The Times*. Back in May, Blackstone cut its cash bid for the logistics specialist from 113.4p per share to 109p after a dispute over the value of a site near Crewe. The US firm was then outbid by Tritax Big Box, with a cash-and-shares offer that is now worth 111.1p. So Blackstone has returned with improved terms worth 115p (including an upcoming dividend). “Yet, even if Big Box doesn't top up its bid, there's not a shedload of difference in the price.” Blackstone's cash exit is still a big discount to Warehouse's 128p net asset value, while Big Box is offering cash upfront, plus the chance

to remain invested in a larger group with complementary assets. Warehouse's shares have now ticked up to above Blackstone's offer. “No one needs to make a decision yet... This boxing match could still have another round.”

● “Indian consumers are shaking a global giant awake,” says Shritama Bose on *Breakingviews*. Consumer-goods firm Unilever has replaced the head of its India subsidiary as it tackles sluggish growth in its second-largest market. Over the past two years, Hindustan Unilever's (HUL) sales have lagged behind rival Nestlé India's. HUL has failed to keep up with home-grown beauty brands and has

been too slow to update its distribution strategy in response to the arrival of services that offer ten-minute deliveries. HUL recently bought skincare brand Minimalist for \$311m, “but it needs to do more”. Introducing global brands such as Ben & Jerry's ice cream “would offer an easy refresh of its India shelves”. HUL's new CEO is Priya Nair, who currently runs Unilever's beauty business and is well-placed to tackle these issues. Success would help buoy the whole of Unilever, which owns 62% of HUL. However, “the clean-up will take time”.



● WPP's new CEO Cindy Rose is “well versed” in the “fast-moving world of technology and consumer trends”, with a background at Disney and Microsoft, says Dan Coatsworth of AJ Bell. Those skills will be vital to ensuring the advertising firm still exists in ten years' time. “WPP faces a structural challenge in the form of AI being able to fulfil” many clients' requirements. It needs to excel where AI can't, while using technology to become more efficient. Still, investors must be encouraged that WPP has hired an outsider. “Fresh thinking is of paramount importance.”

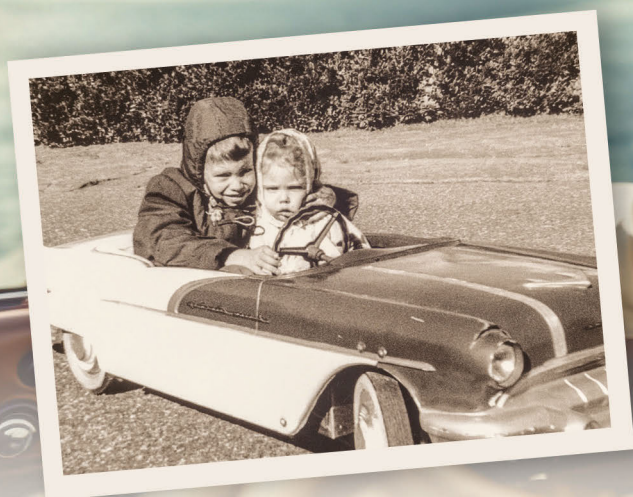
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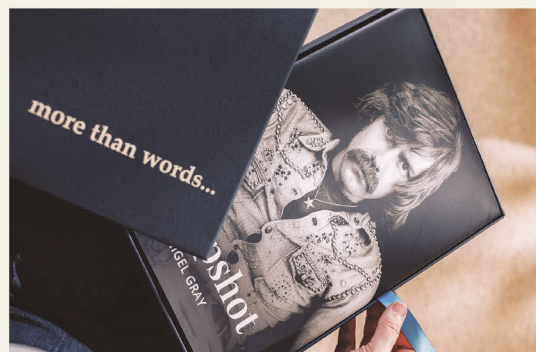
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# Swimming in oil once more

Supply gluts and weak demand are weighing on crude, but prices look low enough to curb shale growth



**Cris Sholto Heaton**  
Investment columnist

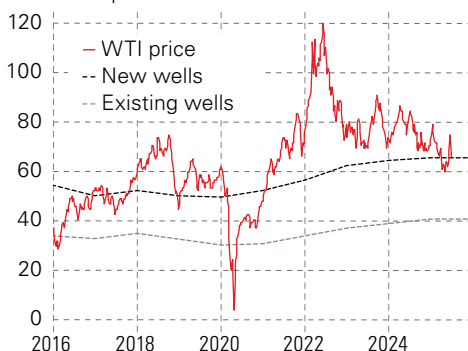
One of the reasons for holding oil stocks in our multi-asset model portfolio is to hedge against extreme geopolitical upheaval. Oil tends to rise during conflicts because traders worry about whether supplies will be interrupted. Yet prices did very little during the recent war between Iran and Israel: they spiked briefly during the initial attacks, but dropped back when traders concluded that Iran was unlikely to blockade the Strait of Hormuz – the narrow shipping lane that carries one-fifth of the world's crude oil.

In many respects, this is what we want to see when holding a hedge. A world in which oil supply is not severely disrupted is much better for the rest of the portfolio. Still, hedges come with a cost and the question here is where the floor for oil could be if the hedge is never needed. Brent crude is currently trading at about \$66 per barrel – above its lows of around \$60 in May, but well down from \$75 earlier this year. The reason for this is clear: global oil supply is robust at 105.6 million barrels a day (mb/d) in June, according to the International Energy Agency (IEA), while demand growth is soft. The IEA expects supply growth of 1.3 mb/d next year, against demand growth of 0.72 mb/d.

## Saudi Arabia turns on the taps

There are two reasons why supply keeps growing rather than being throttled back by weaker demand. US shale oil keeps flowing. The US is now the world's largest oil producer – an incredible turnaround from a decade ago. Meanwhile, the Opec+ cartel is unwinding previous output cuts – a decision pushed by Saudi Arabia, which is now focused on regaining market share rather than propping up prices.

WTI crude price and breakevens  
US dollars per barrel



Of course, Saudi Arabia wants higher prices over the long term, but has other priorities for now. Lower prices placate Donald Trump, who wants cheaper energy. They punish habitual cheaters within Opec+ (countries that consistently produce more than their quotas). And they may shake out the US shale-oil sector, by making shale producers a lot more uncertain about committing to new investments.

Whether all this works out is another matter. Opec+ tried and failed to crush the nascent shale industry in a price war a decade ago. Still, US output may be close to its peak (the US Energy Information Administration expects it to top out at 14 mb/d in 2027) while costs are rising for producers. Every year, the Federal Reserve Bank of Dallas asks oil firms operating around the country for their breakeven prices to operate existing wells and drill new ones (shale and non-shale). There is high variation between firms and regions, but the averages suggest that West Texas Intermediate (WTI) prices below \$60 will curb new drilling and lead to slower production growth – thereby pushing up prices in future.

Meanwhile, our oil holding – SPDR MSCI World Energy (LSE: ENGW) – is by no means doing as badly as oil itself. It mostly invests in the majors, which are affected by crude prices, but not as volatile as small shale firms. We are content to keep it in the portfolio.

## Guru watch

**Chris Hohn,**  
founder,  
The Children's  
Investment  
Fund



Companies with high barriers to entry – irreplaceable physical assets or strong intellectual property – are more likely to be good investments, says Chris Hohn, who runs \$70bn in assets at The Children's Investment Fund.

"People just look at earnings. They don't look at asset value," Hohn tells Nicolai Tangen, CEO of the Norway's sovereign wealth fund, on a podcast. Airports, railways and telecom towers are natural monopolies, since getting permission to expand or build them is difficult. While many of these business are regulated, they may still earn attractive low-risk returns and sometimes much more. Airports have regulated landing charges, but other revenues – such as shops and advertising – can be very profitable, as with AENA in Spain.

Many investors focus on growth, but fail to analyse what drives it. "Growth can come from two forms: price and volume," he says. "Most companies don't have pricing power." Airlines have "minimal profits despite growth", as they have low barriers to entry. However, intellectual property such as aircraft engines is difficult to replicate. There haven't been any new entrants in this sector for over 50 years, and leaders such as Safran and GE Aerospace should be able to earn good returns.

Scale is important. "Large companies are more likely to beat small companies... they have more money to compete." The very best companies will remain listed, despite fears about shrinking public markets, he argues. "Private equity can't buy Visa... it's too big for them."

This focus on barriers, pricing power and size narrows the investment universe. "We say maybe there's 200 companies that we consider to be high quality and investable." In tech, Hohn holds Microsoft – it showed the "power of incumbency" in winning the video-conferencing battle against Zoom – and Alphabet, but sees the latter as riskier due to rising competition in search.

## I wish I knew what a stock split was, but I'm too embarrassed to ask

A stock split happens when a company decides to increase the number of its shares in issue by giving existing investors additional shares for each share they currently hold.

The firm's share price falls to reflect the enlarged share base, but its market capitalisation stays the same. The total value of each investor's shareholding remains unchanged as well, because they hold the same percentage of the firm after the split as they did before.

For example, assume that a company has 100 million shares in issue and a share price of £50 per share. It carries out a 2:1 (or two-for-one) split, meaning that the investor ends up with two

shares for every one they originally had. Then the total number of shares increases to 200 million and the share price falls to £25. The market cap stays at £500m and an investor who previously owned 100 shares worth £1,000 will now have 200 shares worth the same. All financial ratios such as earnings per share and dividends per share will obviously be halved.

It's widely believed that stock splits improve liquidity, because smaller investors are now more able or willing to trade lower-priced shares. The argument is not very compelling – in practice, investors tend to buy or sell a certain value of shares

(eg, £5,000) rather than a certain number (eg, 500), so it's only if the price is very high (eg, £10,000 per share) that you'd expect a lower price to make a difference to how often it's traded.

The empirical evidence is mixed at best; some studies suggest that any change is short-lived and that the bid/ask spread – a more meaningful measure of liquidity than the number of shares that are traded – may get worse after a split.

The opposite of a stock split is a consolidation or reverse split, which happens when a firm reduces the number of shares in issue. These are less common and are usually the sign of a firm trying to make a very weak share price look healthier.



## The spirits industry will endure

Edward Chancellor  
Breakingviews

Investors often confuse cyclical swings with “secular movements” in the fortunes of companies, says Edward Chancellor. “When revenue turns down, they panic.” This is what is happening in the spirits industry. After a “pandemic binge”, the hangover has been “severe”. The cost-of-living crisis reduced consumer spending, China imposed “punitive” tariffs on European brandy and Donald Trump threatens to do likewise. Generation Z is reportedly giving up alcoholic drinks and the World Health Organisation wants to put health warnings on alcohol. However, history provides a “simple rule of thumb”: “the longer something has existed, the longer it is likely to persist”. Spirits companies have the “longest brand histories out there”. They have other competitive advantages. They have geographical restrictions (you can’t make Scotch whisky just anywhere); spirits that need ageing require large inventories; the big firms dominate distribution and enjoy huge economies of scale. The situation is reminiscent of Coca-Cola after the “disastrous” launch of New Coke in the 1980s. Warren Buffett snatched up shares in the ensuing slump. It turned out to be one of his most successful buys.

