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MoneyWeek

MAKE IT, KEEP IT, SPEND IT

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London loosens up

What new listing rules mean for your money

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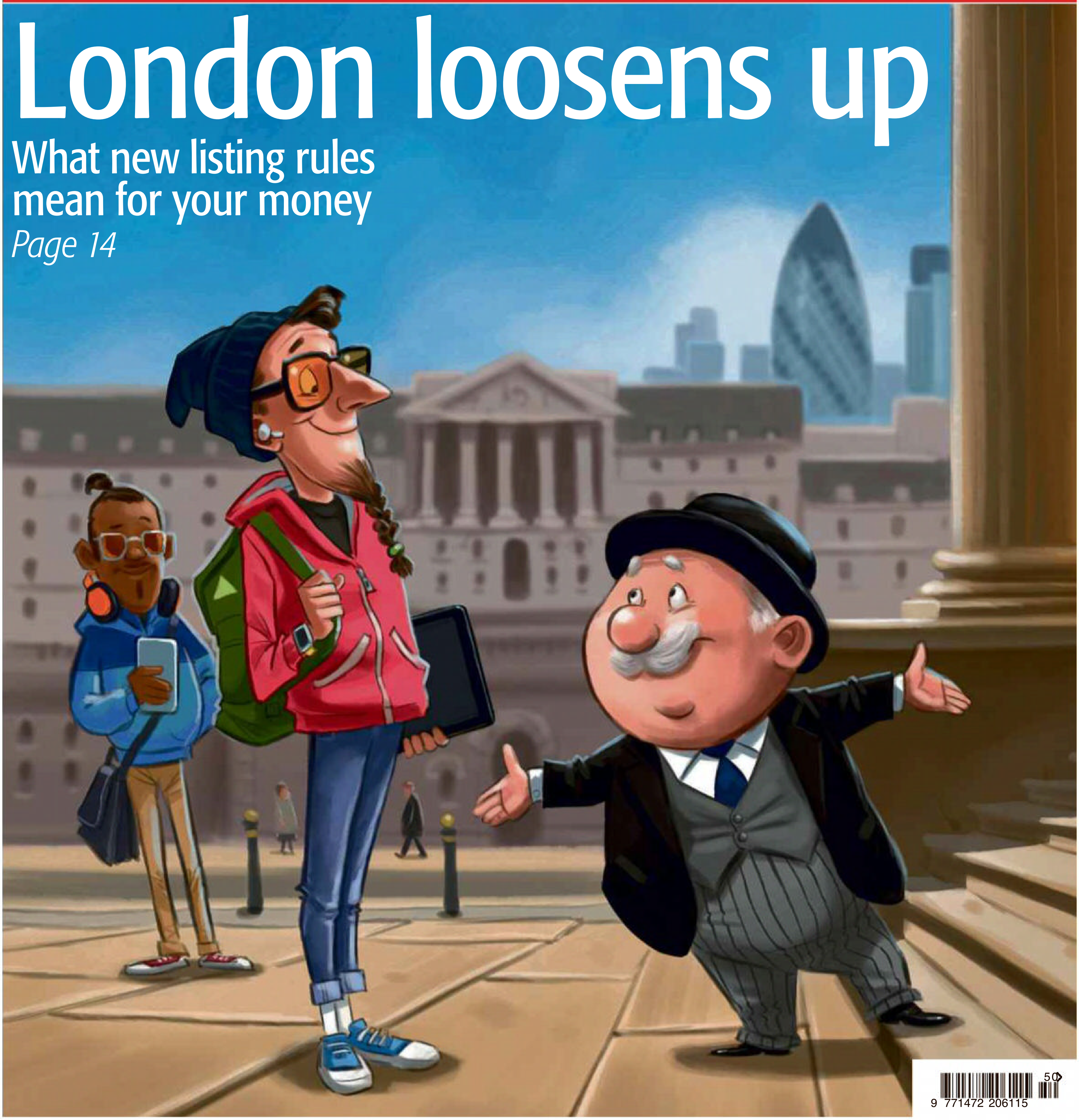

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MoneyWeek
17 December 2021 | Issue 1082
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From the editor-in-chief...

Last week someone paid $650,000 for a pretty ugly imaginary yacht in the metaverse. I don't propose to explain this much further (you'll get a better explanation on Google, I suspect) but the key point is that we live in a world where people pay real money for not-real yachts. This is silly. It's also symptomatic of the extremes you get in a world in which too much money is chasing too few goods – an inflationary world. Not everything has gone up by quite as much (I think we can safely say that not too many years ago, imaginary yachts were worth $0). But nonetheless, knowing that US consumer price inflation is now 6.8% a year and the UK's has just hit 5.1% is a not-comfortable feeling. They are the kind of numbers that make it increasingly hard to argue (though central bankers will have a go) that having kept interest rates at multi-thousand-year lows for over a decade isn't having some very unpleasant side effects.

Yachts – both real and imaginary – are fetching record prices

©Alamy

"We live in a world where people pay real money for not-real yachts. This is silly"

There's asset price inflation in general. Real yachts are hitting record prices, too, and last week Stanley Gibbons sold £1m-worth of fractional shares in a stamp – a stamp those "owners" will never actually get to have or hold (see page 35). There's the huge amount of money in private equity. There's the mad meme stock stories (less fun than they used to be) and, of course, there are house prices. In the UK house prices rose another 10.2% in October (according to the Office for National Statistics) and, in a worrying development, the Bank of England is talking about withdrawing affordability rules to make it easier for buyers to overstretch themselves. Should you worry? Of course. When everything is fragile, policy mistakes are easy – from governments (virus panic, hospitality close down, etc) and from central banks (raising rates is a nightmare when half the economy is barely able to operate; not raising them is to lose credibility for ever). And when assets are expensive, policy mistakes really matter (see page 16).

That said, while prices in the metaverse might suggest otherwise, the world is not in a full "everything bubble". Turn to page 20, and you will find ideas from our writers on all sorts of not-very-expensive-at-all investments. There are large listed miners, a gold miner, oil and gas assets and, for good measure, a carbon price tracker, too. Then there are emerging markets – after a pretty good 2020, all too many have had a 2021 investors would rather forget (see page 5 for more and page 18 for a clue as to why China's markets haven't had a good year). Only Cris has been brave enough to tip an Asia-listed company, but the price of that one (a price/earnings ratio of 13 and a yield of over 3%) should be a reminder that even today you don't have to buy expensive equities. More ideas on this on page 27 – where the managers of the MIGO Opportunities Trust suggest a few trusts trading at silly-sounding discounts to net asset value.

On the subject of cheap – or reasonable value at least – turn to page 17 where Max looks at some smaller US company trusts. There may or may not be a bubble in the US (see page 4, and remember that the big US companies are still seeing fabulous earnings momentum) but there are bits of the small cap market that look almost reasonable. Finally, much of this is difficult – and none of it comes without risk (with inflation this high, there are no risk-free assets left). With that in mind, turn to page 25 for tips on tracking down old pensions. Finding money you already have is always going to be easier than making more.

Merryn Somerset Webb
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Tax spat of the week

©iStockphotos

Mayfair's luxury dating agency Gray & Farrar has successfully reclaimed £1.75m in value-added tax (VAT) after a protracted battle with the taxman, says The Times. The firm, which specialises in finding partners for wealthy clients, charges a minimal annual fee of £15,000 plus VAT to allow customers access to a pool of 2,000 members; for £140,000 it will scour the globe for your perfect partner. The dispute hinged on the definition of "consultancy". Gray & Farrar insisted it was exempt from paying VAT for international clients from 2012 to 2016 (VAT on consultancy services is taxed in the client's country of origin), while HMRC argued it didn't provide the requisite "intellectual advice" to be considered a consultancy. But a tribunal concluded this week that the agency provided "a combination of expert advice and information".

Good week for:

A mountain climber in Chamonix has been rewarded with precious stones worth €150,000 – the value of half of a box of emeralds, sapphires and rubies he found in a Mont Blanc snow drift in 2013 and handed in to the police, says CNN. The collection is thought to be linked to the crash of an Air India flight in 1966. As there were no claimants, the jewellery has now been split between Chamonix's local government and the climber.

TikTok star **Kat Norton** (pictured) has "made spreadsheets sexy", says The Times. The former business consultant gives basic Microsoft Excel lessons while dancing or lip-syncing to rap songs as advice appears on the screen. She first posted a video last June; now she earns $250,000-$300,000 a month by building Excel training courses and selling them to her 674,000 TikTok followers.

©Kat Norton

Bad week for:

Australia's richest person, **Gina Rinehart**, couldn't moor her superyacht in a marina on the Queensland coast after a recent trip because there was no room, says news.com.au. The mining magnate, worth $31bn, told local politicians that marinas are "sadly lacking for vessels over 50 metres", and called on them to rectify the situation.

British tourist **Graham George Spencer** has racked up a $1,200 hospital bill after being attacked by a gang of 20 otters during a visit to the Singapore Botanical Gardens, says The Straits Times. Spencer suffered injuries to his legs, buttocks and finger as the creatures savaged him during a morning walk.

Cover illustration: Adam Stower. Photos: Alamy; Getty Images; Royal Mint

Investors shrug off inflation – for now

Alex Rankine
Markets editor

Wall Street and the broader financial sector now dominate the US economy

©Getty Images

The last time US inflation was this high Ronald Reagan was president and Argentina was about to invade the Falkland Islands. US consumer prices rose by an annual 6.8% last month, the fastest pace since March 1982. Petrol prices surged by 58.1% in the year to November. Strip out the effect of volatile food and energy prices and "core" inflation hit 4.9% year-on-year, its highest reading since 1991.

Inflation? What inflation?

Markets were unperturbed, says Randall Forsyth in Barron's. The pricing of US treasury inflation-protected bonds implies that inflation will come back down over the next year or two. For now, investors still have confidence in the ability of central bankers to get price rises back under control. The big worry for the US Federal Reserve is that expectations of rising prices become "entrenched", says The Economist. The median US consumer thinks prices will rise at an annual pace of 4.2% over the next three years, according to the Federal Reserve Bank of New York. If they demand higher wages, then these expectations will become a self-fulfilling prophecy.

"In an ideal world" the Fed would be planning to raise record-low interest rates now; instead, it is still adding new liquidity to the market by buying bonds with printed money every month. The Fed should move to "taper" those purchases quickly. The Fed risks being caught "behind the inflation curve", says Mohamed El-Erian on Project Syndicate. For months its officials have mischaracterised this year's surge as "transitory". It was defensible to blame pandemic distortions when prices first took off this spring, but by the summer it was clear that supply-chain problems and labour shortages were here to stay. Policymakers instead buried their heads in the sand. The later the Fed acts on inflation, "the greater the likelihood that it will have to hit the policy brakes hard, causing market turmoil and unnecessary economic pain".

Powell is trapped

In the 1980s the Fed only got a handle on inflation by administering "brutal shock treatment", pushing interest rates above 20%, says Larry Elliott in The Guardian. Under the guidance of Paul Volcker, "the inflation hawks' hawk", the Fed presided over "business failures and mass job losses". The "Volcker shock" accelerated the decline of manufacturing and unleashed a crippling debt crisis in Latin America. Such is the price to be paid when a central bank needs to regain lost inflation credibility. A repeat of that strategy today looks nigh-on impossible. The US economy has become so "financialised" that "Volcker redux" would cause a "monumental financial crisis". Fed chair Jerome Powell is "trapped… Wall Street has the whip hand these days, not the Federal Reserve".

"Central bank governors are like wild beasts," says Ron William in the Halkin Letter. "Given too much freedom, they dominate their territory… Carefully managed in a secure enclosure… they lose the will to live and stare blankly into the far distance." In 2018, Jerome Powell started his Fed term as a monetary hawk, but now he has been well and truly domesticated.

US market froth has started to deflate

"Sanity" is making a "tentative return" to the market, says Robin Wigglesworth in the Financial Times. Stocks have so far shrugged off hints that we are heading for tighter monetary policy, but frothier corners of the market are finally starting to deflate.

Many of this year's "most heinously silly trades" have come undone in recent weeks. Take the flagship fund at Ark Invest, run by fund manager and noted bitcoin bull Cathie Wood. Its big bets on artificial intelligence and genomics helped it gain almost 150% in 2020, but it is down by more than 21% this year. A Goldman Sachs index of unprofitable US tech stocks is down "more than a fifth" over the past month.

Childhood nostalgia has fuelled the rise of meme stocks such as GameStop

©Getty Images

Investors buy unprofitable tech stocks because they hope to make money in the future, but higher interest rates prompt some to sell and put their cash into assets that make returns today instead. There have been few things sillier in 2021 than the rise of the "meme stock". Ordinary "retail investors" have been co-ordinating on the internet forum Reddit to drive up the price of certain stocks.

There is little rhyme or reason to which stocks become fashionable, beyond a desire to bet against Wall Street hedge funds and vague childhood nostalgia for bricks and mortar video game retailers (GameStop) or struggling cinema chains (AMC Entertainment). GameStop shares surged by as much as 2,700% earlier this year, but on Monday they tumbled to their lowest close since March, says Janet Cho in Barron's.

Cryptocurrencies, another big winner of the 2021 market madness, are also coming under pressure. Bitcoin has been trading as low as $46,462 this week, down more than 30% since last month's all-time high. Ether, another cryptocurrency, has fallen 20% over the same period.

Emerging markets' year to forget

It has been a year to forget for investors in most emerging markets (EMs). Developing countries' populations have received far fewer vaccinations than their developed-country peers. Economies are vulnerable to inflation and with government borrowing rising, the asset class is increasingly out of favour with international investors.

Last month, "non-resident [financial] flows to EM assets excluding China turned negative" for the first time since March 2020, say Kate Duguid and Jonathan Wheatley in the Financial Times. Investors' enthusiasm for emerging markets has dwindled this year and 2022 may not prove much better. Many emerging markets are caught between a Chinese slowdown on the one hand and tighter US monetary policy on the other. Higher US interest rates strengthen the dollar, making it difficult for countries such as Turkey, Brazil, South Africa and India to secure the credit they need as money heads to the world's biggest economy.

Crushed by China

As of mid-December, the MSCI Emerging Market index has fallen by more than 4% since the start of the year, badly lagging the 18% average gain across developed stockmarkets. That decline has been driven by China, which accounts for more than one-third of the index. China's benchmark CSI 300 index enjoyed a stellar 2020, rising 27%, but is down by 4% so far this year amid a regulatory clampdown on tech companies and concern over an overheating property market.

©iStockphotos

Taiwan's chipmakers have propelled the local Taiex index to an 18% gain this year

India has delivered a standout performance in 2021, with the BSE Sensex index returning 21.4% amid excitement about technology flotations. The country boasts compelling long-term growth prospects, but investors have to pay up for them. On a cyclically-adjusted price/earnings ratio (Cape) of 33.8, India is almost as expensive as the US market.

South Africa has also delivered a strong performance, with the FTSE/JSE Top 40 rising by almost 20%. The commodities boom has boosted stocks in the nation that produces 80% of the world's platinum-group metals. South African stocks have gained 26.5% since the start of 2020.

Turkey's self-inflicted currency crisis has seen the few remaining foreign investors flee. Yet on the face of it the local BIST 100 index has had a banner year, gaining 44%. The problem? That is in local-currency terms and the lira has lost half of its value against the dollar this year. In dollar terms, the MSCI Turkey index has slumped by 27% in 2021.