## China’s soaring debt burden

Editorial  
The Economist

The rise of a middle class has “transformed” China’s cities over the past 25 years, says The Economist. But the “vast malls” and “glitzy restaurants” come with risks, namely “soaring household debt”, which has risen as a proportion of GDP from less than 11% in 2006 to more than 60% today. The Chinese have a “buffer”: savings relative to disposable income are high at nearly 32% in 2023, compared with less than 3% in America in 2007, but the “spendthrift” and those struggling to pay investment debt or mortgages are “in trouble”. Debt-collection rules are “new and patchily enforced” in China and a recent ban on the use of tactics including threats of violence by agencies appears to have been largely ignored. Owing money is considered shameful and the absence of personal bankruptcy laws (the state doesn’t want to signal “tolerance of reckless spending”) has fuelled the growth of “online loan-sharks”. Although debt does not pose an “imminent threat to financial stability”, it creates societal anxiety, inhibits spending and undermines “belief in the ever-rising prosperity that the Communist Party sees as crucial to keeping its grip on power”.

## The war on landlords is senseless

Zoe Strimpel  
The Telegraph

Antipathy to landlords isn’t limited to the left, says Zoe Strimpel. Adam Smith said that the “landlord’s right has its origins in robbery” and the Renters Rights Bill, which is close to becoming law and essentially “enshrines property ownership as a dirty sin that needs expunging”, was crafted by a Tory, Michael Gove. It makes no-fault evictions illegal, so a tenant can only be asked to leave if the landlord is going to sell or move back in; “all evictions will need to go through the courts”; and rent rises can be disputed (of course, the courts have “loads of spare time and resources” for all of this). Rents have to be advertised up front and landlords can’t accept higher offers, nor can they discriminate against benefits claimants or those with children. So, supply will be squeezed and rents will rise, “crippling the city, renters, the economy and landlords alike”. The problem isn’t just the bill, it’s the whole “ideological backbone”, informed by a complex history that includes the long shadow cast by post-war slum landlord Peter Rachman. The result, unfortunately, is policies that work in “diametrical opposition” to the government’s stated aims.

## All is not lost for the climate

Nathaniel Keohane  
The Washington Post

The headline from the Republicans gutting Joe Biden’s “Inflation Reduction Act” is that the result will be to “severely undermine” efforts to combat climate change, says Nathaniel Keohane. But the reality is “more nuanced”. The new law does eliminate a lot of tax credits at a time when demand for power is surging. However, tax credits for other carbon-free electricity technologies remain, as do those for carbon capture, advanced manufacturing and, to an extent, clean hydrogen. Even solar and wind provisions “dramatically improved in the final bill”. These incentives will “provide a crucial boost for emerging technologies needed to zero out emissions”. Enhanced geothermal energy technology could generate up to a third of “always-on capacity”. Carbon capture could eliminate emissions from gas-fired power plants as well as cement and steel works. Credits for advanced manufacturing will “foster innovation”. The fact is, not a single Republican voted for the 2022 act that created these incentives, and preserving them depended entirely on Republican support. What the recent fight shows is that it is possible to “win broad support” for climate goals when the benefits to local economies are made clear.

## Money talks

“I loved it because, as a songwriter, you love to hear how other people interpret your songs. And... I knew it was going to make a lot of money.”

Dolly Parton (pictured) on Beyoncé covering her 1973 hit song *Jolene*, quoted on X



“We’re all members of the precariat, basically. We don’t know how long we’ll have paid work if we do have it, and we just don’t know how long this will last because our economy, our society, is in a long-form revolutionary transformation.”

Author Irvine Welsh on how we’re all starting to resemble the characters in his novel *Trainspotting*, quoted on BBC News

“Everyone assumes from my voice that I’m working class. Now, it depends [on] what you define as working class. Technically, I’m not working class because of what my parents did. And I never said I was.”

TV presenter Steph McGovern, who is from Middlesbrough and whose father was an artist and teacher and mother a radiographer, quoted in The Times

“Noel lives in a £17m house. That changes you. You have appropriate furniture, appropriate kitchens and appropriate red wine that Bono recommended.”

Oasis singer Liam Gallagher on his bandmate and brother Noel, quoted in The Spectator

“You don’t want to own a boat. You want to be friends with someone who owns a boat.”

US comedian Bill Burr, quoted in Country Living

“Europe has gone from 90% of US GDP to 65% over ten or 15 years. That’s not good. You’re losing. We’ve [the US] got this huge, strong market, and our companies are big and successful, have huge... [global] scale. You have that, but less and less.”

JPMorgan Chase’s CEO Jamie Dimon, quoted in the Financial Times

©Getty Images

# Britain's failing governing class

**bloomberg.com/opinion**

The “horrific truth” about British politics is that things are actually “worse than they look”, says Adrian Wooldridge. The problem is not with Keir Starmer, but with the whole governing elite – “MPs, Lords, special advisers, quangocrats, civil servants, diplomats, consultants, local officials and the political journalists who make up the country’s proliferating governing class”.

The recent “farce” over welfare reform was just the latest example of chaos and incompetence. Polls show that trust in politicians has collapsed and the civil service, once widely regarded as a “Rolls-Royce”, is now a “sputtering Trabant”. “If the art of governing means a combination of thinking about where you want to go in the long term and keeping the ship of state in good working order, then Britain is failing at both.”

Why? Low pay and relentless scrutiny is one explanation. The increasing complexity of governing is another. Ministers regularly complain that when they pull on a lever of power it “turns out to be made of rubber”. And the elite is doing a poor job of reproducing itself – of recruiting new members and providing them with the necessary combination of competence and self-confidence to run the country. “The old systems of elite formation have been allowed to crumble.”

In trying to be more business-like, the civil service has “borrowed the worst features of business (management fads) while ignoring the best (ruthlessness)”. There is one HR employee for every 48 staff compared with one per 100 in the private sector. Sacking underperformers is next to impossible, as is rewarding achievers without



PM Keir Starmer is stuck in a doom loop

promoting them. The result is a combination of grade inflation and counterproductive churn.

“Those who fail to master change are condemned to be mastered by it.” Since the turn of the century, the governing class has responded to change “not by directing it to creative purposes, but by being carried along by it”. They get caught up in an ever-more frantic news cycle, driven by journalists who are more like sports reporters than serious “observers of statecraft”.

The most successful reforms of government have all come from the top down, but the British government has missed two recent opportunities to do that – the Blair landslide in 1997 and Starmer’s in 2024. Instead, we’re “stuck in a doom loop”: the more short-term problems multiply, the worse the government becomes. The worse the government becomes, the more crises multiply. Expect “many more desperate weeks” like the ones we have recently lived through.

## Ideology trumps economics

**project-syndicate.org**

Political economists who focus on economic costs and benefits – and argue that legislation that creates material gains for organised, politically well-connected groups is likely to endure – struggle to explain Donald Trump’s presidency, says Dani Rodrik. The conventional wisdom would suggest that Trump would get nowhere in ending the green subsidies created by Joe Biden for these reasons. Yet Trump did it anyway. What we need to accept to understand this is that “ideology sometimes trumps material interests”. Many Republican lawmakers in passing Trump’s “Big Beautiful Bill” voted against their constituents’ economic interests. Some did so because they “feared reprisals” from Trump if they did not; some because they “truly are climate sceptics”. “Regardless, it was ideas about what is important and how the world works, rather than economic lobbies or vested interests, that prevailed.” There is a broader lesson here for political economy: “narratives can be as important as interest-group politics in gaining traction for a party’s agenda”. The ability to shape the world views – of elites as well as ordinary voters – is a “powerful weapon”. There is also a lesson for Trump’s opponents: they need both well-designed policies and to “win the larger battle of ideas”.

## The dawn of the post-human

**noahpinion.blog**

In the 1990s and 2000s, science fiction focused on “the Singularity”, says Noah Smith – the tipping point where technological progress became so dramatic that human existence itself would be utterly transformed in ways impossible to predict. It feels like we’re now entering that post-human age.

Globally, fertility rates are collapsing, presaging long-term

population shrinkage. But even as humanity “shrinks in physical space”, it is binding itself together in digital space. That expands the potential for “collective intelligence”. We all now rely on the collective hive mind of digital space for



It's lovely once you're in

all we do. The result may be individuals with less in the way of creative or cognitive skills, just as the plough led to humans with weaker biceps, and the calculator eroded mental arithmetic. But the future for humanity as a whole is bright. We will become stronger and more productive as a species.

Spending our time lost in screens might seem odd, just as not spending all our time in a field would have done to our ancestors. But the result is a less boring life. The “slide into post-humanity” actually “feels rather pleasant and warm”.

## Should we fear the AI revolution?

**conservativehome.com**

We are “on the brink of a technological revolution so profound as to render our current concerns irrelevant”, says Peter Franklin. The debate over artificial intelligence (AI) is divided between sceptics who believe it is being massively overhyped and those who think it is near a tipping point that will create either a new age of abundance or an apocalypse.

The truth surely lies between these two extremes, but major social and economic change seems likely. Yet, ironically, the future will look more like the past than the present. We and our parents and grandparents have already lived through the fastest pace of technological change in the history of the world. Change brought about by AI is going to seem more like marginal improvement. Yet the changes wrought have the potential to bring big benefits – if politicians allow them. Populists are already seeking to exploit fear of the unknown to create an anti-AI party. Labour will seek to protect old industries. That leaves the field open for a “cautiously optimistic pro-AI party”. The prize is a green energy and industrial revolution.



# No profits to harvest in farming

A rural idyll may look appealing, but it is extremely difficult to make money in agriculture, says Max King

The government's imposition of inheritance tax (IHT) on farms has shone a light on an uncomfortable truth: returns on farming in the UK are generally poor. This leaves farmers reliant on capital appreciation for a reasonable return and without the ability to save enough to pay a periodic capital tax.

The government says land values have been inflated by the wealthy acquiring farms as part of their IHT planning, so imposing IHT will lower land prices and allow aspiring farmers to buy in. However, it is surprising how many wealthy people, such as Jeremy Clarkson, were initially attracted to farming by its tax advantages, but soon become hooked.

Horace wrote a romanticised eulogy to post-retirement farming: "happy the man who far from city care, with his own oxen ploughs his father's land". He describes the timeless appeal of being a gentleman farmer for those with means and without the burden of taxation and regulation. The reality is different.

The imposition of IHT will neither raise revenue nor lower land prices. Farmers can avoid it by giving away their farms more than seven years before death, or by turning their farms into partnerships. By making themselves the managing partner, they can retain control of the farm while giving partnership shares to family members, thereby multiplying the threshold value of the farm at which tax becomes payable.

## Costs outpace prices

Ian Ivory, a fund manager turned farmer in Scotland, focuses on his return on capital. He argues that land, primarily seen as a hedge against inflation (it has multiplied in value by 22 times since 1971, on average) should be compared with a ten-year index-linked gilt, which yields 1.25%. A 5% cash yield should be applied to residential property, whether the farmhouse or cottages are available for rent or holiday lets. The return from livestock and equipment has to provide a return of 7%. "To achieve those targets, we need to have a pre-tax profit margin of 20%, but most farms struggle to hit 10%," he says.

The problem is that prices have not kept pace with costs. "In 1971, wheat sold for £28 a tonne; now it's £180, a [sixfold increase]. But wages have risen 45-fold, so remaining profitable has required increasing automation. Labour costs are now below 10% of our sales and subsidies also." Agricultural prices have fallen far behind costs. In 1970, 165 lambs were needed to buy a stock tractor, but now the figure is 865. Fifty tonnes of grain were needed to buy an arable tractor; now it is 600.

Agricultural productivity has increased rapidly worldwide, but nowhere more than in the former Soviet Union. In the late 1980s under collectivisation, the whole of the USSR was importing 30 million tonnes of grain a year. Now Russia alone exports 50 million, while Ukraine before the Russian invasion exported 60 million. Eastern Europe will have added to the glut and lower prices will have fed through into meat prices. In the past year, says Ivory, UK beef prices have risen 60%, but grain prices have fallen.