It has also been a disappointing year in Latin American markets. Most commodity exporters have done well this year, but Brazil has failed to benefit, with the local Ibovespa down almost 10%. Copper producer Chile has had another bad year amid political turmoil. The local IPSA index has fallen by almost a fifth since the end of 2019, including a 3% fall in 2021.

Boosted by resilient oil prices, Russia's MOEX index has had another solid year, gaining 4.9% on the back of a 6% gain last year. Elsewhere in eastern Europe, Poland's WIG20 index has returned a creditable 10%.

Korea calms down

Delta has ravaged regional supply chains this year, but much of East Asia has still bucked the wider sell-off. With semiconductors in short supply, Taiwanese chip makers have had an excellent year, helping send the Taiex stock index up 18%. Thailand's SET index has risen by 11%, making up for last year's disappointing 8% fall.

Elsewhere in Southeast Asia, Indonesia's IDX Composite is up by 5.6% and the Philippines PSEi index has risen by 1.4%. Vietnam's VN-index has delivered a blistering 33% return, but emerging-market investors won't feel the uplift: the country is still classified by MSCI as a "frontier" rather than an "emerging market".

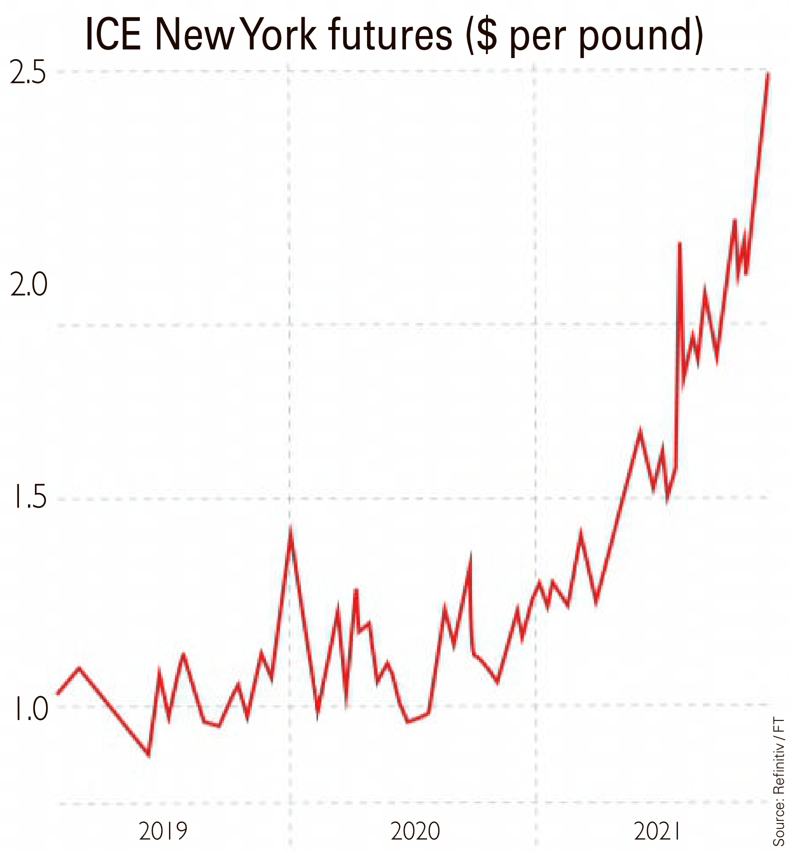
Korea's Kospi index was last year's star performer, with a 30.8% gain, but foreign investors have now cashed in their profits. The removal of a short-selling ban earlier this year by local financial regulators has also put stocks under pressure, leaving the home of Samsung with a modest 1.5% gain for the year.

Viewpoint

"When Joe Biden organised a summit for democracy last week more than a few foreign policy experts ridiculed him. What's the point? America and the West are finished... I am not so sure about the narrative of inevitable decline... the American economy continues to show signs of... enduring good health... In 1980 the US economy represented 25% of global GDP. Today, after four decades of supposed decline, it remains at 25%... in 2019 the US accounted for 56% of global stockmarket capitalisation, up from 42% in 2010... Today, eight of the world's ten largest companies by equity valuation are American, up from three in 2010. And the share of countries that use the dollar as their anchor currency has risen from 30% in 1950 to about 60% today... Immigrants yearn to go to free America, not totalitarian China... Not bad for a nation that is 'finished'."

Matthew Syed, The Times

Jittery wholesalers brew up coffee surge



"It's not just the caffeine that's making the market jittery," says Katherine Dunn for Fortune.com. Coffee prices have hit a ten-year high, with futures for the higher-quality Arabica bean trading at $2.50 a pound. Lower-quality Robusta beans (used in instant coffee) are also close to a ten-year high. Coffee has posted the biggest price rise of any commodity tracked by the Wall Street Journal in 2021: 84.6%. The main culprit appears to be global shipping shortages; unsure of how reliable the coffee supply is, wholesale buyers have panic-bought everything they could get their hands on. Things may cool down after Christmas, but the "wild card" is the weather in key exporter Brazil. It has recently suffered bad harvests owing to both drought and frost.

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

Three to buy

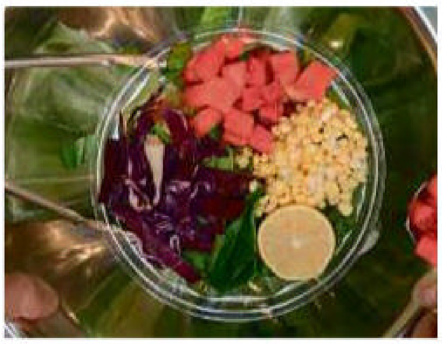
Ashtead
Investors' Chronicle
Industrial-equipment rental company Ashtead has raised its full-year guidance following "an excellent start to the year". In the six months to 31 October revenue was up by 18% year-on-year. Both its US and UK businesses are reporting strong growth. The company has trimmed operating costs and cut back on discretionary spending, which has strengthened its balance sheet and helped finance ten acquisitions to expand its footprint. *5,954p*

Tharisa
Shares
Coronavirus-related concerns in South Africa have weighed on platinum and chrome miner Tharisa's share price, but it "should regain momentum as evidence piles up of its improved cash flow in 2022". For the 12 months to 30 September the company reported record pre-tax profits of $185.3m, up by 145% year-on-year. Free cash flow grew to over $100m, and the dividend rose by 157%. Its balance sheet was strong at the end of the year, with net cash of $46.6m. Work in the group's mines is "socially distanced by nature of the operations", which means that potential virus-induced restrictions should have scant impact. *117p*

Schroder European Real Estate Investment Trust
The Mail on Sunday
This trust offers investors exposure to "a wide range of commercial properties across Europe… targeting annual dividend yields of 5.5%". Brexit and the pandemic have weighed heavily on the share price and the discount to net asset value (NAV) is 17.5%. Nevertheless, the company has continued to deliver income to shareholders. Both dividends and the stock should increase as the world recovers from Covid-19. *104p*

Three to sell

BB Biotech
The Daily Telegraph
Swiss biotech trust BB Biotech is trading at a "hefty premium" of 31% to its net asset value (NAV). "It's hard to see why… when its two London-listed rivals trade in line with their NAV." The company has benefited from the success of coronavirus vaccines; Moderna, in which it bought a stake in 2018, remains its largest asset. This has bolstered recent returns, but the longer-term performance of the fund lags behind London-listed rivals Biotech Growth and International Biotechnology, as well as the Nasdaq Biotechnology index. The firm looks overvalued, and there is no clear sign it will outperform its peers. Avoid. *SFr78 (£64)*



Sweetgreen
The Motley Fool
Sweetgreen is a US fast-casual restaurant chain that serves salads. The stock's "initial pop" after it floated last month seemed "overdone". It's a strong brand "and folks aren't flinching at paying an average of $15 for one of its fresh leafy creations". But its valuation of $3.4bn looks lofty given that the chain has yet to turn a profit. Competition is intense. The stock "doesn't deserve to be trading at a double-digit revenue multiple". Avoid. *$29.52*

Babcock
Investors' Chronicle
Babcock is an aerospace, defence and security company that struggled in the pandemic. It sold off three businesses worth £400m over the past few months, which will help reduce net debt. Operating profit for the six months to September 2021 was up by 36% and CEO David Lockwood plans to streamline the company's structure. "But the task of fixing Babcock is far from over… until a clearer picture emerges, it's one to avoid." *306p*

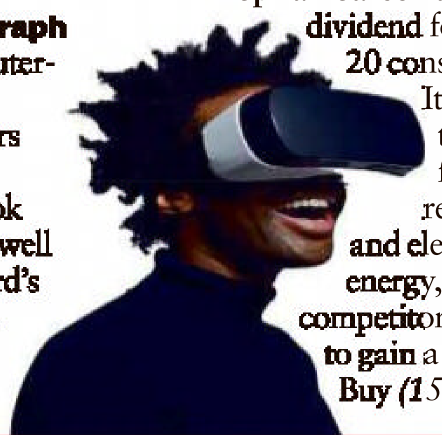
…and the rest

Investors' Chronicle
Impax Asset Management's decision to concentrate on ethical investing has "paid off handsomely". The fund manager's "trophy funds" have enjoyed a record year; assets under management are up by 84% to £37.2bn. Hold *(1,372p)*. Investment platform **AJ Bell** has launched two apps to attract more Millennials "to a simplified investment proposition". These upgrades won't be cheap, but show the company is ready to fight for its market share. Hold *(387p)*.

The Mail on Sunday
Sirius Real Estate owns and runs business parks in Germany, and is now expanding into the UK. Further acquisitions are expected, which should translate into sustained income and dividend growth. Keep buying *(140p)*.

Shares
Odyssean Investment Trust has a knack for selecting takeover targets, and the latest bid for pharmaceuticals group Clinigen, one of its holdings, has provided a boost for its share price. Results for the six months to September 2021 revealed an impressive 13.5% increase in net asset value (NAV) per share. Buy *(157p)*.

The Daily Telegraph
Nvidia is a computer-chip designer. Its technology powers social-network features on TikTok and Facebook as well as Microsoft Word's grammar checks. It looks poised to benefit from the "three major trends of the next decade": artificial intelligence, augmented reality and 5G mobile networks. Buy *($282)*. Engineering firm **Spirax-Sarco** has raised its dividend for more than 20 consecutive years. It dominates the market for products regulating steam and electric-thermal energy, an area competitors will struggle to gain a foothold in. Buy *(15,745p)*.



A German view

Stocks don't get much more defensive than America's Procter & Gamble (P&G), says Focus Money. The group's 65 brands range from Ariel to Oral-B. Products of this kind are always in demand, whether the economy is shrinking or not. Small wonder then, that sales ticked up in the latest quarter; after the last financial year ended on 30 June, the dividend was raised by 10%. It has increased by 65% in the past decade and has been rising for 65 years in a row. The group is already nudging up prices to compensate for inflation. Meanwhile, it is improving its online operations; internet-sales now comprise 14% of the total. The stock currently yields 2.3%.

IPO watch

There has not been an initial public offering (IPO) of a big US oil company since 2018. But that could change next year, says David French on Reuters. Private-equity firms Pearl Energy Investment and NGP, which own shale-oil producer Colgate Energy Partners III, are reportedly mulling a listing at a valuation of around $4bn next summer. Colgate has 108,000 acres in the Permian basin, the area of Texas and New Mexico deemed "the heart of the US shale industry". The Permian's output is set to reach a record high next month. Oil IPOs have fallen out of favour in recent years owing to the sector's poor environmental image, but oil prices' jump to a seven-year high has prompted a rethink.

City talk

©Getty Images

● A "giant blunder" in online estate agent Purplebricks' lettings arm has left landlords on the hook for up to £30m, says Ben Marlow in The Daily Telegraph. Estate agents are supposed to notify tenants within 30 days that their deposits have gone into a national protection scheme. But Purplebricks has not been doing so over the past few years, and now the tenant can claim back up to three times the value of the money. This is another blow for Purplebricks, whose 2015 flotation "has been a disastrous exhibition of value destruction".

● Biotechnology giant CSL is an Australian success story, says Jeffrey Goldfarb on Breakingviews. Its haemophilia and other blood-product therapies have delivered "outsized returns" for shareholders. But the purchase of Swiss drugmaker Vifor Pharma for $12.3bn looks too risky. CSL thinks that Vifor's kidney-disease and iron-deficiency treatments will benefit from ageing populations. But the "rich" 60% premium and "lack of cost savings" means that the deal is bad value for money and Vifor will struggle to make a 5% return on its investment.

● Toyota may have been one of the first to pioneer "hybrid electric cars that are powered by a combination of an internal combustion engine and battery-operated electric motors", says Saheli Roy Choudhury on CNBC .But it has been "slow in its push toward battery-only electric vehicles". Now this is set to change with the company "planning to invest ¥4trn (£25bn) to build 30 battery-powered electric vehicles by 2030". It also plans to boost global sales of battery-electric vehicles by 3.5 million units a year "by the end of the decade". This plan should help it catch up with rivals such as General Motors, Ford and Nissan.

The new kid on the block

Brazil's Nubank is the poster child of Latin America's fintech boom. But it is pricey and faces intense competition. Matthew Partridge reports

Shares in the Brazilian fintech Nubank leapt after it floated in New York last week, making it "the most valuable financial group in Latin America", say Michael Pooler and Nicholas Megaw in the Financial Times. Worth around $45bn, its market capitalisation has eclipsed that of Brazil's largest traditional bank, Itaú Unibanco. The São Paulo-based group has amassed "more than 48 million users of its mobile app-based services", through which it offers savings accounts, business loans, insurance and investment products.

Nubank's strong debut is good news for investors in Latin American fintech, says Bloomberg. This includes Warren Buffett's Berkshire Hathaway, which took a $500m stake in the company during the summer when it was valued at only $30bn. An even bigger winner is US venture-capitalist group Sequoia Capital, which initially invested $1m in seed capital in 2013 and has now accumulated a stake worth $8.2bn. Even Japan's SoftBank, the world's biggest technology investor, has joined the party, buying into the initial public offering (IPO) in the hope that Nubank "can get to 100 million-150 million customers in five years and be worth as much as $300bn".

A warning in the prospectus

Nubank has certainly had an "eye-catching" rise to the top, says Richard Beales on Breakingviews. However, investors should note that it is now valued at ten times its tangible book value. Moreover, "established banks have plenty of resources to fight disruptors", while Nubank's no-fee credit card "has attracted rival products". Throw in a Covid-19-related economic slowdown in Brazil and the fact that even its own prospectus admits that there are "material weaknesses in its financial reporting", and you realise that the company may be the region's "riskiest punt".

Nubank's success depends on whether it's going to be able to continue its "phenomenal" growth story, says Matt Frankel on The

©NuBank

The group's no-fee credit card has prompted competitors to up their game

Motley Fool. Its current trajectory of doubling its customers every two to three years isn't sustainable. Still, the fact that the average customer "has just one or two products with the company" means there is still ample cross-selling potential, with scope for six or seven products per customer. If it can do this, then the company might "have legs" as an investment.

While Nubank may have become the "poster child of the fintech boom in Latin America", it "isn't alone", says Mary Anastasia O'Grady in The Wall Street Journal. Indeed, the digital-technology revolution "that has upended the transportation, food-service, retail and telecommunication industries in the region is doing the same in financial services". There are "hundreds of other fintech companies across Latin America". With a variety of business models being tested, "it will be interesting to see if companies providing specific financial services turn out to be more valuable than the sum of the parts held by traditional banks".