Not only are farmers burdened with price volatility and falling prices, but the UK also struggles to compete globally. In New Zealand, Ivory says, sheep sell for £3 a kilo at a profit, while in the UK they sell for £6 at a loss. Farmers who can't adapt, or continue



It takes 865 lambs to buy a stock tractor

to farm as their families always have, are inevitably struggling. Innovation and adaptation can offer a way out. *Clarkson's Farm* shows a constant enthusiasm for new ideas, whether it's a farm shop, a restaurant or a different crop, such as growing willow trees, whose wood commands high prices in the manufacture of cricket bats. Yet by the time the wood is ready to harvest in 15 years' time, the price may have collapsed, as others have had the same idea.

James Dyson, owner of the largest farming business in the UK, has extended the season for English strawberries by growing them above ground in huge greenhouses, powered by renewable electricity and heat from an adjacent anaerobic digester. He is a champion of the use of technology to improve productivity. But few farmers can afford the capital investment required. For many farmers, land, geography and resources limit diversification. Farmers' markets may help them get round the rigid pricing of the supermarkets; co-operation with neighbours to share resources should reduce costs; and there may be scope to turn commodity agricultural output into a branded product. But the success of the few shouldn't blind us to the struggles of the many.

Subsidies to farmers were £2.4bn a year in the last parliament, but are being phased out. They come with environmental bureaucrats and politicians who treat farming with, at best, disdain. No wonder many farmers are attracted to the Sustainable Farming Incentive, newspeak for paying farmers not to farm on the premise that the authorities know more about environmentally sustainable farming than they do. As a last resort, farmers can always turn their land over to solar panels, although many are suspicious that the incentives won't last.

It is remarkable that this densely populated country produces about 60% by value of the food it consumes. Moreover, the value of exports of food, feed and drink is nearly half that of imports. Agriculture uses 70% of the UK's land area, but employs just 447,000 people, 1.4% of its workforce. Employment has fallen 6% in the last 20 years, but the decline of market towns all over the UK is a testament to lower incomes and a faster decline in related businesses, as well as to the increased productivity of farming. High farm values and Horace's rural idyll provide a misleading picture of farming, now a capital-intensive, highly skilled vocation entailing constant innovation, long hours, volatile pricing and endless bureaucracy. This is not a business for the faint-hearted.

*"It is remarkable that this densely populated country produces 60% by value of the food it consumes"*

# Britain's fallen stars: a second chance for quality stocks

When inflation and interest rates ticked upwards in the wake of Covid, the investment environment changed and share prices collapsed. That creates opportunity for smart investors, says Jamie Ward



In June, Spectris, the high-tech precision measurement firm, was bid for by private-equity giant Advent International, which prompted a bidding war. In a year marked by a large number of takeovers, this one stands out. It was bought because it is a high-quality global leader that was too cheap. This is more than just another deal – it's a profound warning for investors in Britain's most respected companies.

For more than a decade following the 2008 financial crisis, a select group of top UK firms, including Spectris, were the darlings of the stockmarket. Their reliable profits and steady growth, in an era of rock-bottom interest rates, led investors to push their valuations to unsustainable heights. Since their peaks in 2021, however, this narrative has changed. Many of these once-admired firms, from industrial engineers to specialist food-ingredient makers, have seen their share prices plummet, some by more than 50%.

This dramatic shift was triggered by a fundamental change in the economic environment, with a surge in inflation and aggressively rising interest rates that provided attractive alternatives to equities. While this "repricing" was a necessary correction, the Spectris takeover highlights a new risk that these quality businesses have become not just cheap, but too cheap, making them irresistible targets for private capital.

A company's value is derived from its expected future profits, discounted to their present worth. When interest rates were near zero, distant earnings were barely discounted, making them immensely valuable. As rates rose, the discount rate increased, drastically reducing the present value of those long-term earnings. This mechanism, combined with broader market anxieties, swiftly deflated valuations.

The very attributes that once justified sky-high prices – that is, their predictable, long-duration earnings – became liabilities when a guaranteed 5% could be earned from a government bond. The rush for the exits began, raising the question: do these fallen stars now offer a compelling opportunity for long-term investors? Or, as the Spectris deal shows, does their undervaluation invite opportunistic private buyers to take them off the public market for good, starving investors of the opportunity?

## Brutal reality of a revaluation

The valuation crunch, when it came, was swift and brutal, with the share prices of some firms tumbling from their giddy late-2021 peaks. No company illustrates this reversal of fortune better than Spirax (LSE: SPX). For years, it has been regarded as one of the most consistent world leaders on the UK stockmarket, prized for its relentless growth and resilience. The source of this reputation is its critical role across an incredibly broad scope of industries; its specialist steam systems are indispensable for everything from food production and pharmaceuticals to the operation of hospitals, chemical plants and oil rigs. This diversification has made it a fortress of stability.

Yet even this industrial titan was not immune to the changing economic tide. Its shares plummeted from an all-time high of more than £172 in November 2021 to

roughly £60 today, a shocking fall of more than 60%. This collapse was a clear case of valuation reset, not just a price decline. The company's forward price-to-earnings (p/e) ratio was slashed from an eye-watering 50-times earnings to a far more sober 20. After such a dramatic de-rating, a world-class business that was once prohibitively expensive is now beginning to look like genuinely good value. This has brought the company firmly back on the radar, and for investors with a long-term view it is precisely the kind of name that now warrants serious consideration.

It was a similar story at fellow FTSE-100 constituent Halma (HLMA), a group of businesses focused on safety, health and environmental technologies. Its shares fell by nearly 40% from a peak of around £32. But unlike Spirax, the shares have regained their lustre in recent months, hitting new highs and showing that, when the market recognises the underlying value of these quality businesses, significant returns can be made. Halma represents what can happen to businesses whose qualities are clear, but the punishment was more severe for smaller companies that had captured and lost the imagination of investors. Treatt (LSE: TET), the flavour ingredients maker, which had enjoyed a truly spectacular run, saw its share price collapse by more than 80% from its peak of more than £13 in late 2021.

This was not just a case of a few isolated firms hitting trouble. It was a sector-wide, thematic collapse. The very mechanism of highly geared valuation expansion that had amplified gains on the way up went into a violent reverse. For years, investors had been rewarded for paying ever-higher prices for reliable earnings. Now, they were being punished severely for it. The tide of cheap money had gone out, and many investors who had piled in near the top were left painfully exposed.

## It's about more than just interest rates

While rising interest rates were the primary catalyst for this dramatic derating, it would be a mistake to view this story through a purely macroeconomic lens. As the financial environment tightened, company-specific operational issues, previously glossed over by a buoyant market, were thrown into sharp relief. For several of these firms, the post-pandemic world brought a host of challenges that hit both sales and profit margins.

For Suffolk-based Treatt it was a perfect storm. The price of orange oil, a key raw material, soared because of poor harvests and disease in Florida and Brazil. Simultaneously, squeezed consumers in North America began to cut back on premium beverages, a key end-market for Treatt's natural extracts. This toxic combination of cost inflation and slowing demand led to a string of profit warnings that shattered its growth narrative and hammered its share price. Treatt now looks more like a speculative opportunity due to its small size and specific challenges, but at the current valuation could present an interesting long-term proposition for those comfortable with risk.

It wasn't alone in facing headwinds. Victrex (LSE: VCT), a world leader in high-performance polymers used in everything from aeroplanes to spinal implants, also faltered. Its growth was hampered by a sluggish

*"The tide of cheap money had gone out and many investors who had piled in near the top were left painfully exposed"*





Fragrance maker Treatt was hit by a perfect storm when the price of orange oil soared

recovery in elective surgeries post-pandemic that affected its lucrative medical division. The company also faced early teething problems at its new factory in China, prompting concerns over operational issues. Once open, production also ramped up more slowly than expected, piling further pressure on profits.

Even the larger, more diversified players were not immune to this punishing environment. **Renishaw** (LSE: RSW), the master of precision measurement, found its fortunes tied to the cyclical spending of its customers in the electronics and semiconductor industries. As demand for smartphones and other gadgets cooled, so too did orders for Renishaw's equipment. In recent months, the share price has declined considerably following the death of its co-founder, David McMurtry. His significant stake, combined with that of his co-founder John Deer, has created uncertainty over the long-term ownership structure. The market is wary of a potential future sale of these holdings, creating a stock "overhang" that can suppress the price regardless of the firm's operational performance. Even the resilient **Rotork** (LSE: ROR), a dominant force in industrial valve actuators (devices that control the flow of liquids and gases), faced margin pressure from cost inflation and supply-chain disruptions, even as its order book remained healthy.

For **Tristel** (LSE: TSTL), the challenge was different and resulted in prolonged frustration for investors despite the firm's clear strengths. This is a great British business: a leader in high-level hospital disinfectants, built on its proprietary chlorine dioxide chemistry. Its products serve a critical, non-discretionary role in infection prevention, a constant need in healthcare. For years, its quality and steady growth in core markets were never in doubt. But the valuation became overly reliant on the promise of securing US regulatory approval. When that FDA process dragged on longer than expected, even loyal shareholders grew weary. As deadlines slipped, sentiment soured and the shares stagnated, becoming divorced from the company's solid fundamentals.

That dynamic has now shifted. Tristel finally secured FDA approval in 2024, unlocking access to the world's largest and most profitable healthcare market. This is not incremental – in fact, it could be transformational.

Years of investment in research and development and regulatory work may now deliver a step change in growth as US expansion begins. Tristel is on the cusp of evolving from a respected UK specialist into a global force in infection prevention. The shares look attractive.

### Are yesterday's winners a bargain today?

After three years of pain, the crucial question is whether these fallen stars represent a compelling opportunity. With valuations significantly compressed, are these high-quality businesses now available at a fair price? The investment case rests on balancing the enduring strengths of these companies against the risks of a permanently changed economic environment.

Their core appeal has not vanished. They are, for the most part, still exceptional businesses. They command dominant positions in niche, global markets, protected by high barriers to entry, such as intellectual property, long-standing customer relationships and technical know-how. This allows them to generate high returns on capital employed (ROCE) and prodigious cash flow.

Spirax's expertise in steam, a critical component in countless industrial processes, is unparalleled. Halma's businesses address non-discretionary, regulation-driven needs in safety and environmental monitoring. These are not fads, they are structural growth markets. Many are also plugged into unstoppable long-term trends. Whether it's the drive for greater energy efficiency (a core market for Spirax and Rotork), or the inexorable rise of factory automation (a driver for Renishaw), these firms are on the right side of structural change.

The resilience of their business models is a key attraction. For many, a significant portion of revenue is recurring, coming from essential servicing, software subscriptions, consumables and spare parts. This aftermarket income smooths out the lumps in more cyclical new equipment sales, a core reason they earned the "quality" moniker in the first place.

And their stocks are now much cheaper. A p/e of 20-25 for a world-leading industrial business is historically reasonable, a far cry from the 40-50 times earnings seen at the peak. This provides a margin of safety that simply did not exist in 2021. An investor today is paying

*"Tristel is on the cusp of evolving from a respected UK specialists into a global force in infection prevention"*

Continued on page 22



Continued from page 21

a sensible price for the underlying earnings power of the business, rather than an exorbitant price for the promise of ever-expanding multiples. Furthermore, many of these firms are taking action. Treatt is implementing self-help measures to improve efficiency and manage costs. And for Tristel, securing FDA approval opens up a market that could potentially double its sales over the long term. This is a tangible catalyst that could put it back on its growth trajectory.

### You'll have to be patient

However, investors should not expect a swift return to the glory days. The macroeconomic landscape has fundamentally changed. Interest rates are unlikely to return to near-zero levels any time soon. This means the powerful tailwind of ever-lower discount rates is gone. Future returns will have to be driven almost entirely by genuine earnings growth, not by the market being willing to pay more for those earnings. There is also the risk that the growth rates of the past decade were an anomaly. Globalisation, particularly the rise of China, provided a huge boost to many of these industrial firms. With geopolitical tensions rising and China's own growth slowing, that tailwind may have turned into a headwind. The operational issues at Victrex, linked to weaker demand from China, are a clear warning sign.

Furthermore, the previous assumption that they do not have much competition deserves fresh scrutiny. The combination of Covid-induced supply-chain disruption and the premium pricing commanded by these firms, may have encouraged some customers to seek out "good enough" alternatives from competitors. Any permanent erosion of market share at the edges could cap future growth and pricing power. Finally, while valuations are lower, they are not yet in deep bargain territory. These are still rightly priced as premium businesses compared with the wider UK market. An investor buying today is betting that their quality will allow them to navigate a more challenging environment and resume a path of steady, if perhaps slower, growth.

### Playbook for the prudent investor

So, how should an investor approach this sector? The key is to be selective and focus on the fundamental metrics that define a truly high-quality business, rather than simply buying the narrative. First, scrutinise the balance sheet. In a higher interest-rate world, debt is dangerous. Favour firms with strong net cash positions, or very low levels of leverage. This provides resilience and the firepower to invest in research and development, or make bolt-on acquisitions during a downturn.

Second, focus on the free cash-flow (FCF) yield. This metric (the annual free cash flow per share divided by the share price) is a far better valuation tool than a simple p/e ratio. It shows how much real cash the business is generating for its owners. A sustainable FCF yield of 4%-5% from a growing, high-quality business is an attractive proposition for a long-term investor.

Third, look for a proven ability to innovate and maintain pricing power. Companies that consistently invest a high percentage of their sales in research and development, such as Halma and Renishaw, are creating the products that will drive future growth. Their ability to pass on price increases without losing customers is a key sign of a strong competitive moat.

Finally, consider a basket approach. Rather than trying to pick the single best company, it may be more prudent to build a small portfolio of three to five of these businesses. This diversifies company-specific risk while still providing exposure to the broader theme of a recovery in quality stocks. To me, Renishaw, Rotork, Tristel and Spirax seem well worth a look.



Spirax: an industrial titan fallen on hard times

Funds and investment trusts that focus on UK quality growth companies can also be a good option for those seeking a ready-made, diversified portfolio. Whichever path is chosen, patience will be paramount. The re-rating of these businesses will not happen overnight. Attempting to time the bottom perfectly is a fool's errand; the focus should be on accumulating stakes in excellent firms at sensible, long-term prices.

### A new chapter for quality stocks

The story of Britain's quality champions is a salutary tale of how even the best businesses can become poor investments when bought at the wrong price. The speculative fever of the low-rate era has definitively broken. For potential investors, this is no bad thing. The fog of multiple expansion has lifted, allowing a clearer view of the underlying fundamentals.

While the decline has been painful, it has also been healthy. It has returned valuations to the realm of sanity and reminded us that long-term returns are ultimately tethered to profits and cash flows. However, the fate of Spectris serves as a powerful illustration of the dangers this creates. As a provider of high-tech precision measurement instruments, its technology is essential for cutting-edge industries. Spectris had been undertaking a complex, multi-year consolidation. While strategically sound for the long term, this process of selling legacy businesses to acquire and focus on higher-growth areas created significant short-term uncertainty for investors. This was compounded by cyclical headwinds, including a slowdown in demand from China and a cooling in markets related to electric-vehicle battery development. The market, fixated on these immediate challenges, punished the shares, pushing down valuations to a level that failed to reflect its long-term strategic value.

This created a dangerous vulnerability, highlighting a key theme of the current market: if public investors will not pay for quality, private buyers will. The takeover bid from private-equity firm Advent International was a wake-up call to the market, demonstrating that, while public shareholders saw short-term problems, sophisticated buyers saw a world-class technology business on sale at a discount. The low valuations afflicting Britain's quality companies do not just represent a potential opportunity for new investors; they also represent an existential threat. If the market undervalues the intrinsic quality of these firms for a pronounced period, they will inevitably be acquired and taken private, lost to public shareholders forever.

This dynamic means patient investors must now balance the opportunity for re-rating with the very real risk of a takeover bid that removes the stock from public markets. Perhaps a more fitting title for this new chapter is not one of decline, but of renewal, albeit one with a significant caveat: "Britain's fallen stars: a second chance for quality, or a pathway to private ownership?"

*"Investors should not expect a swift return to the glory days. The macro-economic landscape has fundamentally changed"*



# A fund to protect your wealth

Personal Assets Trust aims to shelter its shareholders' assets from volatile markets



**Max King**  
Investment columnist

A five-year investment return of 25% looks miserable compared with the 71% return of the MSCI All Country World index, so why does Personal Assets Trust (LSE: PNL) have £1.6bn of assets and trade at a negligible discount to net asset value (NAV)? The answer is that PNL – like Capital Gearing (LSE: CGT) and Ruffer Investment Company (LSE: RICA) – isn't targeted at those who want to get rich through investment, but at those who want to stay rich.

“Our policy is to protect and increase (in that order) the value of shareholders' funds per share over the long term” is the trust's strapline. Risk-averse investors could certainly have done much worse over the past five years: the average return from investing in supposedly safe gilts has been -22%.

Holding government bonds alongside equities has been the standard way to smooth the performance of a portfolio. The classic ratio has been 60% equities to 40% bonds. This works well when stock and bond markets are inversely correlated – meaning that bonds generally perform strongly when equities are doing badly and vice-versa.

Yet this is no longer working well. The inverse correlation that lasted for over 30 years flipped in 2022. A classic



Unilever is the trust's largest stock position

passive 60/40 portfolio would have become increasingly volatile, while returning a comparatively modest 34%.

Holding a fund such as PNL rather than gilts would have done a far better job in smoothing performance for a much lower sacrifice of returns: a combination of 60% equities and 40% PNL would have returned 53%. That is why it is included as part of the MoneyWeek model portfolio.

## A cautious portfolio

PNL's positioning is cautious. The portfolio, which is run by Sebastian Lyon and Charlotte Yonge of Troy Asset Management, has just 38% in equities, mostly in blue chips.

The top five stocks (out of 17 holdings) are Unilever (4.5% of the total portfolio), Alphabet, Visa, Diageo and Microsoft.

Meanwhile, 48% of the portfolio is invested in government bonds. Of this, 24% is US inflation-linked bonds, 8% is Japanese government bonds, 9% is short-dated gilts, 4% is UK inflation-linked bonds and 3% is short-dated US Treasuries. The focus on short-dated and inflation-linked bonds suggests that Lyon and Yonge don't believe that the rise in bond yields has ended.

The single largest position is gold bullion (currently 10.7%), but Lyon and Yonge are not paid-up members of the-end-of-

the-world-is-nigh crowd. They have taken “material gains” on their holdings in gold over the last nine months and also point out that “the strong recovery in equity markets is a reminder [of] why transposing geopolitical predictions onto financial markets is challenging”.

## Discount control

Of course, steady returns from a strategy like this can be made more volatile for investors if an investment trust's discount to NAV fluctuates. The discount might be expected to widen when equity markets were performing well and PNL was lagging badly, but narrow when it was at least preserving value in difficult markets.

To prevent this, PNL has a rigid discount control mechanism: buying back shares when there is excess supply, and issuing them when there is excess demand. This keeps the shares trading close to net asset value. In the year to 30 April, the trust bought back 26 million shares (6.2% of those in issue at the start of the year) and issued just 0.6 million.

PNL has returned 204% in share-price terms since Troy's appointment in 2009, which is more than double the 90% increase in the retail price index. Taking more risk has paid off for investors over the past five years, hence its returns have lagged the market. Still, PNL's time will come again – maybe not yet, but very likely within the next five years.

## Activist watch

US activist ASL Strategic Value Fund is seeking to oust the entire board of a narcolepsy drug manufacturer over the “disappointing execution” of the launch of its flagship drug, claiming that this led to the loss of hundreds of millions of dollars of revenue. ASL is urging Avadel Pharmaceuticals' investors to vote against all of the firm's director nominees at the annual meeting in late July and is calling for Avadel to hire advisers to explore a sale of the business. ASL also wants Avadel to issue contingent-value rights to its shareholders, which would give them rights to damages or settlements arising from a multi-year legal fight with Jazz Pharmaceuticals, the marker leader in narcolepsy drugs, over patents that Jazz used to delay the launch of Avadel's drug.

## Short positions... Worldwide Healthcare revolt grows

● A growing minority of shareholders in Worldwide Healthcare Trust again voted against the re-election of two of the board at its annual general meeting (AGM) last week. Around 30% of votes were cast against chair Doug McCutcheon and co-manager Sven Borho, with opponents arguing that McCutcheon's 12 years of service means that he is no longer independent and Borho, as a manager of the fund, should not be on the board. At last year's AGM, around 25% of votes were cast against both. The board said that it “will continue to engage with shareholders on these and other matters”.

● Wind-focused renewables trusts such as Greencoat UK Wind and the Renewables Infrastructure Group (TRIG) should benefit from the decision to ditch plans for zonal energy pricing, say analysts at Deutsche Numis. The government had proposed to

split the UK's energy market into different zones where prices could vary depending on demand and proximity to where energy is generated. There were concerns that this would cause greater uncertainty in power price inputs and deter new investment. The government now plans to reform the national pricing system, transmission network charging and connection charging.

● Saba Capital's stake in Herald Investment Trust has crept above 30% as the fund's buyback programme shrinks the number of shares in issue. The US activist fund built a 29.1% stake in Herald earlier this year as part of its unsuccessful campaign to unseat the trust's board. While Saba's holding now exceeds the 29.9% level at which an investor is normally obliged to launch a bid for a company, Saba will not need to do so in this situation unless it actively adds to its stake.

# Just Group has the wind behind it

The retirement-products provider is well placed to profit from a growing annuity market



**Rupert Hargreaves**  
Investment columnist

Retirement-products business **Just Group (LSE: JUST)** has had a mixed time as a public company. It floated towards the end of 2013 and the shares quickly soared 35% above the initial public offering (IPO) price. The euphoria didn't last. A year later, the stock was trading below the IPO price, as investors struggled to buy into the growth story.

Just was formed to develop and sell retirement products into the UK market. That's a tough ambition at the best of times, but it's even harder for a new business trying to break into the market. The UK retirement savings market is dominated by giants such as Legal & General, Aviva and Prudential, which have been around for generations. People know and trust these brands.

Just's problems came to a head in 2020-2021, when it was forced to confront the lack of growth. Shares in the company had fallen in value to below 40p, and the market's confidence had all but evaporated. Just responded by revisiting its long-term plan and laying out a new road map to return to growth. This involved the group selling the bulk of its lifetime mortgage portfolio to free up capital. It also received clearance to re-jig its capital model and raised £565m in new equity and debt.

As part of the plan, management outlined the goal to grow its operating profit at 15% per annum over the next



five years, implying an operating profit target of £422m, up from £211m in 2021 (a target it has since hit two years early with a profit of £504m reported for 2024). Today, the company is focused solely on annuities.