SSE hits back after activist attack

Investors in "energy behemoth" SSE have struck back after hedge fund Elliott Management tried to force a break-up of the firm, say Sabah Meddings and Jamie Nimmo in The Sunday Times. Last week the hedge fund called for a reorganisation of the board as well as the sale "of a larger stake in SSE's electricity networks business and the partial listing or sale of a stake in its renewables business".

However, other large SSE investors disagree with Elliot's plan. UK boards tend to "capitulate quickly" in the face of such "aggressive attacks" from activist investors, says Ben Marlow in The Daily Telegraph. But SSE has come

©Getty Images

A standalone renewables firm would face high borrowing costs

out fighting, with its CEO Alistair Phillips-Davies issuing a "comprehensive rebuttal" of Elliott's demands. He says a "standalone renewables arm would suffer devastatingly higher borrowing costs". These higher costs "would make it harder to finance major projects, including Dogger Bank Wind Farm, which will be the biggest wind farm in the world when it is completed".

SSE is right to say that "it's cheaper to finance the construction of more renewables assets, primarily offshore wind farms", when "the division is housed under the same roof as a networks and distribution division that throws off cash reliably", says Nils Pratley in The Guardian. The company is "not going to be bullied easily by an activist that... owns less than 5% of the share capital". Still, when it comes to the board, Elliott's arguments are "stronger": if you look down the list of non-executive directors, "it's not obvious who the renewable specialists are supposed to be".

Johnson's dilemma

The new restrictions are unpopular with Tories and economically unsustainable. Emily Hohler reports

Boris Johnson suffered a "crushing blow to his authority" on Tuesday when almost 100 Tory MPs voted against a measure to curb the spread of the Omicron variant, says George Parker in the Financial Times. Although he won the vote to implement Plan B by 369 to 126 (Plan B includes mask-wearing, working from home and a Covid-19 pass for mass events), he did so only with the support of Labour. The mood in Westminster is "mutinous", says Katy Balls in The Spectator. MPs are asking themselves whether Boris has "outlived his usefulness" and members of the cabinet, including Liz Truss and Rishi Sunak (the two frontrunners), "are accused of being on manoeuvres".

Boris Johnson: the real opposition is now coming from behind him

©Alamy

Johnson versus the backbenches

The vote, which comes after a torrid few weeks, exposes the growing divisions between Johnson and his own MPs, says The Times. This time, the rebels weren't all from the anti-lockdown wing; they included MPs from "red wall" constituencies and "mainstream" figures such as Damian Green. Johnson's "standards of veracity and insouciance about conduct in public life have inflicted grave damage on his own and his government's reputation". Although for now the "king remains" (he is still "by some margin the best election-winner" the Tories have), his "powers are being curtailed", says Fraser Nelson in The Daily Telegraph.

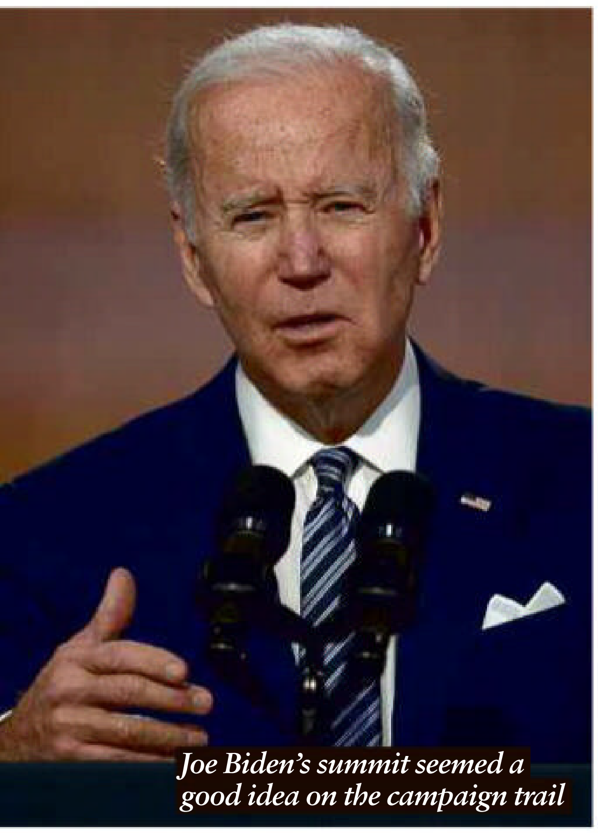
Sajid Javid has ruled out mandatory vaccination, "abruptly ending the 'national conversation'" that Johnson had called for. Rishi Sunak has drawn "his own red line", saying that any extra revenue will be "used to cut taxes rather than swell the state". Effectively, "two holders of the four great offices of state have put the prime minister on notice" (both would have to resign if No 10 insisted they broke these promises).

Ultimately, it's hard to "see any way out of this" for Johnson, given that the political crisis "hinges entirely" on his personality, says Janet Daley in The Daily Telegraph. The trashing of the government's "we are all in this together" mantra with revelations about the illegal Downing Street parties is unlikely to be forgotten by many going through "life-changing bereavements" at the time, but the "most damaging effect" is on the government's credibility. "The confidence of the people in their government's soundness and honourable intention is critical to democracy at the best of times. In a crisis, their willing cooperation is a matter of life and death."

We need to get off the treadmill

Thankfully, the latest data suggests that Omicron is mild, says The Times. Still, this does not make a case against the "relatively modest restrictions" in place to slow the pace of infections, which are otherwise forecast to reach a million a day by Christmas, meaning that the NHS risks being overwhelmed if even a fr action of those require hospital treatment.

The latest restrictions are not "particularly onerous" and talk of a police state is paranoid, says Jeremy Warner in The Daily Telegraph. However, what is notable is not the restrictions themselves, but rising "public panic" fuelled by the "relentless alarmism" of the media, which is keeping people away from venues and causing economic pain. This "begs the question of whether government-imposed restrictions are necessary in the first place". If behavioural change is enough "to flatten the sombrero", it offers"a possible way off the treadmill of renewed restrictions every time the virus mutates... We need to get to a place where the public is trusted to make up is own mind on the degree of threat repeated waves" of Covid-19 pose. The alternative – repeatedly closing the economy to compensate for the capacity failings of the NHS – will "bankrupt the country".



Joe Biden's summit seemed a good idea on the campaign trail

©Getty Images

Biden's democracy summit falls flat

The growth of populist authoritarianism in recent years meant US president Joe Biden's plans for a global democracy summit seemed like a good idea when he pitched it on the campaign trail last year, says Mohamed Zeeshan in The Diplomat. But last week's virtual gathering of representatives from 111 governments – excluding China, Russia and most other autocracies – was ultimately a disappointment.

The summit could hardly have been "more dramatically timed", says Edward Luce in the Financial Times. It coincided with a "formidable Russian military build-up on Ukraine's eastern border and in the wake of escalating Chinese military activity around the island of Taiwan". Yet the pitfalls still got more attention. These are allegations of hypocrisy, given US "support for strongmen regimes"; the "self-defeating effect" of talking rather than setting an example (just 7% of 18- to 29-year-olds in the US describe America as a healthy democracy); the "risk that depicting today's global fault line as democracy-versus-authoritarianism will push autocracies closer together", making it harder to cooperate on common issues such as climate change; and finally, the risk that America's values clash with its interests, "leaving both diminished".

Even the guest list was controversial, says CNN. Invitees included nations with "spotty records on democracy, the rule of law and human rights, including the Philippines, Pakistan, Nigeria, Brazil and Turkey". There were only four South Asian invitees, although many countries there have "long been hoping for deeper ties with countries that would help counterbalance Beijing's influence", says Zasheen. The "snub" is sure to cause resentment. The test will be if it produces "concrete actions", Michael Abramowitz of Freedom House tells Luce. My "strong preference would be for America to show what it can do in the real world".

Trump ally held in contempt

There's trouble for another of Trump's sidekicks. Matthew Partridge reports

Mark Meadows: refused to testify to the House

The investigation over the riots at the US Capitol on 6 January escalated this week after the US House of Representatives voted to hold Mark Meadows – Donald Trump's former chief of staff – in criminal contempt, says Lauren Fedor in the Financial Times. The move came after Meadows reversed a previous decision to co-operate with the enquiry, and has marked the latest flashpoint in a "politically fraught process". While the Senate blocked Trump's impeachment earlier this year, a House committee has continued to investigate the riots, which left five people dead. However, the former president is urging his staff not to co-operate.

Embarrassing revelations

The vote to hold Meadows in contempt means that the decision to prosecute him now lies in the hands of the US Department of Justice, says The Guardian. This is no idle bluff, as the Department of Justice "has already indicted Trump's long-time ally Steve Bannon on two counts of contempt after he defied his subpoena". Already the investigation has produced several potentially embarrassing revelations. These include the fact that Trump's response to the riots was seen as being so feeble that "members of Congress, Fox News anchors and even Trump's son" sent "frantic texts" urging Meadows to get the outgoing president to act more quickly against the riots.

Many Republicans are hoping that Meadows can find ways to "run out the clock" until next year's mid-term elections, when they hope to take back control of the House – in which case they would almost certainly "immediately kill the 6 January probe", says Jeremy Stahl on Slate. Still, the fact that Meadows has already waived rights to "thousands of pages of documents", as well as discussed some of the supposedly "privileged" discussions in a recent book, means that the case against him is "rock solid". In any case, with "more than 300" people still co-operating with the committee, you can expect further revelations to emerge.

Holding on to influence

This latest investigation comes at a time when there are signs that Trump's influence on Republicans "is starting to wane", says David Millward in The Daily Telegraph. Seventeen Republican senators refused his plea not to back Biden's infrastructure bill, while many of the candidates that he backed in the forthcoming mid-term elections are "struggling". Even his "much-hyped roadshow" with former Fox News host Bill O'Reilly "failed to generate the huge crowds promised", with "hundreds of empty seats". All this will be "watched with interest" by potential rivals for the 2024 Republican nomination.

Despite this, Trump still has a lot of power within the Republican Party, says Sarah Baxter in The Sunday Times. He is reportedly even mulling the "far-fetched idea" of temporarily "becoming Speaker of the House if the Republicans win the mid-term elections next year" – despite not being a member of Congress. And with a few "honourable exceptions", most congressman have "opted for a safety-first, heads-down, nothing-to-see-here approach to Trump's claims that he won the election – or have "actively backed his allegations of fraud" – despite all evidence to the contrary.

Ukraine risks send gas prices soaring

Putin: angry with Berlin

Fears that a Russian invasion of Ukraine could disrupt energy supplies over the winter have caused European and UK gas prices to hit another record high this week on Tuesday, say Tom Wilson and Neil Hume in the Financial Times. With an estimated 100,000 Russian troops already on Ukraine's border and Moscow ignoring calls "to de-escalate and pursue a diplomatic solution", US officials say that Russia "could be planning to invade Ukraine as soon as early next year". Such a move "would further delay the controversial Nord Stream 2 gas pipeline as well as risk disrupting other supplies".

Even if Russia doesn't invade, it could be some time before Nord Stream 2 comes online, says Jillian Ambrose in The Guardian. This week, Germany's new government enraged Moscow by saying that the pipeline "could not be given the green light in its current form because it did not meet the requirements of EU energy law". Berlin is coming under huge pressure to block the line: critics argue that the project, which would deliver gas directly from Russia to Germany, would "make it easier for Russia to increase its military aggression towards Ukraine".

Putin is mistaken if he thinks that he can use gas as a leverage to bend Europe to his will over Ukraine, says Liam Denning on Bloomberg. True, "roughly 40% of Europe's gas imports... come from Russia", with Europe's storage tanks "only 62% full — lower than the 80% average level for this time of year". However, condemning Europe "to a mixture of hypothermia and recession" would "unite his opponents, undoing the divisions he has managed to exploit thus far".

Betting on politics

The selection of Valérie Pécresse as the candidate for Les Républicains in France's presidential election next year has upended the betting markets. With £734,003 matched on Betfair, the chances of Emmanuel Macron (pictured) being re-elected have fallen to 1.68 (59.5%). Pécresse is now in second place at 4.2, while Marine Le Pen is out in third at 11. Eric Zemmour has slipped to fourth place at 13.5, reflecting the fact that he is in fourth place in national polls, with around 12% of the first round vote.

If Pécresse gets to the second round, she certainly has a good shot at winning, with polls putting her neck-and-neck in a run-off with Macron. The big question is whether she will be able to get that far, as she will need to come at least second in the first round. At the moment with £136,545 matched, Betfair have Macron at 1.2 (83.3%) to get into the top 2, Le Pen at 2.2 (45.5%), Pécresse at 2.24 (44.6%) and Zemmour at 5.1 (19.6%).

Looking at past polling figures, the odds on Pécresse and Le Pen seem about right. However, since Macron's support has been consistently around 24% for the past few months, it'd hard to see how he could fail to make it to the run-off. Zemmour seems to have peaked, so I think he can be written off. So I'd bet on Macron to get through to the final two. I'd also bet against Zemmour making it through at 5.5, which is the same as betting on him not getting through at 1.22 (81.8%).

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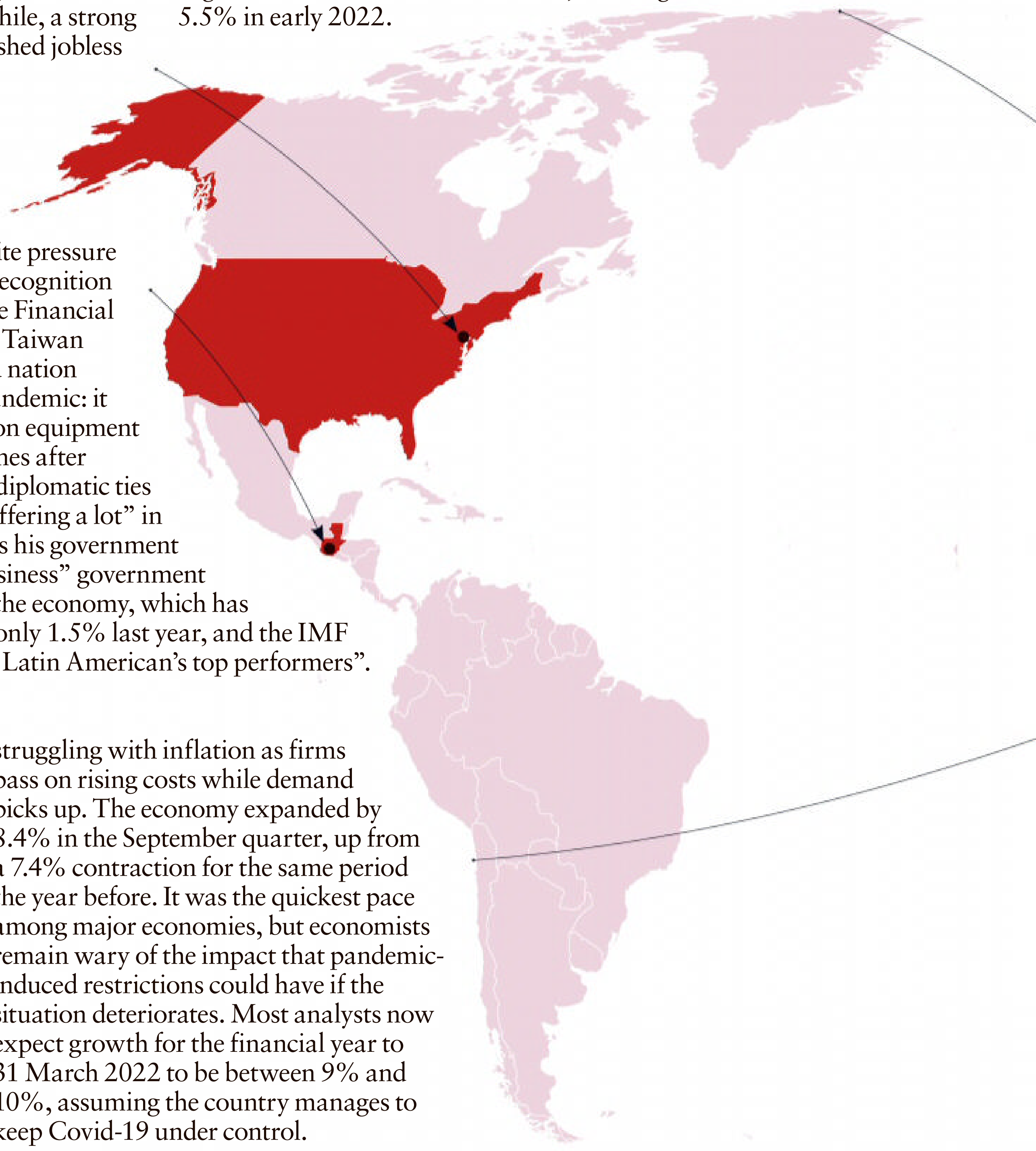
Washington DC

Debt ceiling raised: Both chambers of Congress passed legislation that raises the US government's borrowing limit by $2.5trn, says Andrew Duehren in The Wall Street Journal. The bill does not allow borrowing for new spending, but allows the government to issue debt to pay for existing obligations, such as social-security benefits and debt interest. Without it, a default would have been possible as recently as Wednesday, the Treasury had warned. The government should now have enough funds to last until the midterm elections in November next year, when opposition Republicans are expected to win control of the House of Representatives. That sets the stage for the next round of debt negotiations to be more fraught. For now, Republicans, led by Senate minority leader Mitch McConnell, are content to see off the prospect of new spending while keeping their political distance from the new borrowing by allowing the Democratic Party to raise the ceiling alone. A separate $778bn defence-spending bill was also expected to be passed in the Senate this week. Meanwhile, a strong economic recovery and persistent labour shortages pushed jobless claims to their lowest level in 52 years.

London

Bank of England under pressure: Annual consumer-price inflation rose at its fastest rate in a decade last month, jumping to 5.1% from 4.2% in October. The rise was far higher than the Bank of England's prediction of 4.5%, with the 5% mark not expected to have been breached until next spring. Inflation is now running at two-and-a-half times the Bank's 2% target. The strong jobs market is driving prices higher. A record 257,000 people were hired last month, the most since records began in 2014, while vacancies in the three months to the end of November rose to a new high of 1.2 million, an increase of 434,500 on the January-to-March 2020 period. Wages, excluding bonuses, rose by 4.9% in the three months to the end of October from a year earlier. Kristalina Georgieva, managing director of the International Monetary Fund, urged the Bank to raise interest rates, warning that inflation will hit 5.5% in early 2022.



Guatemala

Siding with Taiwan: Guatemalan president Alejandro Giammattei (pictured) said the country will remain a loyal ally to Taiwan despite pressure from China to switch diplomatic recognition to Beijing, says Michael Stott in the Financial Times. Guatemala is sticking with Taiwan "out of principle", saying the island nation has been its "only real ally" in the pandemic: it was the first to send personal-protection equipment and ventilators. Guatemala's decision comes after Nicaragua's announcement that it would switch diplomatic ties from Taipei to Beijing. Giammattei said China was "offering a lot" in exchange for a change of allegiance, including vaccines his government has not accepted. Giammattei's "conservative, pro-business" government came to power in January 2020, pledging to improve the economy, which has outperformed its neighbours' since then. GDP slid by only 1.5% last year, and the IMF expects it to grow by 5.5% in 2021, "making it one of Latin American's top performers".

New Delhi

Producer-price inflation hits record: Annual wholesale inflation (WPI) in India rose to a record high in November thanks to increases in manufacturing and food prices. The figure, based on producers' prices, rose to 14.23%, its highest since April 2005. The figures came as a shock, said credit-rating agency ICRA; they also partly reflect the rupee's depreciation. WPI inflation is now predicted to average between 11.5% and 12% for the fiscal year to 31 March 2022. Consumer price-based inflation (CPI) rose by 4.91% in November from the same time the year before, up from October's 4.48%. Despite the government's fuel tax cuts, households are struggling with inflation as firms pass on rising costs while demand picks up. The economy expanded by 8.4% in the September quarter, up from a 7.4% contraction for the same period the year before. It was the quickest pace among major economies, but economists remain wary of the impact that pandemic-induced restrictions could have if the situation deteriorates. Most analysts now expect growth for the financial year to 31 March 2022 to be between 9% and 10%, assuming the country manages to keep Covid-19 under control.

The way we live now: new uses for old phone boxes

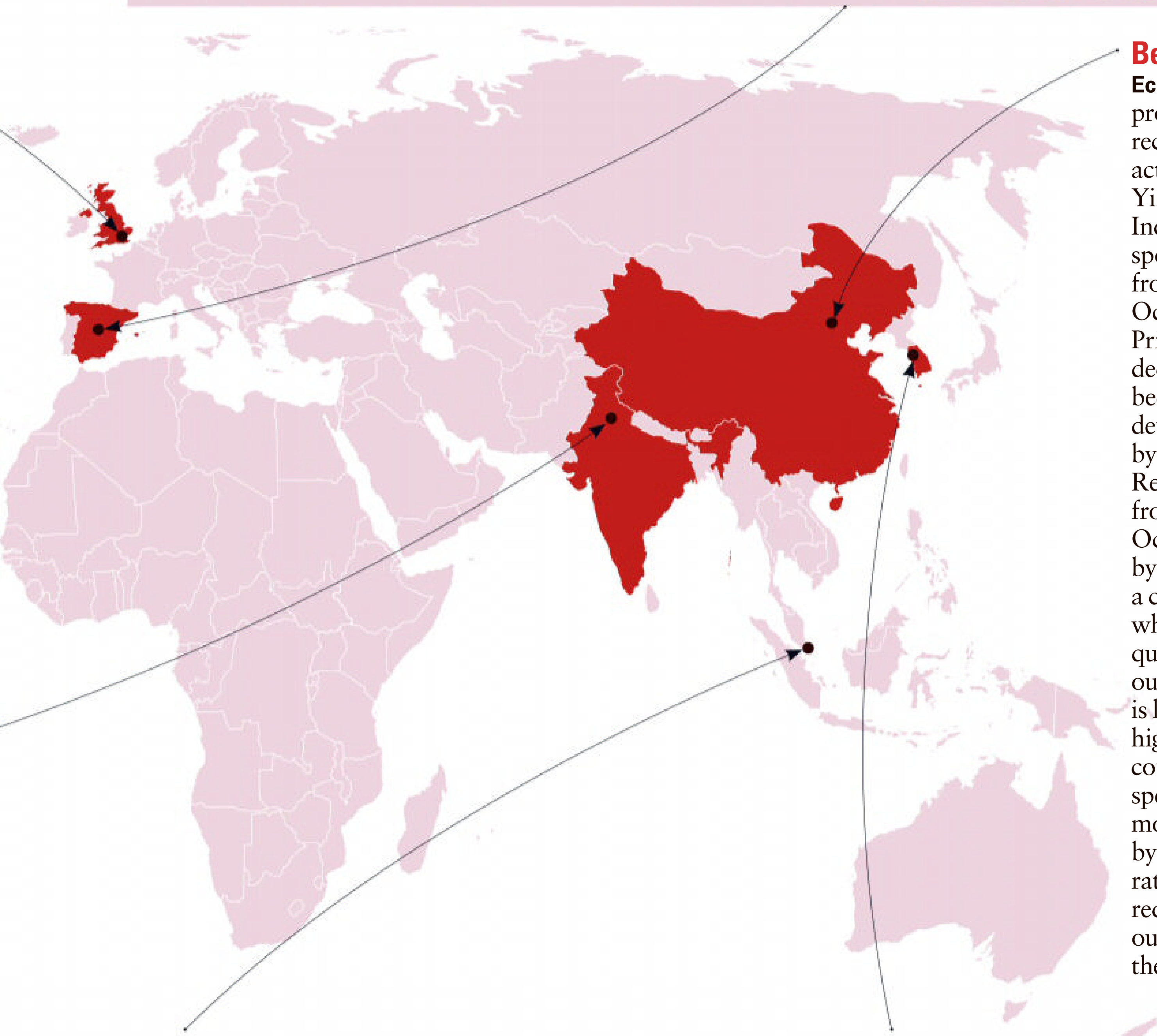
It's good to talk over coffee

Britain's red telephone boxes have mostly sat empty in the age of mobile phones, says The Economist. But now they are getting a new lease of life. Many can be bought through BT's official reseller for between £1,750 and £2,900. Some, however, are historically significant and cannot be altered or moved without approval. So those ones BT offers to councils or charities for £1 "to turn into something useful, like a book-swap library – and, to BT's displeasure, mini-cafes and coffee shops run for profit". BT is threatening legal action against Edward Ottewell, who bought some old boxes on the cheap through a charity he founded and sold them on to a company, also co-founded by him, which lets or sells them. One is let to a barista, while another went to a buyer in Hong Kong for £43,000. A box outside the British Museum was sold to an artist for £32,000. BT says Ottewell is not honouring his "contractual obligations". It may not get very far: the contract says BT can reclaim boxes if a buyer loses charitable status, but it does not prevent them being sold on.

Madrid

Spain splashes the cash: A decade ago, Spain was agonising over how to cut spending to meet European Union demands, say Daniel Dombey and Sam Fleming in the Financial Times. Now, as it plans to spend 77% of its €70bn in grants from the EU's €800bn coronavirus recovery fund between now and 2023, it has the opposite problem. EU rules require that member states allocate the money before 2027. The resources are "without precedent" for Spain, the fund's second-biggest beneficiary after Italy, and form the basis of the economic and political strategy of the government of Pedro Sánchez, under whose watch the economy contracted by a "savage" 10.8% last year. The country received a €9bn advance in August, with the EU signing off a further €10bn. Spain's recovery has lagged that of its eurozone peers. GDP expanded by a disappointing 2% quarter-on-quarter in the three months to September, notes Reuters. Consumer prices rose at an annual 5.5% in November, the fastest pace since 1992. Meanwhile, Malta has become the first EU country to legalise the growing and personal use of cannabis. Adults will be able to carry seven grams and grow four plants.

Prime Minister Pedro Sánchez has €70bn in EU grants to spend



Beijing

Economy sputters : A prolonged property slump and lagging consumption recovery slowed Chinese economic activity in November, says Stella Yifan Xie in The Wall Street Journal. Industrial production was a "rare bright spot", expanding by 3.8% in November from a year ago and up from 3.5% in October as electricity shortages ceased. Prices of new apartments have been declining since September as homebuyers become increasingly wary about developers' financial status, dropping by 0.33% in November across 70 cities. Retail sales rose only 3.9% last month from a year ago, down from 4.9% in October and below the 4.5% forecast by economists. The data points towards a continuing downturn for the economy, which "began to sputter in the third quarter" after "sporadic Covid-19 outbreaks" and power shortages. Beijing is likely to aim for growth of 5% or higher in 2022, which implies that it could push local governments to increase spending. Last week the country released more liquidity into the financial system by reducing the reserve requirement ratio – the amount of money banks are required to hold onto rather than lend out or invest – in an effort to stimulate the economy.

Singapore

Housing market bounces: Home sales in Singapore hit a four-month high as the city-state began to ease restrictions in early November, says Faris Mokhtar on Bloomberg. Purchases of new private apartments jumped to 1,547 last month, a marked increase from the 911 sold in October, as curbs on social gatherings eased, allowing people to view new homes. The market could rise next year, with foreign buyers eyeing up residential properties as Singapore opens up vaccinated travel corridors. Despite the Omicron variant, the country "has yet to dial back loosening measures", and the infection rate has dipped. Last week Britain's international trade secretary, Anne-Marie Trevelyan, and Singapore minister-in-charge of trade relations S. Iswaran also secured an "agreement in principle" for a Digital Economy Agreement (DEA) to "cut costs, slash red tape and pave the way for a new era of trade". It is the first digitally focused trade agreement signed by a European nation, and will take the UK's £16bn trading relationship with Singapore "to the next level by overhauling outdated trade rules" that affect goods and exporters. A third of UK exports are already digitally delivered to Singapore, notably in finance, advertising and engineering.

Seoul

Korea joins trans-Pacific trade agreement: South Korea's finance minister, Hong Nam-ki, (pictured) says that the government will start the process of joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), following on the heels of China and Taiwan, says Bloomberg. To join the huge trade deal, applicants require the approval of all 11 existing members (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam). Japan, which holds the presidency of the CPTPP's decision-making committee, may impose tough preconditions on China and South Korea, says the South China Morning Post. Japan has concerns over South Korea's bid to forge closer ties with North Korea and China. There are also historical disputes to consider, including restrictions on Japanese fish imports. South Korea, meanwhile, worries that its industries could be "overwhelmed by Japanese competitors", worsening its trade balance. In 2019, the 11 economies accounted for 23.2% of South Korea's exports and 24.8% of its imports.

London bids for bigger tech IPOs

UK regulators hope that weaker listing rules will attract more tech listings and rejuvenate a declining stockmarket. Perhaps they should pay more attention to other growth sectors. Simon Wilson reports

The new rules are an early present for firms such as Deliveroo

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What's changing in the UK stockmarket?

The UK's financial regulator, the Financial Conduct Authority (FCA), has made some important changes to its listing rules, in an attempt to reverse the long-term decline of the London Stock Exchange (LSE) as an attractive place for growing businesses to float. First, earlier this month the FCA eased the rules on dual-class share-listings. Dual-class shares mean that some classes of shareholders get greater voting rights than others: notable examples of firms with this structure include Alphabet (Google) and Facebook, as well as many other tech firms. This is controversial in the UK because it violates the City's long tradition of "one share, one vote", which is seen as important for corporate governance. But they are popular with business owners looking to raise capital by floating, and are permitted by London's international rivals. Second, the FCA has also decreased the proportion of its shares that a firm must make available to the public in order to list in London, from 25% to 10%.

What do the changes mean?

Dual-class shares will now be allowed in the premium segment of the London market. That means that their shares can be included in the main FTSE indices – notably the FTSE 100 and FTSE 250 – which is in turn significant because it means that passive tracker funds will buy their shares, broadening their investor base and increasing liquidity. The idea is to make it more attractive for the founders of innovative companies to bring their businesses to the market – letting them raise capital and providing an opportunity to UK investors – while also allowing them to keep more control of their businesses and giving them more protection against the threat of hostile takeovers that comes with going public.

Who stands to benefit?