## A resurgence in annuities

This is a large and growing market with two main business lines: bulk-purchase annuities (BPAs) and individual annuities. The products are broadly similar. With a BPA, corporate defined-benefit pension schemes can choose to move their pension obligations to an insurer, which takes on all the liabilities in return for a premium. According to Lane, Clark & Peacock, a specialist pension consultancy, transfers in this market could reach as much as £900bn, with an average of £50bn per annum agreed over the next ten to 12 years.

Individual annuities, on the other hand, are retirement products bought by individuals from insurance companies. At the time of retirement, an individual can choose to roll their pension into an annuity, which gives a guaranteed income every year. The big difference between these and BPAs is the latter tend to be inflation-linked.

Both products have seen a resurgence in recent years, thanks to higher interest rates. Higher rates have boosted pension-scheme funding levels, enabling companies to move towards a BPA without having to pay too much of a premium. Meanwhile, individual annuity rates have surged above 7.7% on average (an investment of £100,000 buys an annual income of £7,700), the highest rate in more than a decade.

This has been a boon for the company. Just Group closed 129 BPA deals in 2024, giving it a 45% market share. That's partly down to the company's ability to innovate and capitalise on a market opportunity. For example, while its peers have pursued larger, multi-billion-pound BPA schemes, Just has developed innovative technology to support smaller schemes. It has created a tool called Beacon, its bulk quotation and price-monitoring service platform, which is designed to provide a quick, standardised BPA agreement for schemes. The 350 schemes taken on through the platform typically have less than £100m in liabilities.

Just has a much smaller share of the individual annuities market (around 12%), but it has big ambitions. The individual annuity business has also experienced significant growth, with a 34% increase in 2024 overall and 17% growth for Just. At present, £60bn of defined-contribution pensions are reaching the stage at which an annuity can be purchased, and Just estimates the market will grow at 10% per annum.

## It's just getting started

It's taken the best part of a decade for Just to build the capital and reputation required to build out its businesses in these markets. Last year, the company earned an 8.7% margin on new business – the difference between the investment return on the assets backing the annuity and the yield paid to the annuity holder, less expenses. Just can earn more on the assets than a smaller scheme due to economies of scale and the benefits of investing in illiquid assets not being available to smaller players. The group has investments in property, private credit, infrastructure, commercial real estate, social housing and direct lending to small businesses. The book of existing business also contributes to the bottom line. This income is expected to more than double from 2023 to 2028, according to Berenberg, helping the company's underlying pre-tax profit grow at a compound annual rate of 10%.

Thanks to the volume of new business arriving, coupled with the increasingly productive back book, Berenberg estimates Just can increase its net tangible asset value (a more appropriate metric of value than price-to-book or price-earnings ratio in this case) by 12% on a compound annual basis until 2027, from 254p at the end of 2024 to 363p by 2027. Compared with the company's current share price of 125p, that is great value. As its book of productive businesses continues to grow, the firm is also expected to increase its dividend, from just under 2% to 3.4%. With the wind behind it, Just's growth only just seems to be getting started.

## Just Group (LSE: JUST)

Share price in pence





# It's time to stop the dash for cash

Scrap cash Isas and set up a Brit Isa for stocks, says Merryn Somerset Webb

Poor Rachel Reeves. She doesn't seem to get much right – and even when she does things still seem to go wrong (see welfare reform). And so it is with her perfectly sensible thoughts on Cash Isas. All UK adults get a £20,000 Isa allowance – which they can pop into a tax-free wrapper and either hold in cash or invest in the equity or bond markets. More than 7.8 million people have cash Isas, around double the number who use the wrapper for investing.

Reeves had been planning to change the allowance such that a maximum of £4,000 or £5,000 could be kept in cash, with the rest having to be invested. Her public thinking was simple: over the long term the stockmarket provides very significantly better returns than cash – and it makes sense for as many people as possible to take advantage of those returns. History firmly backs her up on this: in the last ten years the UK's passion for cash Isas has, says Schroders' Duncan Lamont, left households more than £500bn worse off than had they invested in global equities.

The stockmarket has beaten cash in the long run, but also has “a better... record of doing so over every reasonable investment horizon”. It has also kept you constantly safe from inflation in a way that cash simply hasn't: “there have been no 20-year periods in our analysis when stocks lost money in inflation-adjusted terms”. This is not to say that people don't need to hold some cash. They need around six months' worth of household expenses.

Most people won't need an Isa at all for that. Lower-rate taxpayers already have an annual tax-free allowance of £1,000 on income from savings. That's roughly the income from £22,000 of cash at current interest rates, an amount that makes sense as an easy-access emergency fund for most people (the average value of an Isa in the UK comes in at around £30,000). Look at it like that and it is hard to see the value to the taxpayer (the tax revenue forgone from the Isa system comes to over £6bn a year), or to the average saver from the putting a full £20,000 allowance into cash every year. By the time you have that much you should be investing anyway. The “fetishisation of cash” has to stop, says Lamont.

## Public goods

It makes sense, then, in terms of personal wealth alone that Reeves should want to nudge savers into the stockmarket. But there are a few public goods attached to the idea as well. Firstly, people with more wealth will require less in the way of the state handouts the UK clearly can't afford anymore. And secondly, if less money is going into cash accounts, more might go into British equities. It really needs a little support – support that might as well come from Isa accounts supported by the taxpayer.

The truth is that if Reeves was brave, she'd not just cut the cash component of Isas down to size (or completely). She would also revive the idea of the Brit Isa and insist that those who want the full annual allowance should be obliged to put a good 50% of it (maybe more) into the UK market. If you are getting tax relief on your investments, as my Bloomberg colleague John Stepek points out, “it makes sense for some of that to be benefiting and driving down the cost of capital for domestically listed companies and boosting the UK's capital markets infrastructure, rather than getting pumped into the S&P 500”. The

moneyweek.com



... is an achingly slow business

precursor to the Isa – the PEP – had a restriction along these lines, so the idea is hardly a modern madness.

Not everyone is on board with much of this (or poor Reeves wouldn't be needing more time to consult on it). Horrified savers, presumably the ones who don't read Lamont's work) poured a stunning £14bn into cash Isas in April. Imagine what that kind of money could have done for the UK economy if put to productive use. Meanwhile, the building societies, who provide a lot of the cash-Isa accounts and effectively use them as a cheap form of funding for mortgages, have been pretty vocal in their opposition too. Slashing the allowance would be all stick and no carrot, says Matthew Carter of the Coventry Building Society, penalising savers for keeping cash “and nudging them towards taking more risk with their money”. As an aside, note that Coventry is offering instant-access cash Isas with an interest rate of 2.4%, just under half the best rate on the market. Maybe he's missing the point on purpose?

There is an argument cutting the cash allowance would make no difference to the amount invested. AJ Bell's research suggests that only 20% of cash-Isa holders would consider investing if the allowance was cut and 50% would simply save the same amount into a taxable account instead. Martin Lewis of MoneySavingExpert worries about this too. He would like to see – chucked into an already overly long list of different types of Isa – something he calls a “Starter Investment Isa”.

The people who might have used a cash Isa in the past would put “say, up to £1,000 in... and as well as it being tax-free, you'll get, for example, a 5% boost on contributions from the state (with the cost split between investment providers and the state) as long as the money is kept in investments for a set time (such as one year)”. The bung from the taxpayer would, he says, be a “sweetener”. It would be more of a pointless (and expensive) complication. The sweetener is already built into Isas in the form of tax-free capital gains and dividends. Many say we need more education about how investment works. That's true (and Lewis could do a lot here). But what is needed even more than education is action. Let's say goodbye to the mostly pointless and always expensive cash Isa.

Tickets are now on sale for my Adam Smith-themed show. *The Butcher, The Brewer, The Baker* and Merryn Somerset Webb at the Edinburgh Festival Fringe from 22-24 August. Tickets from [Pannurehouse.org](http://Pannurehouse.org)

*“Our passion for cash Isas in the last decade has left us £500bn worse off than had we invested in global equities”*

# Top global stocks offering rising income and lasting long-term growth



A professional investor tells us where she'd put her money. This week: Samantha Fitzpatrick, co-manager of the Murray International Trust, selects three favourites

Murray International Trust is a globally diversified investment trust aiming to deliver an attractive and growing income, alongside long-term capital growth. By investing in companies with sustainable and rising cash flows, the fund avoids overexposure to low-yielding stocks, making it a distinctive complement to more growth-focused global funds.

Recognised as a "dividend hero" by the Association of Investment Companies (AIC), Murray International has increased its dividend for 20 consecutive years. It is managed by an experienced team at Aberdeen who have worked together for over two decades and is supported by researchers posted to key developed and emerging markets, helping to uncover high-quality opportunities wherever they arise.

## Banking on growth

**Intesa Sanpaolo (Milan: ISP)**, Italy's biggest domestic bank, offers a wide range of services across retail, corporate and investment banking; wealth management and insurance. The management has delivered strong operational efficiency, with a cost-to-income ratio of 38% in the first quarter of 2025 – among the lowest levels in Europe.

A strategic focus on higher-return, higher-growth areas, such as wealth and savings, bodes well. Management has repeatedly raised guidance and remains optimistic, with falling interest rates providing a supportive backdrop. We initiated a position in early April, taking advantage of fears of a global recession and market weakness around "Liberation Day". The stock has since performed well, but we continue to view it as a quality compounder. Its robust capital position, moreover, supports a premium 7% dividend yield, further adding to its appeal.

**Diageo (LSE: DGE)** is a leading UK-based alcoholic beverages company and one of the world's largest producers of spirits, with a portfolio of iconic brands, including Johnnie Walker, Talisker, Smirnoff, Tanqueray, Don Julio, Casamigos and Guinness. Since 2022, the company has faced multiple challenges: excessive inventory, operational mis-steps, weaker demand from consumers, the threat of rising tariffs and shifting drinking habits, all of which led to a halving of the share price following a post-Covid boom.

There has been much debate about whether these headwinds are structural or cyclical in nature,



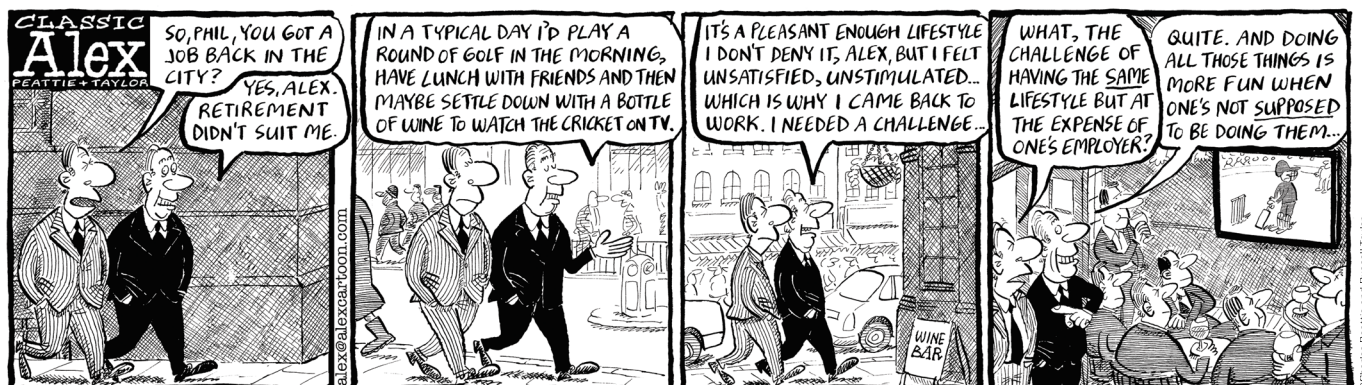
Diageo boasts a wide array of spirits brands

alongside scrutiny of the management team. After careful consideration, we added to the trust's holding. While further patience may be required, we believe Diageo's global presence, strong brand and breadth, together with its ability to innovate, will deliver long-term value.