Three distinct groups may gain, said The Economist. First, investors in UK shares, because firms with dual-class shares tend to generate higher returns (an analysis of North American companies between 2007 and 2017 found that dual-class stocks outperformed those with equal voting rights by 4.5% a year – although this may be because many are in the tech sector, which has done very well). Second, firms with dual class shares that have listed on the LSE's standard segment in recent years – such as Deliveroo, Oxford Nanopore and Wise – can now get a premium listing. Third, the overall UK market may benefit from increased global attention if this entices more high-growth, founder-led tech companies to list in the City instead of choosing the US or other rival markets.

"The LSE's share of global listings has slumped from 20% to 4% in 15 years"

What's the reaction?

Not everyone approves of this idea. For example, Richard Buxton of Jupiter Asset Management reckons it will "reduce investor protection and sow the seeds of scandal and losses". But the FCA (and the government, who pushed the review that led to the relaxation) is extremely keen for London to level the playing field with other exchanges that already have dual listings (Amsterdam, Singapore, Hong Kong, the US) and arrest London's decline.

What's the scale of that decline?

Over the past 15 years, the LSE's share of all initial public offerings (IPOs) globally has slumped from 20% to 4%, and since a peak in 2007 the number of companies listed on it has fallen by two-fifths. The total market capitalisation of the 1,964 companies that remain adds up to less than just five US tech giants – Google, Apple, Amazon, Facebook and Microsoft. Astonishingly, the daily trading on Wall Street in just one stock, Tesla, is worth more than three times the trades on the entire LSE, said Larry Elliott in The Guardian. That's why the FCA's relaxation of the rules is so welcome, he argues. It could help persuade fast-growing tech firms looking to list in Europe to choose London, rather than the increasingly favoured Amsterdam exchange. This year the Dutch capital – the world's oldest stock exchange – overtook London in terms of the average daily value of the shares traded.

What's a more optimistic take?

The fashionable "self-denigration" of London is being overdone, said Ben Wright in The Daily Telegraph. First, a good part of the LSE's decline since the mid-2000s is down to the "massive tech boom (bubble?) in the US" and the rise of the Asian economies, especially China. There's not much anyone could do about that. Second, the high-water mark for London listings was 2007, when the market was pumped up, pre-financial crisis, with a "flood of bilge". In truth, the LSE still "punches above its weight" – and the first half of this year saw a giant 467% surge in new IPOs. In the year as a whole (to 4 November), the value of IPOs was $20bn (according to Dealogic) – not far off the total for the previous three years combined. Meanwhile the huge currency volatility associated with Brexit has settled down, and JPMorgan recently turned bullish on UK equities for the first time since the referendum.

What are the UK market's prospects?

MoneyWeek has been arguing for some time that the unloved UK market is a buying opportunity – particularly when it comes to value stocks in a period of higher inflation. Few other indices are as top-heavy with leading oil and mining finance stocks as the FTSE, with six of the world's biggest, said Jeremy Warner in The Daily Telegraph. Environmental, social and governance (ESG) concerns have made such stocks unfashionable, but the irony is that transitioning to green energy will require vastly bigger quantities of metals, including copper, nickel, cobalt and lithium. We will need the UK-listed "ageing corporate dinosaurs" – the likes of Glencore, BHP, Anglo American and Rio Tinto – "more than ever if the energy transition required to meet net zero targets is ever to be achieved". So don't write the FTSE off: it "may be about to come back into its own, dragging the wider City with it as a go-to source of green energy finance".

A better kind of shareholder activism

Demands from hedge funds are only aimed at short-term profits. Private investors will take a long view

Matthew Lynn
City columnist

Hardly a week seems to go by without a fresh activist assault on a major British company. Last week, it was the turn of the energy giant SSE. Elliott Management, one of the most aggressive activist investors, attacked the company for not spinning off its renewables business, preferring instead to keep itself intact and beefing up its plans for switching out of fossil fuels.

Elliott, of course, is best known in the UK market for its long-running campaign against the pharmaceuticals giant GSK, which has had to scramble to defend chief executive Emma Walmsley in response to the pressure. Meanwhile, Shell is under attack from the hedge fund manager Daniel Loeb, who is campaigning for it to split out its renewables unit from fossil fuels. And Barclays has managed to see off the campaign for change led by the activist Edward Bramson for now but either he, or someone else, may be back soon, pressuring either the bank or another major company. The list goes on and on.

The wrong kind of activism

Of course, there is nothing wrong with shareholders demanding changes at major companies. Management teams can often become very inward-looking and complacent. They stick with strategies long after they have completely run out of steam, ignore new ideas, persist with pet projects even when they have failed, and concentrate more on rewarding senior management than the shareholders. Boards of independent directors are meant to stop that from happening, but are drawn from a small, self-perpetuating clique, with little incentive to provide any proper oversight.

Maybe too much greed isn't good

©Alamy

And yet there are two big problems with the way change is forced on companies right now. The activists' campaigns are starting to look every bit as tired as the companies they are trying to reform. Each time one is launched the demands are tediously familiar. A demerger? Check. More aggressive share buy-backs? Check? Sweating the balance sheet to release more cash? Check. A special dividend for shareholders? Check. Throw in something about changing the board, or updating the marketing, and that is about it. In reality, it is very flimsy and very repetitive, as if they are working from a script. You would get a more individual conversation from someone at a call centre.

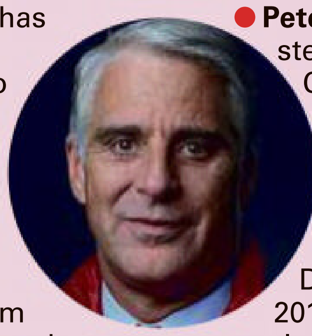
What's more, most of the campaigns are run by hedge-fund managers, investing borrowed money and looking for a quick profit. Their demands typically involve some financial engineering designed to generate a 20% to 30% boost to the share price over a few months and not much else. They are every bit as short-termist as the management teams they are trying to shake up and sometimes even more so.

Bring in the private investors

What activist investment needs is more involvement from private shareholders. There are some early signs of that happening. For example, the London-based investment platform Tulipshare is mobilising small shareholders to lobby for changes at big companies. It has already used votes to try and force Apple to make it easier for iPhones to be repaired (now that really is a good idea, as anyone who has paid for a new screen will know). It is now campaigning for Coca-Cola to use less plastic (another good idea, come to think of it, since we all know it tastes better out of a glass bottle anyway). This week, the company raised an extra €9.5m in funding to fund further growth.

This kind of platform might work, or it might not. But there are big advantages to smaller, private shareholders pressing for changes at a company instead of a handful of giant hedge funds. They are a lot more committed to the long term. Sure, there are some day traders who just want to flip in and out of an equity in the space of a few days. But most private investors would prefer to buy shares in well-run companies and forget about them for a few years, confident that they will earn a decent return. And that means they are more likely to press for real changes in a business, rather than short-term, financially-driven fixes.

Who's getting what



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● A Madrid court has ordered Spanish bank Santander to pay **Andrea Orcel** (pictured), now head of Italy's UniCredit, €68m in compensation for reversing its decision to hire him as CEO in 2018, says the Financial Times. The payment includes €10m for "moral and reputational damages", €5.8m for two years of salary, a €17m sign-on bonus and €35m for loss of long-term incentives. Orcel had sought €112m. Santander said that it plans to appeal against the ruling.

● **Pete Redfern** is stepping down as CEO of housebuilder Taylor Wimpey after nearly 15 years at the helm, says the Daily Mail. In 2019, he cashed in nearly £4m-worth of shares comprising more than half of his stake, worth around three times his £852,000 annual salary. Redfern also took advantage of the 5% staff discount to buy four Taylor Wimpey properties in Spain and Britain worth £1.7m, saving £80,000; and pulled out of buying a fifth in London, worth £2.5m, amid outrage from executive pay campaigners when the price was cut by £436,000.

● **Joseph Bae** and **Scott Nuttall**, the new co-CEOs at US private equity giant KKR, have received incentive packages which could leave them each holding $1bn in stock should the share price increase by roughly 80%, says Bloomberg. The pair were each handed 7.5 million stock units, worth around $565m at current prices, that will vest in five instalments provided they remain in the posts for at least five years.

Nice work if you can get it

Bonus season is coming to the City and brokers, bankers and hedge fund managers have begun the annual ritual of boasting and begging, say David Rothnie and Jim Armitage in The Sunday Times. Thanks to market volatility and a record year for corporate takeovers, this year promises to be especially generous and "the levels of excitement are revving higher than a Maserati on Leadenhall Street". British banks earned $3.6bn in advisory fees on takeovers in 2021, beating the previous record from 2007. Even junior bankers getting "doughnuts" (big fat zeros) will be few and far between, while their bosses can expect 200 to 300 "bags" (£200,000-£300,000). "We're all knackered… and I need a rest", says one senior member at a US-owned investment bank. "But we don't expect any sympathy – everyone in the City is going to benefit from the boom."

Borrowing more to buy stocks

Central banks will be slow to raise rates, but even small changes matter with US margin debt at record highs

Cris Sholto Heaton
Investment columnist

Count me among those who are sceptical about how quickly central banks will raise interest rates. Yes, they're making noises about doing so – and with inflation high, many analysts suggest they should act faster (see right). But our highly indebted world can't take high rates and policymakers know that. So while rates should begin creeping off the floor next year, the pace of increases is likely to be slow and they will take advantage of every reason – a new variant here, a wobble in the markets there – to hold back.

In contrast to the negligence central bankers displayed in the 2000s, when their foot-dragging created the housing bubble and the global financial crisis, that may even be for the best. The economy is so troubled that a wage-price spiral that inflates away liabilities may be the least perilous path. But if monetary policy gets at all tighter, it's hard to see markets shrugging that off.

> *"Margin loans at US brokers are up 71% since February 2020"*

Rocketing debt

When we talk about tighter policy, we tend to think of higher rates making other investments less attractive: if you can get 1% on a bank deposit again, a ten-year bond yielding the same becomes a worse deal. But another way in which tightening could hit markets is by curbing the supply of almost free money that has buoyed them.

One obvious example of this is the growth of margin loans (see below) at brokers in the US. This has soared since early 2020, reaching $936bn in October compared with $545bn in February 2020. The same expansion of margin debt happened in the run up to the 2000 tech dotcom bubble and the 2008 financial crisis, but the rise this time has been much more abrupt.

Indicators such as this are not a reliable market timing signal – there isn't a level that signals danger. If we look at margin debt as a percentage of the S&P 500's total market capitalisation, it stands at around 2.5%, according to data compiled by the economist Ed Yardeni. In the 1990s, margin debt as a percentage of the S&P 500 market cap was consistently below 2%, except at the peak of the dotcom bubble. Conversely, in the ultra-low rate environment after the financial crisis it was up at around 3% for many years. It only began to drop back towards 2% after the Fed began tightening faster in 2018.

In other words, the market has risen even faster than the growth in margin debt – trends like this are just one part of a bigger picture. Nonetheless, this is an example of how traders have seized on cheap debt in this rally and that may make markets vulnerable to any real tightening. When stocks drop, traders tend to deleverage and that exacerbates the sell-off. The S&P 500 wobbled quite a bit in 2018. The point at which tighter policy causes pain could well be lower this time.

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

When traders buy shares or other assets, they sometimes borrow money to fund the purchase. The aim of doing this is to increase their potential returns. Assume a trader buys £100,000 of shares and borrows £40,000 to do so. The shares go up by £6,000, they sell the lot and repay the loan. They are left with £66,000, a gain of 10% on the total capital they personally invested (£60,000), even though the share price only went up by 6%. Of course, it works the other way as well: a 15% drop in the value of the shares would mean that the trader has lost 25% of their capital.

The concept of using debt to fund part of an investment is known as gearing or leverage, but the specific practice of using money provided by a broker is known as buying on margin. The collateral that a trader must provide to protect the broker against credit risk (ie, the risk that they won't pay back their debt) is known as the margin, and the amount borrowed is the margin loan. In our example, the trader has put up £60,000 in margin and has a margin loan of £40,000. In reality, the collateral is not always new cash paid into the account: the trader may be able to borrow against other stocks.

The amount of margin needed depends on industry regulations, the broker's own policies, and the asset being traded (trading volatile small stocks needs more margin than trading stable large ones). Exchanges for trading derivatives such as futures set their own margin requirements and may raise these when volatility rises.

The amount of collateral the trader needs to have before starting a trade is known as initial margin. The minimum value of collateral that must then be kept while the position stays open is the maintenance margin. If the value of the collateral drops below the maintenance-margin requirement, the trader must pay in more collateral or their position will be closed. The demand for more collateral is known as a margin call.

Guru watch

Jeremy Siegel, professor of finance, University of Pennsylvania

"You cannot ignore the supply of money when you talk about inflation. The Fed must pay attention to the supply of dollars it is putting into the economy," Jeremy Siegel, the almost invariably bullish author of *Stocks for the Long Run*, tells Advisor Perspectives. The pandemic has permanently reduced the supply of workers in many industries in the US; combine that with the "classic monetary, demand-pull inflation" caused by unprecedented central-bank policies and you have a recipe for sustained inflation.

Fed chair Jerome Powell is way behind the curve

"We are going to have a cumulative inflation of 20%-25%... [over] a period of three to four years."

The US Federal Reserve is "way behind the curve" and will be "forced to accelerate tightening greatly", says Siegel. "You can't keep interest rates at zero to 1% when inflation's going at 5% to 7%." This means "we may have to go into a mild recession for the Fed to slow spending enough" and that means there are going to be "tremors in equities".

Nonetheless, the overall US market is "fairly valued and not bubble-like", Siegel maintains. "If I had to give a target next year, it is 5,000 for the S&P 500." (The index is currently around 4,600.) Value stocks should do well. "People are going to be searching for yield that's inflation protected." Similarly, he is still moderately bullish on real estate. "In an inflationary environment, people want to buy real assets and homes are the quintessential real asset. We've already seen a 20% increase in house prices. We could see another 5% or 10% increase."

Small-cap funds with big potential

Two trusts concentrating on US tiddlers offer excellent long-term value

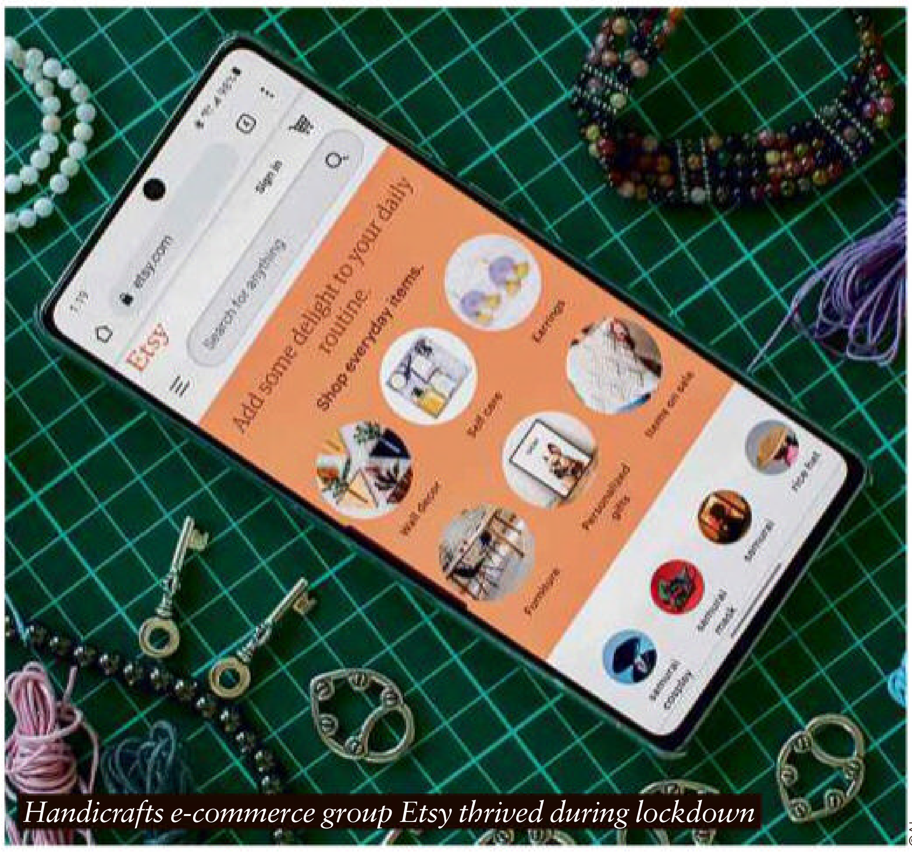
Max King
Investment columnist

America's S&P 500 index is widely held to be in a bubble, or at least very expensive. But when it comes to medium-sized and small companies, it's a different story. The forward price/earnings (p/e) ratio of the S&P 400 MidCap index is just 16.9 and that of the S&P 600 SmallCap index a mere 15.8, both in line with their 20-year averages. Given the historic record of small-cap outperformance over large caps, this makes US small and mid caps compelling value.

Catching up with a rival

The better-performing of the two investment trusts specialising in this area has historically been the **JPMorgan US Smaller Companies** (**LSE: JUSC**) with a five-year investment return of 86% and £300m of net assets. But its rival, the **Brown Advisory US Smaller Companies** (**LSE: BASC**) with £190m of assets, has outperformed it over one year and is now close behind over five. BASC's management was moved from Jupiter earlier this year and an improvement is already discernible. Chris Berrier, the new manager, took over on 1 April and quickly aligned the portfolio in line with the Brown Advisory US small-cap growth fund. This has led to a marked improvement in performance in absolute terms (5.5% in six months), relative to JUSC (1.4%) and compared with the Russell 2000 index (1.8%).

In the 15 years that Berrier has been lead manager of the $8bn US small cap fund, it has delivered a compound annual return of 11.6%, nearly 4% ahead of the Russell 2000 index. He is confident that returns in the low double-digits can be maintained through a strategy of investing in quality companies with durable, above-average growth, but avoiding early-stage companies with no earnings. There are no borrowings to enhance returns, but Berrier expects to introduce these opportunistically. The portfolio has 77 holdings, none worth more than 4% of the total, with significant tilts towards healthcare (26% of the portfolio) and information technology (25%) at the expense of financials and property (2% each). Companies with a market value of $1bn-$2.5bn "are in the sweet spot", with Berrier looking to exit when they reach around $15bn. This resulted in the recent sale of Etsy, the handicrafts e-commerce company and a classic beneficiary of lockdown.



Handicrafts e-commerce group Etsy thrived during lockdown

©Alamy

It also resulted in "my biggest mistake – the premature sale of Salesforce.com". Berrier is refreshingly open about mistakes. "We have become more aggressive at selling disappointing performers where the thesis hasn't work as expected," such as Vimeo, which offers software tools for content production. When the thesis does work, investments will be held for ten years or more, so annual portfolio turnover is not much over 30%.

Cashing in on child care

A classic example is Bright Horizons, which operates around 1,000 pre-school nurseries and child-care centres, including a growing number in the UK. Berrier believes that it is in a strong position to acquire single-facility operations from those less able to withstand disruption, cost inflation and staff shortages, or handle safety and security issues.

Workiva, another top-ten holding, offers software-as-a-service to help companies comply with the remorselessly rising burden of regulatory and reporting requirements. Market leader Workiva is locked into long-term growth.

Many of the larger US companies are household names, but few in the mid- and small-cap universe, but this is no reason to ignore a critical part of the world's biggest stockmarket by far. Both BASC and JUSC should be much bigger trusts, but first they need to attract investors' attention. With BASC's shares trading at a 12% discount to net asset value compared with 5% for JUSC, it looks the better bargain. But both represent great long-term value.

Activist watch

Activist investor Mantle Ridge wants to overhaul US discount retailer Dollar Tree's board, says Reuters. Mantle Ridge owns a $1.8bn stake and has nominated 11 people to Dollar Tree's 11-member board after a prolonged period of underperformance. The activist also said it wanted the company to hire Richard Dreiling, a former CEO and chairman at rival Dollar General, which Dollar Tree has now promised to do as part of a settlement deal with the activist. Dollar Tree called the attack on its board "unwarrantedly aggressive". Dreiling's involvement could be a "game-changer", say analysts. He was behind Dollar General's turnaround between 2008 and 2015. Sales doubled in that period.

Short positions... exchange-traded funds' record inflows

Exchange-traded funds (ETFs) have enjoyed record inflows of $1trn this year, says Michael Wursthorn in The Wall Street Journal. They exceeded the threshold at the end of November, surpassing last year's total of $735.7bn. The global ETF asset market is worth $9.5trn, twice its value at the end of 2018. Asset managers Vanguard, BlackRock and State Street control over three-quarters of all US ETF assets. Interest in tracker funds was boosted by "a lack of high-yielding alternatives" and rising stockmarkets; the S&P 500 has gained 25% this year. Over half of the record 380 ETFs launched in the US in 2021 are actively managed, with managers seeking to launch funds in areas "not already dominated by the industry's juggernauts". Asset manager VanEck has just launched an ETF following the food industry, while Tuttle Capital Management launched its FOMO ETF ("fomo" stands for fear of missing out), which targets stocks popular with individual investors.

The US Department of Justice is launching a large-scale criminal investigation into short-selling by hedge funds and research firms, says Reuters, "scrutinising their symbiotic relationships and hunting for signs that they improperly coordinated trades or broke other laws to profit". The investigation is looking into how hedge funds use research to set up their bets. Several stocks, including popular short targets such as Luckin Coffee and Banc of California will be investigated, along with a dozen funds, although they have not been named. In the past year or so, some retail investors have launched counterattacks by coming together to buy shares in popular short-selling targets to bolster their prices and inflict losses on the bearish hedge funds.

18+

WHAT IS AVAXHOME?

Xi cracks down on his central bank

Lingling Wei
The Wall Street Journal

The People's Bank of China (PBoC) has never been politically independent, says Lingling Wei. Top-level state approval is needed before making big decisions – on interest rates, for example. Nevertheless, it has enjoyed a "special status" and has worked "for years to establish credibility among investors, at home and abroad". Now, as Chinese president Xi Jinping tries "to curb capitalist forces" and his "discipline inspectors" seek to ascertain whether regulators such as the PBoC have been "negligent" in fending off risks posed by private companies such as Ant and Evergrande, that work risks being undone. Of the 25-odd key financial institutions now being targeted by Xi, the PBoC is "arguably the most consequential". As Eswar Prasad, an economics professor at Cornell University and former China head of the International Monetary Fund puts it, the "modest amount of operational autonomy" it had carved out to push forward financial liberalisation is now under threat. Xi's inspectors have recently been delivering party lectures across the central bank. The clear message, according to one attendee, was that "whatever macro-policy discipline the central bank tries to maintain would be secondary to the need to deliver what the party leadership asks".

Free India's banking revolution

Andy Mukherjee
Bloomberg

"No deposit-taking institution in the world is trusted more by savers and enjoys bigger cachet with investors than HDFC Bank," says Andy Mukherjee. This has bred complacency and enough slip-ups to earn India's biggest lender a recent "regulatory slap on the wrist", but it is the "new breed of digital rivals" that is most likely to keep it on its toes. Indians now pay and receive 7.7trn rupees (£76bn) a month via apps running over a shared public network. About 20% of online payments are being collected by merchants keen to use their sales data to get working-capital loans. Those loans are still supplied by traditional banks, which retain their "stranglehold on savings" – yet when it comes to receiving money, the leader is Paytm, a digital firm that isn't allowed to function as a proper bank, has limits on deposits and can't make loans. This must change. India's licensing regime has "fallen behind technological innovation", stifling firms and creating a "regulatory vacuum". Updating it would force legacy banks to raise their game and reveal a clearer path to profitability for fintech. "Small businesses will get cheaper credit, and savers won't be left at the mercy of blackmailers masquerading as lending apps."

Big tech can learn from meerkats

John Thornhill
Financial Times

Metcalfe's Law, which states that the "systemic value of compatibly communicating devices grows as a square of their number", has been widely cited as justification for pouring billions into firms such as Google, Airbnb and Facebook, says John Thornhill. However, in practice this is often "nonsense" (as Robert Metcalfe himself acknowledged), not least because no two networks are the same and the value of individual connections varies. Andrew Chen, author of *The Cold Start Problem*, thinks that studying animal populations such as meerkats may be a more helpful way to look at the "life cycles of networks". Too small a mob and meerkats are "easily picked off" by raptors; too populous and food runs out. Compare this with Uber, which has reached critical mass in most markets and is now nudging up prices to recoup its massive investments and preserve its services. Regulatory raptors may come for it, too. It risks "over-eating". Networks can also saturate their markets and become inefficient. Bad actors can hijack them (witness the cost to Facebook of removing toxic posts). Metcalfe's Law still provides useful insight into networks' value, but it fails to reflect how "difficult and costly it can be to sustain them".

Musk's self-serving view of subsidies

Fareed Zakaria
The Washington Post

When someone as "staggeringly rich and intelligent" as Elon Musk talks, we listen, says Fareed Zakaria. "Alas," his remarks last week about US president Joe Biden's spending plans were "self-serving and ill-informed". His argument for abolishing subsidies isn't surprising: Tesla "outgrew" the tax credit on electric vehicles long ago, Biden's bill adds credits for manufacturers that use unionised labour (which Tesla doesn't), and the federal subsidies to build charging stations erode one of Tesla's "key advantages" (it already owns thousands). More generally, it is ironic that Musk so opposes government spending since Tesla, SpaceX and SolarCity have benefited from "all kinds of subsidies and tax credits" and probably wouldn't exist without them. Additionally,if these were eliminated, green energy would suffer the most (in 2016, the sector received nearly 50% of federal energy subsidies while generating around 12.5% of US energy). Finally, his comments on the budget deficit contradict the evidence: the US has been able to run "massive deficits" over the past 30 years and keep interest rates down. Infrastructure spending is vital and there is "no serious argument against it" when the cost of borrowing is "essentially zero".

Money talks

"I am not good with money. I started over five times from zero because my personal life has sometimes been a mess. Build another home, buy another bed, c'est la vie. I always help my family, my friends. When somebody has no telly, I buy one."
Opera singer Angela Gheorghiu (pictured), quoted in The Times

"When our first child wasn't sleeping, we hired a night nanny. If money can buy you one thing, it can buy you a good night's sleep."
Comedian Josh Widdicombe, quoted in The Daily Telegraph

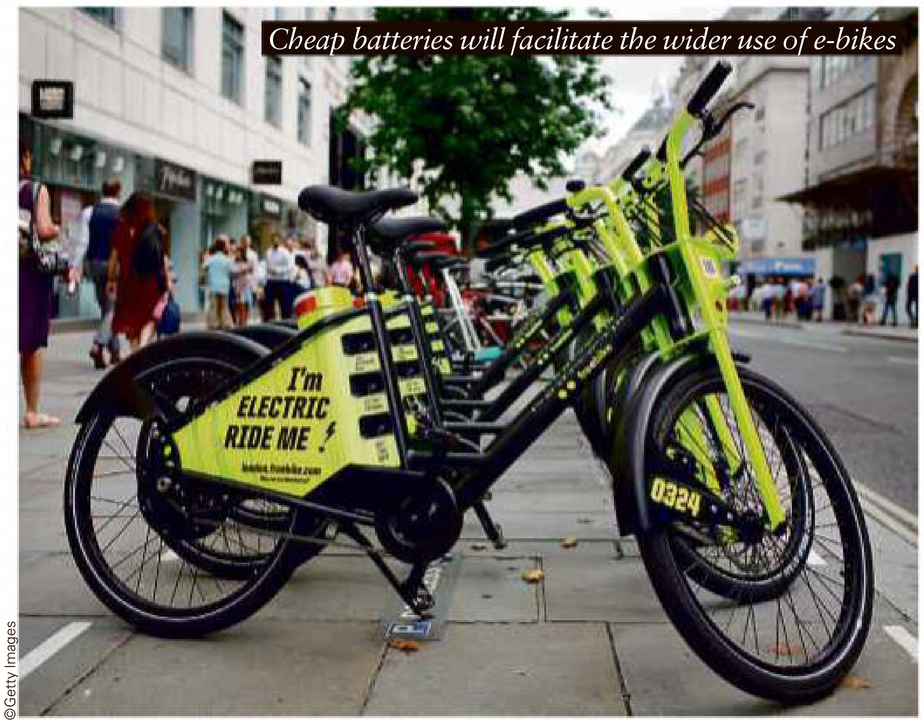
"You can't live a Champagne life on a lemonade budget. You need to have the money in the bank."
Andy Barwell, who owed £35,000 before getting help from a debt charity, quoted on the BBC

"No, Santa Claus does not exist. In fact, I would add that the red of the suit he wears was chosen by Coca-Cola exclusively for advertising purposes."
Sicilian bishop Antonio Staglianò, in a communion speech to children, quoted on CNN

"I've saved £5,000 or £6,000 a year since I gave up hash five years ago… I read somewhere that I spent £2m on drugs — there's no way. It sounds good in rock and roll mythology. I was always a weedy fella and was frightened of drugs. It was only when I began drinking that I started taking coke."
Francis Rossi, co-founder and lead singer of Status Quo, quoted in The Sunday Times

"Why should [doing the Smurfs movie] be demeaning? [It] was only a few days of my life, and I got paid a vast amount of money."
Actor Alan Cumming, who provided the voice for a character in the 2011 children's film, quoted in The i newspaper account

Get set for the roaring 2020s



Cheap batteries will facilitate the wider use of e-bikes

©Getty Images

noahpinion.substack.com
It has been a rocky start to what some predicted would be the "Roaring Twenties", says Noah Smith. Covid-19 is still weighing on growth. Remote working was supposed to herald a new era of productivity, but many companies have grown sceptical and are "now demanding that workers return to their desks". Nevertheless, "I'm still massively optimistic for the decade ahead".

The energy revolution
The energy shocks of the 1970s ushered in a long period of stagnation. With countries unwilling to shift to nuclear (despite its evident benefits), innovation shifted away from the physical and into the digital realm. But now "staggering cost declines" for wind and especially solar power mean renewables are "ready for prime time". Renewables are intermittent, but batteries will solve that problem by letting us store energy when the sun doesn't shine: costs have fallen by 90% over the past decade, with more declines expected.

Cheap batteries open the way to everything from the ongoing electric-car revolution to e-bikes, and the ever wider use of drones and robots across society. There has also been "a massive explosion of funding and start-ups" in fusion power. "The old joke that fusion is always 30 years in the future is just about played out."

Biotechnology
Biotech is off to a flying start after beginning the decade with mRNA vaccines against Covid-19. The technology can be applied to everything from malaria to some cancers. Advances in synthetic biology, gene editing, stem cells and computing power are opening up new ways to treat disability and ageing. Take neurotechnology, where brain implants allow some blind patients to see, or gene synthesis, which might help us to develop new antibiotics. "We are finally starting to access the source code of humanity – to gain the ability to hack and rewrite ourselves."