**Infosys (Mumbai: INFY)** is a global IT services and consulting company with headquarters in India. It offers services such as cloud computing; AI and automation; data analytics; cybersecurity; and digital transformation across industries, including finance, healthcare, retail and manufacturing.

The share price has underperformed this year as macroeconomic uncertainty has prompted clients to delay discretionary projects. But the management team recently confirmed that the pipeline for cost-reduction programmes remains robust, and this is an area of expertise for Infosys. We see real potential in the company's expansion into AI-related services and believe the current share price presents an attractive entry point for long-term investors.

*"Intesa Sanpaolo, Italy's top domestic bank, keeps expanding and offers a premium 7% yield"*





# AI wunderkind takes his seat at Meta

Alexandr Wang became the world's youngest self-made billionaire by exploiting a niche in the booming AI market. Now Mark Zuckerberg has poached him for a record sum. Jane Lewis reports

"Dear President Trump: America must win the AI war," ran a full-page advertisement in The Washington Post on the day after Donald Trump's inauguration. Its author was Alexandr Wang – the billionaire "wunderkind" behind the start-up Scale AI and an accomplished networker.

Last month, his connections came to fruition when Wang, 28, became one of the most expensive "acqui-hires" in history after Meta's founder, Mark Zuckerberg, invested \$15bn in his business and brought him into the fold to lead Meta's new "superintelligence" division, says The Telegraph.

The deal is the company's biggest since buying WhatsApp for \$19bn in 2014. Zuckerberg is betting that Wang can provide what Meta needs to catch up with rivals in the race to develop and commercialise AI – and, in particular, achieve the holy grail of becoming the first to develop systems that surpass human intelligence. Paying up for a 49% stake in Scale was "basically incidental", one investor told the Financial Times. The real prize was Wang, who Zuckerberg had decided was the ideal "wartime CEO" to lead his push.

The two men have plenty in common; not least the fact that they have both in their time achieved the accolade of becoming the world's youngest self-made billionaires. Wang has long "idolised" Zuckerberg and in recent months the pair have become close, spending time at the Meta boss's houses in Tahoe and Palo Alto, California. He may even have had a hand in



developed the atomic bomb. They were "brilliant scientists" who "accomplished a lot in advancing their field", Wang observed in a 2022 TED talk. From an early age, "I wanted to work on something as impactful, or even more impactful than that". A maths prodigy, he finished high school early and enrolled at MIT. But he itched to start his own company and dropped out of college to move to San Francisco. He reassured his parents he would resume his studies – "a little white lie".

## Building a new AI titan

In 2016, Wang started Scale AI with Lucy Guo – a fellow college drop-out. Their idea of starting a company "to label and manage the data that companies use to

*"The 49% stake in Scale AI was incidental. The real prize was Wang himself"*

train AI models" may not have seemed particularly exciting, but their services were soon in demand. Exploiting this niche made Wang the world's youngest billionaire by 2021 – and it also opened the doors to a welter of high-powered players across Silicon Valley, says the Financial Times. "There are very few companies that have deep relationships with every top AI research team" apart from Scale and Nvidia, notes venture capitalist Dan Levine of Accel, an early investor.

Wang's arrival has had something of a "halo effect" at Meta. Zuckerberg – who plans to spend hundreds of billions on two gigantic data centres dubbed Prometheus and Hyperion – has been continuing his recruitment blitz of top talent as Meta reinvents itself as an AI titan, says Bloomberg. Key to it all is Alexandr Wang.

Zuckerberg's conversion to a more muscular management style – having himself ditched diversity, equity and inclusion policies at Scale last year to focus on a "MEI" ("merit, excellence and intelligence") hiring policy, notes Bloomberg. Zuckerberg has even "rearranged the desks" at Meta's Menlo Park headquarters to seat Wang and other top AI talent as close to himself as possible.

When Wang was born in 1997, his Chinese immigrant parents named him Alexandr – missing out the final e because they wanted to give him the "numerologically lucky" benefits of an eight-letter name. But these were no ordinary immigrants, says Entrepreneur. Both his parents were physicists who worked at the Los Alamos National Laboratory in New Mexico, where Robert Oppenheimer's team had earlier

## Malaysia's political dynamo still going strong at 100

Former Malaysian prime minister Mahathir Mohamad shows no signs of slowing down at 100, says Eileen Ng in The Independent. He remains a "towering figure" in Malaysian politics, known for his "transformative and at times controversial" leadership.

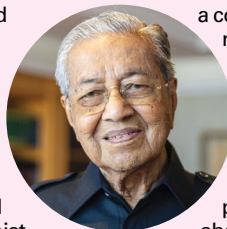
Mahathir served as PM from 1981 to 2003 and returned to office in 2018, taking power at the age of 92. In his first term he transformed Malaysia into a modern economy.

He came out of retirement in 2018 to challenge his former party over the multi-billion-dollar 1MDB corruption scandal. His victory was hailed as a "triumph for democracy", but his

government collapsed after just 22 months.

In opposition, Mahathir remains a controversial figure, continuing to argue for "affirmative action" to favour his own ethnic group and working with an Islamist party he has long denounced. It's remarkable that Mahathir, who once "hobnobbed" with Ronald Reagan, Margaret Thatcher, Lee Kuan Yew and Deng Xiaoping, still wields influence, says The Economist. "Sadly, that influence is mostly baleful."

Mahathir deserves credit for transforming Malaysia from



a commodity exporter relying on colonial-era industries to a diversified manufacturing hub, with electronics its most important export. GDP per person has risen from about \$1,900 in 1980 to roughly \$12,500 last year. Yet politically he has left a "toxic legacy". The affirmative action he pursued to favour Malays over Chinese and Indian minorities predictably led to a "culture of corruption and cronyism", and he bears some of the blame for the weakening of institutions.

But Mahathir is unrepentant. Affirmative action "we learned

from America", he tells Bloomberg, and was necessary to head off future resentment and confrontation. When you introduce any policy, "there will always be people who are not happy", he shrugs. His continued outspokenness won't make life easy for his successors.

But "life is never easy for anyone", says Mahathir. "I was given an opportunity to do something for [my] country. I have put in my best effort and... to a certain extent I have achieved some goals." In the meantime, the work goes on. Death may be inevitable eventually. "But while you are still around, you should do something, not just lie in bed and wait for the time."

©Getty Images

# Athens in the frame

The NEW Hotel's vibrant decor makes for an artistic stay in the old city, says Maryam Cockar

Legend has it that Athena became the patron goddess of Athens when its citizens chose her gift of an olive tree over the sea god Poseidon's offering of a spring (which, unhelpfully, spouted salty water). Athenians then raised a temple to the goddess of reason on their Acropolis. Imperiously overlooking the city that gave birth to Western civilisation, it has survived wars and conquests.

Climbing the roughly 200 steps under the glow of the early morning sunshine to reach the Parthenon at the top feels at times like the missing 13th labour of Heracles.

With its wide columns and white marble, the temple once demonstrated the city's might. Today, it is teeming with tourists, guides and school children. "You know the Romans stole everything from us Greeks," one guide tells a group of American tourists, while another hastily passes out bottles of water.

Yet undertaking the climb before the sun gets too hot, with a guide navigating the curves and inclines, is no chore. Surely the goddess of victory, Nike (a moniker this time stolen by the Americans), can lead us to triumph over this rocky outcrop. It's easy to be awed by Athens's ancient history. But looking out from the top of the Acropolis at the neoclassical architecture and low-rise concrete buildings, I saw a city asserting its identity as a thoroughly modern, European metropolis.



has exhibited at London's Whitechapel Gallery. The hotel is vibrant with unbridled creativity, eager to shed the conformity exhibited by traditional tourist dwellings.

Immediately upon entering the lobby, I was struck by an entire wall covered with pieces of reclaimed wood. Table legs

of Greek culture, was dotted on the wall.

With a cocktail in hand, I took in the gorgeous views of the Acropolis illuminated at night from the Art Lounge restaurant on the seventh floor. The NEW Hotel is more than a place where travellers can rest their heads. It's an immersive experience akin to an art gallery. As I explored the hotel, I felt like Alice in Wonderland, not knowing what inanimate object would take what form

*"On entering the lobby, I was struck by an entire wall covered with pieces of reclaimed wood"*

and what each new area would look like. On the way to the spa, an interactive installation of a public telephone voiced sweet nothings to me.

## Museums and restaurants

At the end of a short walk from the hotel, we found ourselves in the city centre and within reach of Athens' many museums, including the Museum of Cycladic Art – home to 3,000 artefacts from the Cycladic archipelago, ancient Greece and Cyprus. Further afield, there is a more modern affair – the Stavros Niarchos Cultural Foundation in Kallithea, which houses Greece's national library and opera house.

If you're willing to get your hands dirty, a workshop making ceramics at Yi Art may appeal. Although trying to get it right was frustrating at times, the process was therapeutic. Embrace the mess.

I was eager to shed the airs of a tourist seeking the traditional sights and to embrace contemporary, metropolitan Athens. The new Koumkan restaurant at the Semiramis, NEW's sister hotel, proved to be a pleasant and fun diversion.

With its moody vibes, pink velvet interior, green marble tables and grand chandeliers, I was transported to the heady days of social clubs in London and Paris of years gone by.

Its name was borrowed from the Koum Kan rummy card game, which was played in the salons of old Athens. Locals on romantic dates and business travellers sipped wine and cocktails, enraptured by the glamour – a NEW Hotel and a new restaurant for a new, metropolitan Athens.

*Maryam was a guest of NEW Hotel and Aegean Airlines. Fly direct to Athens from the UK with Aegean, Greece's national airline. You can also get a snack and a coffee at the comfortable Aegean airport lounge in Athens. Visit [aegeanair.com](http://aegeanair.com) for details. Rates at NEW Hotel, Athens, start from €280 a night, based on two people sharing, [donkeyhotels.gr/newhotel](http://donkeyhotels.gr/newhotel).*



were randomly stuck over other pieces of chair legs, with pieces sticking out, giving the impression that we were amid the ruins of a shipwreck (without the horror).

I stayed in a junior suite with views of the city and a local Russian Orthodox church, whose bells to summon the faithful to services added to the ambience. A chair doubled as a large ladder, and a light installation of blue and white "evil eye" amulets, a mainstay

## A hotel built on art

The NEW Hotel in the heart of Athens is a testament to this. Designed by Fernando and Humberto Campana and the brainchild of avid contemporary art collector and owner Dakis Joannou, the NEW Hotel takes design to the next level. Its walls are adorned with works by artists including Jenny Holzer and Jeff Koons and Athens' own Aliki Panagiotopoulou, who



# A marvellous Maeving

The British-made Maeving RM1S is an electric motorbike built for the open roads



The Maeving RM1 electric motorcycle was an “eye-catching” and “nippy” little number to ride around London when it was launched in 2022, says David Williams in the Evening Standard. It looks great, accelerates quickly, creates no tailpipe emissions and it is “very easy” to ride. But in London, or another suitably sized city, is about the only place you can ride it, because its top speed is 45mph. So a faster bike was needed and Coventry-based Maeving delivered last year in the form of the Maeving RM1S. At £7,495, it costs “substantially” more than the £4,995 RM1, but its 70mph top speed and range of up to 80 miles opens up the possibility of “[venturing] beyond the confines of The Big Smoke”.