AI, nanotech, space
Meanwhile, advances in artificial intelligence (AI) mean robots will start to fill many of the repetitive service-industry tasks, helping to end the productivity slump. Nanotechnology could "transform chemical engineering and materials science". The rise of the private space industry means even the final frontier is back in play after decades of humanity staying stuck in low-earth orbit. We could be "at the dawn of not just one new technological revolution, but several at once… the 2020s are going to be a very cool decade".

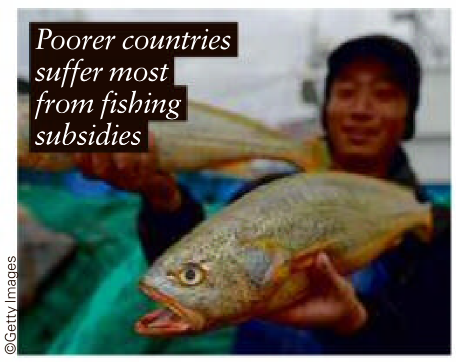
Why the supply chain broke

lawliberty.org
Everyone is talking about buckling supply chains, says Michael Rentz. But few of us see much of this vast global network, save for the "last mile" Amazon delivery drivers at the end. Every week boats as big as the Empire State Building show up at multiple ports, importing almost unfathomable quantities of goods. "A container, on average, 'changes hands' 20 times during its entire journey" from Asian factories to Western consumers as it passes through ports, customs, railways and warehouses.

Covid-19 has caused an unprecedented spike in demand for goods. The supply chain has limited capacity to keep up: space on ocean vessels is tight and there was already a shortage of road-haulage drivers pre-pandemic; even containers and the chassis they travel on have been running short. Worse, parts of the industry shut down at the beginning of the pandemic, further reducing supply. The upshot? "Imagine swallowing a giant piece of steak without chewing it." It gets stuck in your throat. "Then you take another bite without really thinking, because the steak tastes so good, and that next piece is also stuck behind the initial bite." That is essentially what has happened to the supply chain. Whether it is steak or the supply chain, the only solution is to stop guzzling and wait for the blockage to clear.

Time to stop overfishing

piie.com/blogs
"A third of the world's assessed fisheries are being pushed beyond their biological limits," says Cullen Hendrix. A key culprit is "harmful subsidies". Many governments support the fishing industry by subsidising the cost of fuel and vessel construction or by artificially propping up prices for fish. The total value of these subsidies is estimated at $22.2bn, equivalent to "14% of the total value of marine catches in 2018". The problem is especially acute in northeast Asia. Such subsidies can promote overfishing far from a country's shores, such as when "a large flotilla of Chinese vessels fished near Ecuador's Galapagos Islands" last year. In 2014, "foreign vessels caught twice as many fish" in Somali waters "as did the Somali domestic fleet". Poorer countries, which can't match the subsidies extended by wealthier ones, lose out.


Poorer countries suffer most from fishing subsidies

©Getty Images

Dwindling fishing resources can also increase geopolitical tensions, most dangerously in the East and South China Seas. Thankfully, the World Trade Organisation (WTO) "may be closing in on a deal" that would ban subsidies for deep-sea and distant water fishing. "It's a deal well worth making."

How to destroy a currency

mises.org
What stops government-issued fiat currency from being worthless paper? asks Daniel Lacalle. The willingness of the private sector to accept it as a means of payment and a store of value. If a currency is not backed by reserves and has no real demand you get Cuba, where inflation is running at 6,900%. "The value of the currency… is not decided by the government. It is decided by the last private-sector agent who accepts the promise of payment because they assume that it will maintain its value." A banknote is a promise by the central bank to pay the bearer on demand. If the private sector no longer trusts that promise, then the state is essentially a debt issuer that has lost credibility. If more of these notes are printed than there is demand for, then "the effect is the same as a massive default". People are impoverished through high inflation and the currency stops being money. Those who argue that the state can just print the money it needs to finance spending and then require the private sector to accept it "should… receive their salaries in Argentine pesos".

Invest in Chile, Disney and silver

Our writers' top tips for 2022 include an online electricals retailer, an Indonesian car dealership and a gold miner

Richard Beddard

Marks Electrical Group (Aim: MRK) listed on the stockmarket in November. Barring one set of half-year results, we have learned little about it since – except the share price has risen by 10%.

The company's flotation allowed owner and founder Mark Smithson to cash in nearly 30% of his shares at a propitious time. The company sells cookers, refrigerators, washing machines and televisions, and for substantial periods competitors such as Currys and John Lewis had closed their retail stores due to lockdowns. Almost all Marks Electricals sales were made online.

An internet-sales boom coupled with a shortage of supply drove profitability to remarkable levels. So we must be cautious about the firm's immediate prospects. Although Marks Electrical anticipates revenue growth of 35%-45% in the current financial year, profit margins will fall now that rivals' stores have reopened. My back-of the-envelope forecast suggests, conservatively, that the shares may be trading on a multiple of 27 times the profit it might earn in 2022.

That is quite a price tag, but over the long term Marks Electrical believes it can increase its market share from 1.5% to 10%. One reason is that it is almost completely unknown, something it plans to change by spending more on advertising. Another is that it is a simpler, more coherent business than its rivals. A focus on premium brands of bulky electricals means the value of each lorry load is high, which justifies the expense of owning its own fleet staffed with trained installers who are incentivised partly by customers' ratings.

Vehicles are maintained and fuelled at its only warehouse, from which it can deliver next day to nearly all the people of England and Wales. Automated systems keep prices keen without undercutting rivals because it sells itself on service – witness glowing reviews. As customers move their spending online, Marks Electrical may well be a better long-term bet than the alternative, bigger but less focused AO World.

Jonathan Compton

I have been a closet bear for the last three years, although always fully invested. I froze in the headlights as markets imploded during the initial pandemic-induced slump, then was almost as inert as they rebounded.

But the net result of doing very little has been yet another year of wholly undeserved good returns. Now I am creeping out of the closet, yet staying invested as I expect to sell a good-sized business for cash in 2022, making me about 33% liquid. Otherwise, I would be actively top-slicing. The primary skill I intend to sharpen is how to short indices.

My mood is increasingly defensive, to which the standard response is to buy bullion (where my current exposure is small), but I prefer the gearing offered by large, listed mining companies. Hence my tip is

"As an ecowarrior and a serious tree planter I am embarrassed to be tipping a mine – but it's a safe, easy buy"

©Alamy

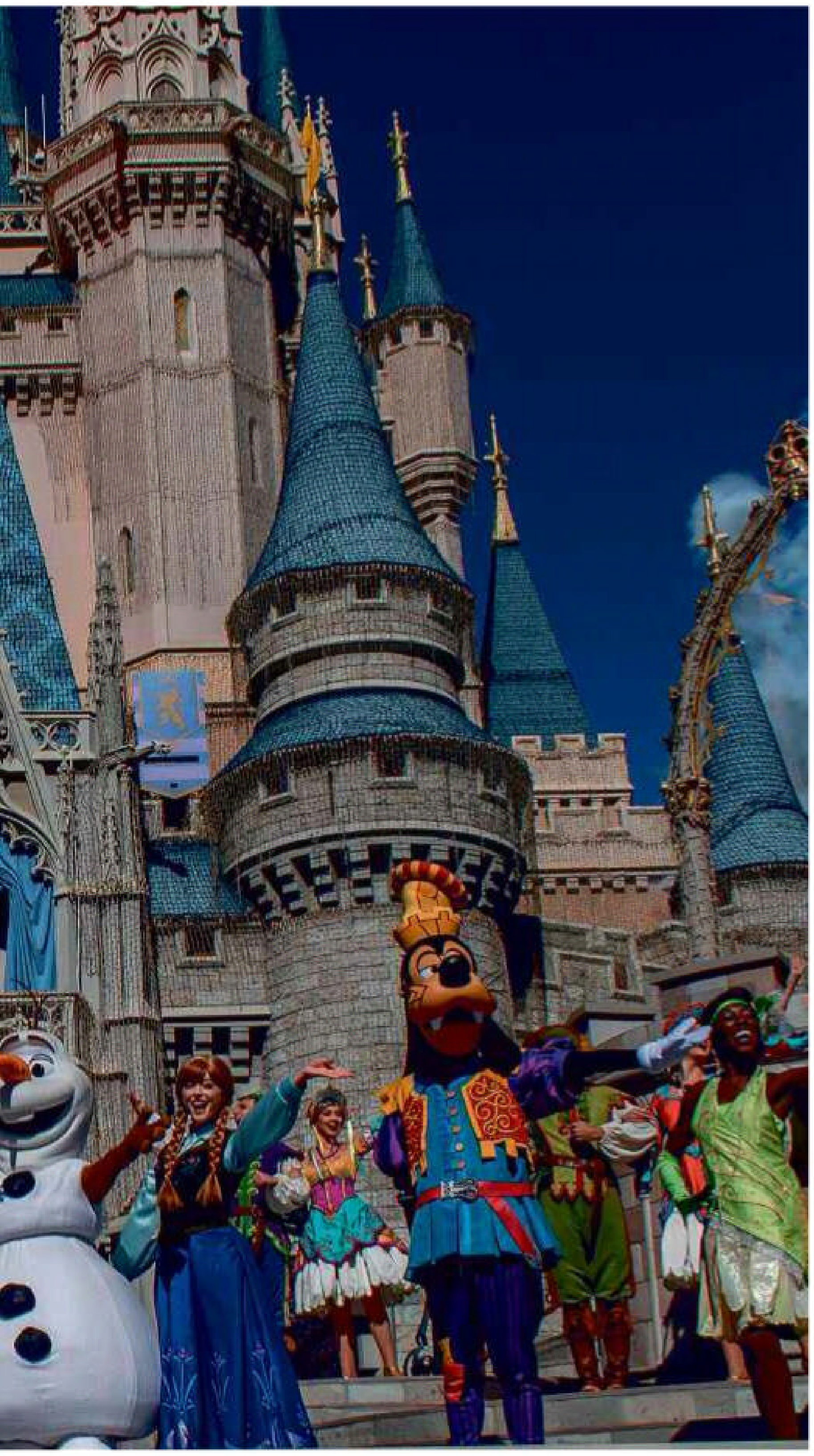
Disney's theme parks made up 40% of overall sales before the pandemic

Fresnillo (LSE: FRES), the world's largest silver miner, producing around 55 million ounces (oz) along with 760,000 oz of gold per year. Listed in London, it has five large and two small mines in Mexico, with a giant new project coming onstream from 2022. For Fresnillo the costs of mining silver and gold are low at $14 and $935 per ounce respectively (the metals sell for $22 and $1,780), so profit margins are fat. Ore reserves are enormous.

The stock has lagged the FTSE All Share index and the gold price over the past five and ten years, which is why I am bullish: it is a contracyclical, defensive and cheap investment with little debt. It is on a 2022 price/earnings (p/e) ratio of 14 and yields 3%. As an ecowarrior and serious tree planter I am embarrassed to recommend a mine. Moreover, if you are bullish then ignore me. Otherwise, it's a safe, easy buy.

Stephen Connolly

I highlighted entertainment giant **Walt Disney's (NYSE: DIS)** shares in February 2019 at $111; by March this year they had nearly doubled to a $202 peak. They've since slid to $153, down 16% this year versus a 24% gain for the overall market, making them attractive again. Covid-19 clearly worries investors as Disney's theme parks and attractions are all about socialising.



They made up nearly 40% of sales before the pandemic. However, the sharpest share-price slide was in November 2021 after weak annual results. Analysts thought the hugely successful Disney+ streaming service launched two years ago would reach 125 million subscribers in the year to 30 September. But it fell short with 118.1 million – still a 2.1 million increase. Some linked the jitters to the retirement of highly respected CEO Bob Iger (see page 29).

New CEO Bob Chapek inherits Iger's savvy deals: he bought the Star Wars studio, top animator Pixar, superhero powerhouse Marvel and the Twentieth Century Fox library. Films such as *Spiderman* and *Eternals* are breaking box-office records, and follow previous Disney mega-hits *The Avengers* and *Black Panther*. Disney is still targeting between 230 and 260 million subscribers by 2024. Big-screen blockbusters will attract them, helped by television tie-in chart-toppers such as *The Mandalorian* and *Loki* from Star Wars and Marvel respectively. Key to streaming success is content: Disney has committed $33bn to new material this year.

Meanwhile, it's a question of when, not if, we start to put Covid-19 behind us and see travel and leisure return. Theme parks have already been quick to respond and we will see this again as news improves in 2022. As big content spending ramps up, economies reopen and blockbusters keep smashing box offices, Disney's shares will test their recent highs.

Dominic Frisby

I am going to do something stupid with my tip for 2022 and recommend a gold miner. The reason is that I think it will be taken over. Among the majors, there has been something of a pick-up in takeovers in the last few months: Agnico Eagle merged with Kirkland Lake Gold, Newcrest acquired Pretium Resources and then last week Kinross Gold bid for Great Bear Resources.

No wonder. To discover and develop a ten-million ounce resource in a safe jurisdiction takes ten years or more and costs over half a billion dollars. Yet thanks to the ongoing bear market, exploration budgets have been slashed. So the majors, in order to replace mined reserves, are trying to acquire developers and early-stage producers in safe jurisdictions. The spotlight, specifically, seems to be on the safe, mining-friendly jurisdiction that is Canada .

But there just aren't that many "elephant" (super-large-sized) deposits left. In Canada there are five: Treasury Metals, Sabina (nine million oz), Artemis (eight million oz), Marathon Gold (five million oz) and, my pick, **Moneta Gold (Toronto: ME)**, formerly Moneta Porcupine Mines, which has 8.4 million oz. The current bid for Great Bear will see it effectively taken over at somewhere between $150 and $250/oz (its resource-estimate will be published next year). With a market capitalisation around C$150m, Moneta is effectively priced at US$15/oz. The resource update scheduled for early next year should see the figure rise to ten million ounces. Then we will see a preliminary economic assessment that should give it another boost. US$50/oz, or even $100, is not so unrealistic a target.

Moneta has been a dog for years, but the old management is gone. The new team wants to add ounces, realise value and move on. This could all happen next year. There are any number of potential suitors. Even in a falling gold-price environment, this dog of a stock could finally yap.

"Big miners are trying to acquire early-stage producers to reduce exploration costs"

Cris Sholto Heaton

Last December I said it was time to buy beaten-down value stocks that should benefit from a broad-based recovery. That idea hasn't fully worked out, largely due to the new-variant scares, but I'm doubling down on the same theme.

Jardine Cycle & Carriage (Singapore: C07) is the main Southeast Asia subsidiary of the Jardine Matheson conglomerate, which owns 75% of the shares. The firm's key asset is a controlling stake in Jakarta-listed Astra, the largest Indonesian vehicle and motorcycle dealership. Other interests include motor dealerships in Singapore, Malaysia and Myanmar, as well as non-controlling stakes in various businesses in Thailand and Vietnam, but this is principally a play on Indonesia, with Astra accounting for around 70% of profits.

On a share price of around S$21, Jardine C&C trades on a trailing p/e of just over 13 and a yield of 3.2%. Consensus estimates for this year's earnings put it on a forecast p/e of 8.5. That might be too optimistic in the short term, but an eventual return to something close to pre-crisis earnings per share (S$2.23/S$3.04) would put it on a p/e of less than seven (and a yield of 5.6% if the dividend is restored to pre-crisis levels).