Maeving has also added lockable storage space to the RM1S. Whereas on the RM1 the battery sits where the petrol tank would otherwise go, for the RM1S

that space has become storage, while the two batteries are slung lower down in the frame. That has the added benefit that it lowers the bike’s centre of gravity. Peak power from the motor has increased from around 6bhp in the RM1 to 14.8bhp in the RM1S, and, despite being 18kg heavier than its predecessor, the newer bike still feels “lightweight and nicely balanced”.

## Great British motorbikes

The additional acceleration makes the RM1S “perfect – and much safer – for legally filtering through congestion” on London’s roads, says Leon Poultney on TechRadar. “Quick twists of the throttle equated to swift passes of cyclists and slower cars, while the agile handling made it a boon to thread through” traffic at a standstill. On A-roads, the motorcycle had “enough power easily to keep up with traffic and enough in reserve to overtake

slower vehicles if needed”. Performance was always “on tap” and “being heavy-handed with the throttle didn’t appear to have an adverse effect on battery range”.

Great British motorcycle manufacturers BSA, Norton, Royal Enfield and Triumph all have roots in the Midlands, and now we can add Maeving to that list, says Alexis Conran in The Sunday Times. The Maeving RM1S is “a bike the nation should be proud of. It is innovative, forward-thinking and well built”. The company’s designers and engineers “know exactly what they are doing and will continue to produce outstanding motorcycles. I’d go as far as to say [Maeving] could be a new British classic, a brand recognised the world over as quintessentially British. The new Mini Cooper in bike form”.

Visit [maeving.com](https://maeving.com) for details.

## Wine of the week: three classy Italians with prices to match

**2020 San Leonardo, Tenuta San Leonardo, Trentino, Italy**



**Matthew Jukes**  
Wine columnist

£348 in bond per case of six bottles; £390 in bond per case of three magnums, [honestgrapes.co.uk](https://honestgrapes.co.uk)

After last week’s double bill of inexpensive wines, I felt the need to go for three phenomenal Italian wines with eye-watering prices! I’ll start you off gently with my featured red. I have long been a fan of the stunningly elegant wines from this unique estate. The counterpoint between the scale of complexity of flavour and the elegance and freshness of this 12.5% alcohol wine is extraordinary. It is only five years old and drinking perfectly, but it will hold for a further two decades. At the £75-mark, it is one of the

world’s most sophisticated and enchanting red wines.

My second red is the 2022 release of Antinori’s Tignanello, the legendary Super-Tuscan. Slated for international release this summer, and priced around £110 in bond per bottle, this wine looks like it will attract some serious interest because it is immense, dark, and immovable in the glass and built for the very long haul. Glossy, titanic and powerfully structured, this is a “Tig” for patient collectors and keen speculators!



Finally, a wine that I think is the finest and most long-lived white in Italy: 2022 Terlaner Grande Cuvée Primo from the Alto Adige left a breathtaking halo of sheer joy on my palate. I have tasted spectacular white wines, back to the ‘50s, from the Terlan winery. You will need to part with around £230 to secure a bottle, and you must track it down if you would like to taste one of the world’s most memorable white wines.

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



This week: houses for around £500,000 – from an 1850s property in Great Yarmouth with a viewing tower overlo



▲ **Ploumilliau, Cotes d'Armor, France.**  
A renovated period house with two stone dwellings in a large park close to local beaches. It has eight bedrooms and four bathrooms spread across three dwellings, with exposed stone walls and period fireplaces. Workshop, garage, gardens, 1.72 acres. £500,000  
Hamptons International 020-3918 9635.



▲ **Burrow Farm, Drewsteignton, Exeter, Devon.** A newly refurbished cottage with beamed ceilings, exposed stonework, an open fire, and newly fitted kitchen and bathroom. The garden includes a raised seating area and a mature cottage garden. 2 beds, bath, open-plan dining kitchen/living area, parking. £500,000+ Knight Frank 01392-423111.



▲ **Cliff Hill, Gorleston, Great Yarmouth, Norfolk.**  
An 1850s, Grade II-listed house with a viewing tower that affords panoramic views over the harbour. It has wood floors, elegant reception rooms with period fireplaces and a well-equipped kitchen leading onto the garden. 5 beds, 2 baths, 3 receps, breakfast kitchen, garden room, lookout room, 2-storey separate accommodation, £550,000  
Sowerbys 01603-761441.





Looking the harbour, to an apartment in period property with a private residents' garden in Greenwich



▶ **Greystead Cottage, Tarsset, Northumberland.** A renovated, Grade II-listed house that dates from 1818. It is situated in the grounds of a former rectory and was once the stables and accommodation for the rectory's coachman. It has period fireplaces with wood-burning stoves and a bespoke kitchen with a range cooker and built-in appliances. 3 beds, 2 baths, 2 receps, breakfast kitchen, walled garden, grounds, outbuilding. £550,000. Finest Properties 0330-111 2266.

▶ **Seagull House, Whitby, North Yorkshire.** A renovated, period house in an elevated position on Cliff Street with views across the harbour to Whitby Abbey. It retains its beamed ceilings and has exposed brickwork, a newly fitted kitchen and bathrooms, a wood-burning stove and a raised front terrace. 3 beds, 2 baths, recep, £500,000. Savills, 07816-372002.



▶ **Gloucester Circus, Greenwich, London SE10.** A bright, one-bedroom apartment close to Greenwich Park and situated in a Grade II-listed, converted Georgian property in a crescent with a garden square, with access to the private residents' gardens. The flat has wood floors, a period fireplace and floor-to-ceiling French doors leading onto a balcony. 1 bed, 1 bath, 1 recep, kitchen. £500,000. Dexters 020-8815 2215.

moneyweek.com



▶ **The Old Manor, Rowington, Warwick, Warwickshire.** This Grade II-listed house is now in need of restoration. It is set in large gardens with views across the surrounding countryside and has leaded-light windows, exposed timber wall and ceiling beams, brick flooring, a two-chamber vaulted brick cellar and original inglenook fireplaces. 5 beds, 1 bath, 2 receps, breakfast kitchen, cellar, greenhouse, garage/workshop, gardens. £350,000. Knight Frank 0203-540 2448.



▶ **Ewe Hill, West Farnedale, Kirkbymoorside, Yorkshire.** A Grade II-listed cottage in an outstanding position in the North York Moors National Park. It is now in need of some modernisation and has beamed ceilings, open fireplaces, the original cast-iron range, and a country kitchen with an Aga. 3 beds, 2 baths, 2 receps, dining kitchen, wood store, stone outbuildings, parking, gardens, vegetable garden, 0.27 acres. £500,000. Peter Illingworth 01751-431107.



## Drama of the week

### The Gold

Series 2

Written by Neil Forsyth

Available on iPlayer



Two years ago, the BBC captivated audiences with *The Gold*, a mini-series chronicling the infamous

Brink's-Mat robbery and its aftermath. But the initial season concluded on a bittersweet note for the police task force. While they incarcerated most of those directly involved in the raid, smelter John Palmer was acquitted of money-laundering charges and, crucially, half the gold remained unaccounted for. Much of the missing metal was never recovered. Asset seizures and civil cases took decades to recoup even a fraction of the funds. Still, the first series' success prompted the BBC to commission a sequel that blends fact and fiction more freely.

The new series opens with the investigation in disarray after the remaining gold is spirited away from under the authorities' noses by the fictional South London gangster Charlie Miller (Sam Spruell). Yet the task force gains a renewed sense of purpose when Palmer's appearance next to the Queen on *The Sunday Times*' Rich List proves too much for the authorities to stomach. Brian Boyce (Hugh Bonneville) is then given a dual mandate: find a way to bring Palmer to justice, and track down Miller before he and his ill-gotten gains vanish into the global financial system.



*"The series offers viewers a glimpse into the grubby, white-collar world of dirty money and shady deals"*

The action unfolds across the sun-drenched beaches of Tenerife and Florida courtrooms, with a stop in the deceptive paradise of Tortola in the British Virgin Islands.

This expansive backdrop gives the series an epic scale and underscores one of its central themes: the borderless nature of crime and dirty money. The acting remains superb, with Tom Cullen's John Palmer evolving from an almost lovable rogue into a paranoid gangster as his criminal empire gradually unravels.

Sadly, this evolution also highlights one of the sequel's primary weaknesses. Rather than a compelling battle of wits between law enforcement and criminals, this time around the antagonists largely become the architects of their own downfall, consumed by their

greed and insecurity. This means that, despite the best efforts of the screenwriters and actors, the police often appear far more passive than in the original series. Moreover, both main storylines tend to lose momentum towards the end, forcing the writers to pad out the final two episodes with the sudden, somewhat contrived, reappearance of a fugitive, Kenneth Noye (Jack Lowden).

Still, even if the sequel doesn't quite match the compelling intensity of the original, it remains a cut above your average crime drama. It offers viewers a glimpse into the grubby, white-collar world of dirty money and shady deals – a realm that typically takes a backseat to more conventional criminal narratives.

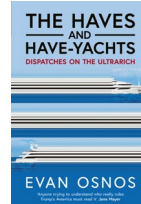
Reviewed by  
Matthew Partridge

## The Haves and Have-Yachts

Dispatches on the Ultra-rich

Evan Osnos

Simon & Schuster, £22



In the latter half of the 19th century, America gained notoriety for its profusion of newly minted millionaires and multi-

millionaires, who flaunted their wealth in the form of opulent mansions and colossal yachts. The rise of big government and a sustained rise in middle-class incomes eventually curbed this extreme wealth disparity, but it has roared back in recent decades. Journalist Evan Osnos contends that the share of wealth controlled by the mega-rich now surpasses even that of the "Robber Baron" era.

This book is a compelling collection of essays dissecting this gilded elite. Some pieces delve into the lavish goods and services they splurge on, such as private concerts with pop stars – gigs that can now yield more income than stadium performances attended by less affluent fans. Osnos also examines more subtle cultural shifts, notably the shift among the wealthy from a sense of noblesse oblige to a combative stance that paints their critics as part of a shadowy elite. The opening essay on the proliferation of megayachts and the concluding piece on white-collar criminals are particularly potent. Conversely, the sections on Mark Zuckerberg and a Hollywood Ponzi scheme feel shoehorned in. Yet even the less resonant essays are entertaining, and it's impossible to read the book without being struck by the sheer materialism, vulgarity and startling lack of shame displayed by today's plutocrats.

## A thoroughly entertaining financial thriller

### The Phoenixian Scheme

Directed by Wes Anderson  
Now playing at cinemas

Wes Anderson, renowned for his quirky and offbeat comedic films, has ventured into the world of high finance with *The Phoenixian Scheme*. After surviving an assassination attempt, which briefly sends him to the afterlife, ruthless businessman Anatole "Zsa-Zsa" Korda (Benicio del Toro) decides it's time to reconcile with his estranged daughter, Liesl (Mia Threapleton). The catch? Liesl is on the cusp of becoming a nun and wants nothing to do with Korda or the massive "Phoenixian scheme" he's embroiled in.

As fate would have it, Liesl has little choice in the matter. When various government agencies, fed up with Korda's illicit dealings, conspire to sabotage his project by inflating

the price of rivets, Korda insists Liesl accompany him on a globe-trotting mission. He needs to convince his diverse partners – from Californian tycoons to mobsters – to cover the surging costs, lest he face bankruptcy. Joining them on this precarious journey is Bjørn (Michael Cera), initially hired by Korda to teach him botany, but who might harbour secrets of his own.

Fans of Anderson's distinct style will find much that's familiar here: the characteristic dry and dark humour, the distinctive visual aesthetic, and a plethora of cameo appearances. Keep an eye out for Tom Hanks, Scarlett Johansson and Benedict Cumberbatch (who plays Korda's brother), among others. Beyond the stylistic hallmarks, the narrative itself is engaging. Anderson masterfully builds tension by tracking Korda's desperate attempts to



bridge the growing gap between construction costs and available capital, with his personal fortune on the line for any shortfall. Benicio del Toro delivers a captivating performance as Korda, a character reportedly inspired by real-life tycoon Calouste Gulbenkian. While some elements, such as the jabs at religion, don't quite land, the film as a whole is thoroughly entertaining. This is definitely one to watch.



## Bridge by Andrew Robson

### Driving out of bounds

The serve at tennis, the drive at golf... trick one at Bridge is so often the most important of all, as all future tricks depend upon its outcome.

Dealer South

Neither side vulnerable

♠ J987	♠ KQ32	♠ A1065
♥ J1076	♥ 32	♥ 8
♦ 82	♦ K753	♦ Q10964
♣ J109	♣ AK4	♣ 852



#### The bidding

South	West	North	East
1♥	pass	1♠	pass
3♥	pass	5♥*	pass
6♥	pass	pass	pass

\* How good are your Trumps for Six?

A Spade lead would have rendered the slam unmakeable, declarer losing trick one to the Ace of Spades with a certain Trump to follow (because of the unfortunate 4-1 split). However, West naturally led the Knave of Clubs and declarer had a chance...until he won the first trick in dummy then naturally led to the Ace-King-Queen of Trumps. This exposed the unlucky split, and, shortly after, he had to concede a Spade and the Trump. Down one.

Let us replay. Win the opening Club lead in hand and, once you get the bad news in Hearts, you can take advantage of the favourable position of the Queen of Diamonds and the 3-3 Club split. Cash the three top Hearts then, leaving West's master Trump outstanding, cross to the King of Clubs, then lead a Diamond to the Knave. The finesse successful, cash the Ace of Diamonds, cross to the Ace of Clubs (both opponents following – phew!), then lead the King of Diamonds, discarding your singleton Spade. West ruffs this, but your hand – including the lucky thirteenth Club – is high. Slam made.

To be fair, declarer had not blown it when he won the Club lead in dummy for he could have led a Diamond to the Knave at trick two. But why would he do that when he didn't know Hearts were four-one?

For Andrew's acclaimed instructional daily BridgeCasts, go to [andrewrobsonbridgecast.com](http://andrewrobsonbridgecast.com)

## Sudoku 1269

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

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

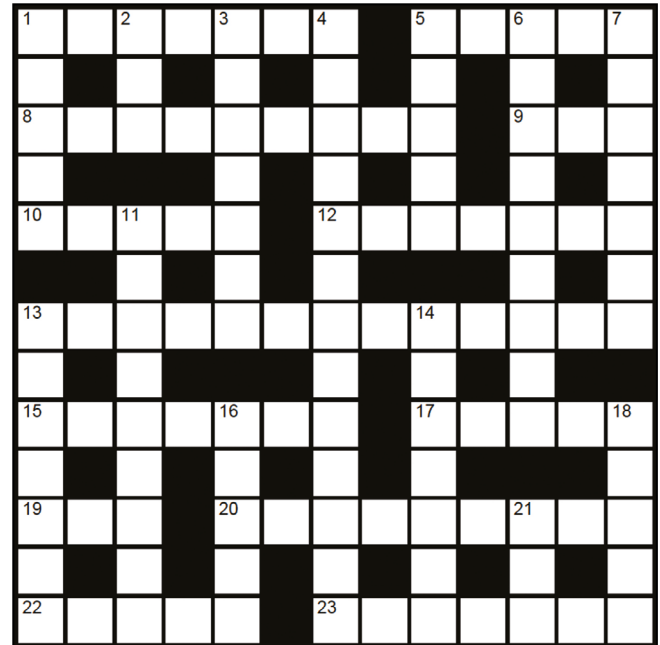
5	1	9	7	2	3	8	4	6
2	6	7	5	4	8	1	3	9
3	8	4	6	1	9	5	7	2
7	4	3	8	6	2	9	1	5
1	5	8	3	9	4	6	2	7
9	2	6	1	5	7	4	8	3
4	9	1	2	3	6	7	5	8
6	7	2	4	8	5	3	9	1
8	3	5	9	7	1	2	6	4

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[moneyweek.com](http://moneyweek.com)

## Caper's Quick Crossword No.1269

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 28 July 2025. By post: send to MoneyWeek's Quick Crossword No.1269, 121-141 Westbourne Terrace, Paddington, London W2 6JR. By email: scan or photograph completed solution and coupon and email to: [crossword@moneyweek.com](mailto:crossword@moneyweek.com) with MoneyWeek Crossword No.1269 in the subject field.



Across clues are cryptic and down clues are normal

#### ACROSS

- Pressure put on reformed Oasis to include college artist (7)
- Bloomer some pupil uttered back (5)
- When struggling opt again to visit a South American region (9)
- Can fool be sent back? (3)
- Boat that has left for Britain is big (5)
- Resets a broken tile (7)
- A French expert holds log like an engrossing book? (13)
- American city – fashionable in the past (7)
- Nobleman spoke in the evening (5)
- Greek character found in Castle Talbot (3)
- Hurt tenor at the dance – it's a messy pursuit (9)
- Pleasant about English relative (5)
- At wit's end priest aroused one napping? (7)

#### DOWN

- Learner (5)
- Feline mammal (3)
- Propose (7)
- One studies birds (13)
- Melts (5)
- Person dropping wrappers etc (9)
- Traditional fare of Shrove Tuesday (7)
- Copy (9)
- Dirty (7)
- Never-ending (7)
- More than enough (5)
- Worker using 12s? (5)
- Fitting (3)

Name .....

Address .....

email .....

#### Solutions to 1267

**Across** 1 Rear *Two defs* 3 Lacerate *Lace Rate* 9 Selects *El in Sects* 10 Irate *Pirate minus P* 11 Lisle *Carlisle minus Car* 12 Reader *Hidden* 14 Elapse *E Lapse* 16 Decree *Decrease minus AS* 19 Writhe *Writ HE* 21 Atria *A trial minus L* 24 Addle *A DD plus LE* 25 Average *AGE around Vera* 26 Bee eater *Beefearer minus F* 27 Chat *AT after CH*.

**Down** 1 Resolved 2 Atlas 4 Absurd 5 Erica 6 Amateur 7 Eden 8 Octets 13 Red alert 15 Abridge 17 Elated 18 Decade 20 Theta 22 Reach 23 Lamb.

The winner of MoneyWeek Quick Crossword No.1267 is: John Brandon of Winchester

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.



# In defence of newsletters

They're quirky, shocking, disrespectful – and sometimes even right!



**Bill Bonner**  
Columnist

Years ago, a writer from Wealth Magazine interviewed us and made the resulting article the cover story. The interviewer didn't know exactly what angle to take. We were either a genius or a fool, he said. That was okay with us. We didn't know either.

Now, Forbes's senior writer Emily Baker-White has a less ambiguous, and thoroughly unflattering, view. We got notice, a couple of weeks ago, that Forbes wanted an interview. Our experience with the mainstream press has shown us that it rarely pays to talk to reporters. They are usually not trying to learn or understand, but to embellish a storyline that fits some existing editorial prejudice. Baker-White did not break with this tradition.

The newsletter business, where we've spent our career, is always both a natural competitor to the mainstream media and an easy target for regulators. Magazines, by contrast, are "respectable". They rely on advertising from large corporate clients and, as in the case of Forbes, billionaire owners who want a public voice. Magazines become vanity projects, where owners show how "responsible" they are – say, caring about the planet.

We don't want to criticise Forbes too much. We are only wondering why it is criticising us. The newsletter industry, by its nature, is quirky, often shocking. It offers *alternative* views, most of which are about the future. Each editor has his own – often outrageous, sometimes disreputable – outlook. And each dares to guess about what will happen next. Sometimes right. Sometimes wrong. And always in doubt.

Investing is always about tomorrow. Every recommendation, every analysis, every newsletter editor tries

***"Newsletters' track records are some of the best in the business"***

to look ahead in order to take advantage of it, or protect himself from it. But since there is an infinite range of possible futures, it is almost a miracle that they ever get it right. And yet, they do. Newsletters' track records are some of the best in the business. Our researchers and writers have followed a lot of dead-ends, but they also discovered Nvidia, Tesla, Crypto and Amazon long before Wall Street did.

And that's when it really pays off – early. The closer you get to "accepted, majority opinion", the more likely

the recommendation is fully priced. The most valuable insights, therefore, are the least likely – the ones you find in newsletters, not in Forbes.

Baker-White's "hit job" on our Agora business shows a remarkable lack of curiosity about how and why the newsletter world works as it does. She notices that some of our guesses do not pan out as expected. But she fails to appreciate the long odds. She even takes aim at your columnist specifically – noting that he has "been selling doomsday investment advice since the advent of the internet itself".

She makes it sound like there is something wrong with consistency! Your columnist thought the "Primary Trend" turned down in 2000, and suggested a move into gold. He might have been dead wrong. It wouldn't have been the first time. But, by the grace of God, it turned out to be the safest and most profitable thing investors could have done. It would have been nice of her to mention it. Instead, she implies that we hoodwinked old people – of whom we are now one – into foolish investments, and made money for ourselves doing so. If so, we only wish we had done more of it.

For more from Bill, see [bonnerprivateresearch.com](http://bonnerprivateresearch.com)

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WHIZZ  
KIDZ

We're here  
for young  
wheelchair  
users



Jasper,  
age 11

*I'm young, disabled, but not so different*

## The right wheelchair is the real difference

Did you know there are over **75,000** young people in the UK who need wheelchairs to get around?

They have the same **dreams** as other young people. But they don't always have the same **opportunities** because they can't access the equipment, skills and support they need.

Find out how you can be there for young wheelchair users at [whizz-kidz.org.uk](https://whizz-kidz.org.uk)



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# TRUST IN A STYLE TO LAST THROUGH THE AGES

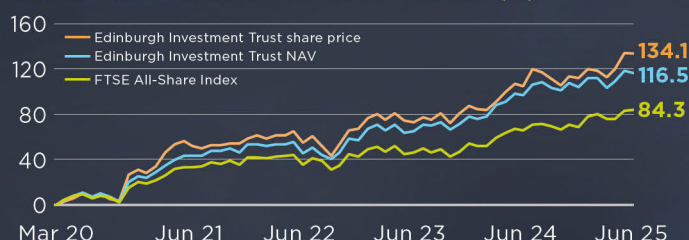


The Edinburgh Investment Trust, which was established in 1889, has a high-conviction portfolio of 40 to 50 stocks primarily listed in the UK. Up to 20% of the portfolio can be non-UK listed stocks.

The managers – Imran Sattar and Emily Barnard of Liontrust – take a total return approach of generating capital growth and income. They have a flexible investment approach that delivers a differentiated portfolio with economic and thematic diversification through fundamental company research.

The investment team have managed the Trust since 31 March 2020, delivering a share price return to 30 June 2025 of 134.1% and an increase in the net asset value (NAV) of 116.5% compared to a return of 84.3% by the FTSE All-Share Index.

## TRUST PERFORMANCE AT 30 JUNE 2025 (%)



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

	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25
Edinburgh Investment Trust share price	37.7	2.1	11.4	18.2	14.3
Edinburgh Investment Trust NAV	29.1	1.6	13.4	19.0	10.0
FTSE All-Share Index	21.5	1.6	7.9	13.0	11.2



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