The caveat is that Jardine C&C has been getting cheaper for a few years. Investors have lost interest in Southeast Asia, conglomerate components often trade

Continued on page 22

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at a discount and there is likely to be a rights issue at some point to pay down debt used to buy some of its minority stakes. Still, it was on \$30 as recently as early 2020 and it doesn't seem a stretch to expect it to get back there eventually.

My recovery tip last year was Hong Kong-listed clothing retailer Giordano, which is up a slightly disappointing 23%. However, it has turned profitable once again, has a solid balance sheet and paid a 9% dividend yield in 2021. I continue to hold.

Max King

Syncona's (LSE: SYNC) shares are 25% below their late-2018 peak and down by 18% year-to-date. But a recent rally should signal better times ahead. The biotechnology sector has fallen out of favour.

Syncona's products, which looked so exciting three years ago (and still do) have had to undergo the long process of clinical trials, in some cases delayed by the pandemic. Investors have got bored, both with Syncona and with its two listed investments (Autolus and Achilles Therapeutics), whose share prices have also been weak. Syncona had to push through a refocusing and management changes at Autolus, which has since secured new investment, while its treatment for adult leukaemia is progressing well.

Achilles is also said to be performing well, with ample cash. There are now 12 investments in all with five of them at the clinical-trials stage; this figure is expected to climb to eight by the end of 2022. New investments are steadily reducing the cash pile, now £535m, and increasing the potential of the portfolio, now valued at £618m.

The changes made at Autolus and the abandonment of two early-stage investments show that Syncona is not afraid to take action and cut its losses or bring about necessary change. Inevitably, not everything has worked as originally planned, but now the flow of good news should strengthen. Syncona's target is a portfolio of 15-20 globally leading healthcare companies, invested in as start-ups, but with significant ownership retained until at least product approval. 2022 should bring that objective a lot closer.

John Stepek

Last year I opted for fund manager **Man Group (LSE: EMG)**, based partly on the view that it was cheap, and also that it might benefit if sentiment towards active fund management improved even slightly. This year, the group has benefited from the flood of money that has rushed into markets, hitting a record \$139.5bn in assets under management as of 30 September this year. The share price, meanwhile, has risen by around 65% in the past year, which isn't bad at all for a FTSE 250 stock. I own a bit of Man Group, so what would I do with it now? Despite the sharp rise – and my concerns that markets will have a rougher ride next year – I'd hang on. Money is still flowing into markets, Man Group should be able to attract a good chunk of that by offering "alternative" strategies to institutional investors looking to diversify in complex ways, and the stock still looks well priced. The dividend yield is just under 5%, and the company also recently launched a \$250m share buyback.

So what about this year? Over the past year, markets have done what they always do – confound expectations. Inflation made a comeback, despite the relentless protestations of central banks and many economists that it was "transitory". Central banks eventually had to drop that description after it became apparent that their definition of the word was embarrassingly at odds with everyone else's.

However, despite the surge in inflation, it's also quite clear that markets aren't yet convinced that it's here to stay, partly because new coronavirus variants keep triggering fears of another slowdown, and partly because of concerns about Chinese economic growth. As a result, some of the stocks that you might expect to be beneficiaries of an inflationary environment – commodity producers – have been among the weakest relative performers this year. **Rio Tinto (LSE: RIO)** is down about 11% on the year. Its fellow mining major **BHP Billiton (LSE: BHP)** is up about 8%, but has still lagged the wider FTSE 100. I believe this situation could well turn around in 2022 and in the meantime, Rio yields more than 10% ,while BHP is on more than 8%. That's too tempting for me to pass up.

David Stevenson

One of the interesting features of the new German coalition government is that the three governing parties have committed to ensuring that the European carbon price stays above €60 per tonne. That's as clear a message as there can be that governments are going to need to work out some way of making the market price of carbon move higher, partly to penalise polluting industries and partly to provide revenues to fund new emissions-reduction technologies.

That all bodes well for my idea, which is to buy into a carbon-price tracker. There are two exchange-traded products that track the EU's carbon-emissions price: **Wisdom Tree Carbon (LSE: CARB)**, which invests in futures based on the carbon price, and the **HanETF SparkChange Physical Carbon EUA ETC (LSE: CO2)**. This newer product invests in physical contracts and thus avoids some of the challenges of putting money to work in futures-based contracts.

Whichever fund takes your fancy, to me it is clear that the price of carbon needs to increase drastically, certainly beyond \$100 a tonne and probably much higher. If we're going to make the targets set at COP26, then frankly we have no other choice and the new German government knows it. The ride will be bumpy, as with all commodities, but the direction of travel is clear over the next decade.

I also like these trackers because they have a direct measurable impact and are not vulnerable to the charges laid against most environmental, social and governance (ESG) funds of greenwashing and pointless gesturing without measurable impacts. And also, hopefully, these trackers might provide some diversification benefit for investors as part of a balanced portfolio.

"All three parties in Germany's coalition have committed to keeping the price of carbon above €60 a tonne"

Mike Tubbs

Last year I recommended SDI Group (Aim: SDI), the scientific-instrument company, at 104p and it has recorded an excellent 85% rise to a recent price of 193p compared with the FTSE 100's gain of 11.7%. This year I am recommending another high-tech Aim company. **Solid State (Aim: SOLI)**, which celebrates its 50th anniversary this year, is a designer and manufacturer of components and assemblies for the electronics industry.

It specialises in ruggedised computing, battery-power solutions, antennas, secure-radio systems and

displays for harsh environments. Customers are drawn from sectors such as defence, aerospace, environmental, oceanographic, medical, life sciences, and oil and gas.

Solid State's results for the year to 31 March 2021 showed that sales slipped by only 1.6% to £66.3m from the previous year, while 2020-2021 saw record profitability, with earnings per share (EPS) up by 16% and the dividend rising by 18%. In March 2021 the group made two substantial acquisitions that strengthen its capabilities and both will be earnings-enhancing in the first year.

The first is Willow Technologies, which makes electro-mechanical sensing and switching components. It will strengthen Solid State's offerings to the electric-vehicle, green technology, military and medical markets and provide added penetration of the US market. The second is Active Silicon, with expertise in high-performance digital imaging, which will complement Solid State's opto-electronic and computing capabilities.

The interim results of 7 December highlighted strong first-half trading with revenue of £39.4m, contributions from acquisitions above expectations, net debt of £1.9m and a record order book of £70.3m. Edison Investment Research projects sales of £78.4m and EPS of 59.8p for 2021-2022. At the recent price of 1,000p, the forward p/e is only 16.7, with a forward yield of 1.9%.

Merryn Somerset Webb

The International Energy Agency (IEA) notes that if the world wants to stay on track for net-zero emissions by 2050, consumption of oil and natural gas will need to fall by 29% and 10% respectively by 2030. That's a prospect that has fossil-fuel suppliers thoroughly spooked. The result? They are cutting exploration and production to such an extent, says Saxo Bank, that "supply is already slipping relative to demand".

We know what happens when demand runs higher than supply: prices rise (as they already have). We also know what usually happens next: producers work to push up supply and prices fall. The solution to high prices is high prices. But there's a problem this time: environmental, social and governance (ESG).

The rise of the idea that investing must be both clean and responsible increasingly means that investors and banks shy away from financing fossil fuel and mining projects. So prices may not fall back in the way one would normally expect, particularly if alternative energy sources have trouble filling the gap in the way politicians expect them to and if global energy use continues to rise every year. Both those things are pretty much givens.

This will not be the first time political rhetoric has run ahead of reality – but there will be consequences in the form of high inflation, muted growth (the history of economic growth is the history of cheap energy) and rising fossil-fuel prices. The simplest way to invest in this possibility is an exchange-traded fund (ETF). Saxo suggests the **iShares Stoxx EU 600 Oil & Gas ETF (LSE: 0MOH)**.

James McKeigue

This time last year my tip was Mexico. The country had a tough pandemic and I expected it to bounce back in 2021. I'm pleased to say that it did and the fund I selected – the HSBC MSCI Mexico Capped UCITS ETF – is up by 17.5% in the last 12 months.

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Chile looks ready to thrive in the transition to green energy

Mexico's sophisticated factories make it stand out in Latin America. In fact, the country exports as many manufactured goods as the rest of the region combined. Most other Latin American economies are far more reliant on commodities. That's often been seen as a bad thing, but as the world puts increasing emphasis on the fight against climate change Latin America's commodity curse may prove to be a blessing. All of the ambitious pledges made at the recent COP26 summit mean the world will need immense amounts of copper. And that's where Latin America comes in.

Chile and Peru are the world's largest copper producers, accounting for 44% of global output – a similar share to that which Opec, with its 13 countries, has in the oil market. Nickel, cobalt, manganese and lithium are also clean-technology metals used in electric-vehicle (EV) batteries. All four are abundant in the region, but Latin America is particularly dominant in lithium, where the "lithium triangle" of Bolivia, Argentina and Chile holds 55% of global reserves.

Another advantage is electricity. Thanks mainly to massive hydroelectric plants, Latin America has the greenest power grid in the world, with around 60% of the region's electricity coming from clean sources. That allows Latin American countries to produce energy-intensive "green fuels'", such as hydrogen or biofuel, with low-cost renewable electricity. That matters, because if you are using power from a coal-fired plant to make hydrogen then you're not really combatting climate change. In short, fighting climate change will be the big investment story of this century and Latin America is uniquely positioned to benefit.

Chile looks very well placed to thrive in the energy transition. It has world-leading reserves of copper and lithium, while its solar renewable success gives it an advantage in green hydrogen. An uncertain current political backdrop won't stop it from achieving its long-term energy potential. The best way to back Chile is to buy a local bank with wide exposure to the economy. **Banco de Chile (NYSE: BCH)** is going cheap.

> *"As the fight against climate change intensifies, Latin America's commodity curse may turn into a blessing"*

The way to make a will

Those who die without one bequeath their relatives a big headache

Alex Rankine
Markets editor

The pandemic has sparked a boom in will writing. There was a 267% rise in people making online and telephone wills with will writer Farewill last year. Yet 49% of Britons still don't have a will, says Co-op Legal Services. A survey by the Co-op reveals widespread confusion about what happens to assets if a person dies without a will (known as dying "intestate"). This is especially important for cohabiting couples that are not married (or in a civil partnership). Under the rules of intestacy, an unmarried partner gets nothing when you die. Increasingly common "blended families" also complicate planning.

Those who die without a will bequeath their relatives a headache, says James Coney in The Sunday Times. Unclear wishes can lead to "acrimony". Consider other measures to ease the burden on grieving relatives: "Write down all your online accounts and passwords in a little book and hide it away." Clear funeral instructions are also a great help.

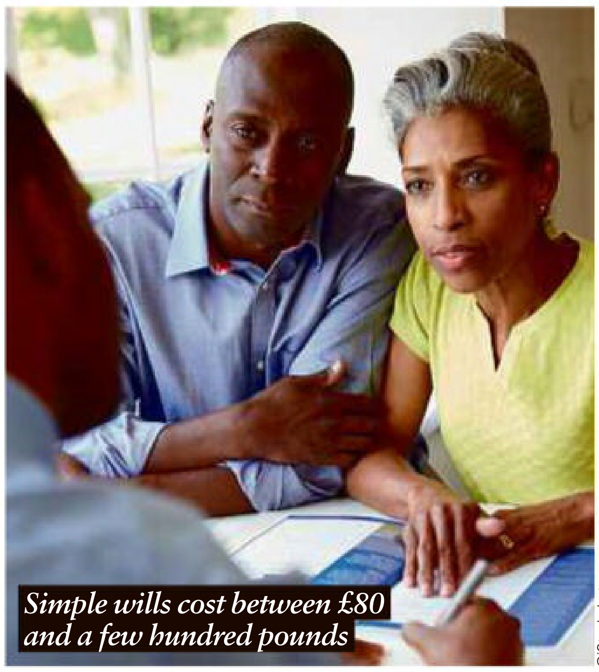
To make a legally valid will in England and Wales, you must sign it in the presence of two witnesses, who then also sign. The witnesses and their married partners cannot be beneficiaries of the will. Review your will every five years or after major life changes such as a separation or moving house. To amend a will you can either add a codicil (also with two witnesses) or, for bigger changes, make a new one (you must physically destroy the old will).

The main mistakes people make

Common mistakes when writing a will include failing to make it legally valid, forgetting to account for everything in an estate and not factoring in the effect of marital changes or the potential death of a beneficiary, says citizensadvice.org.uk. While it is possible to make a will yourself, using a solicitor will give you peace of mind that it has been drafted properly. Establish which assets and possessions you have, and who the beneficiaries and executors will be before getting legal help. This will cut costs.

In England and Wales the witnessing can happen via videoconferencing, but this is a faff and "not without risks", says Tom Wilson of Which. Have "the will witnessed the conventional way wherever possible". Simple wills cost between £80 and a few hundred pounds. You can get a discount on a second "mirror will" for your partner if you both have the same wishes. More specialist wills, such as those that include trusts, cost at least £500 to £600.

Can you forego the solicitor? More than 150,000 people have used one of the numerous online will writing services over the past year, but beware, says



Simple wills cost between £80 and a few hundred pounds

©iStockphotos

James Daley in The Daily Telegraph. The market is unregulated, and most offer "no consumer protections if things go wrong". "Overconfidence" leaves some unaware that situations such as being divorced, having children with more than one partner or cohabiting mean more complex drafting is typically required.

Before drafting the will, talk to your family so that you have an opportunity to make your wishes clear and plan together for the future, says moneyhelper.org.uk. Emphasise that the will is "for now" and can be amended in the future if circumstances change. Make clear that the will is not about "who deserves what", but about achieving objectives such as providing for a partner or for the education of grandchildren. Your decisions may be partly based on whom you like or dislike – "but saying so won't do you any favours".

Where to find lost savings

Some straightforward detective work could reunite you with your money

David Prosser
Business columnist

New research from the investment platform Hargreaves Lansdown reveals that 60,000 people have asked the Department for Work and Pensions to help them trace lost pension savings over the past year. Good for them: the government's research suggests Britons have lost touch with £20bn worth of savings for retirement.

It is not difficult to see how people lose track of so much pensions cash. Each time you start a new job, you're entitled to join a new workplace pension scheme – for the past ten years, you'll have been enrolled automatically – so moving jobs several times during your working life will mean you end up with multiple pensions.

In addition, many people start their own plans, but then stop contributing because their circumstances change. For example, they get a job with a pension scheme attached. Then they forget about the plans or lose the paperwork. For most people, it is moving house that causes the real difficulty.

Any pension provider – workplace or personal – that you don't give change-of-address details to will no longer be able to keep in touch. Providers are meant to try to track you down, but each time you move that gets harder. And while modern communication methods should make life easier, the same problems crop up if you change your email address.

If that sounds like you, start hunting down those old pensions now. If it's a workplace pension you're concerned about, the Pension Tracing Service, a free, government-backed resource is the best place to start.

It will help you track down the pension-administration company now responsible for running the scheme you once belonged to, so that you can get in touch with this firm and be reunited with your savings. You'll need to write to the administrator to establish your claim.

Start simply, then tackle the more elusive cash stashes

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Go on a fishing expedition

Importantly, the Pension Tracing Service can't tell you whether you actually had a pension with a particular employer. But if you're in doubt – and you may have forgotten that an organisation you worked for 20 years ago, say, was deducting pension contributions from your pay – go on a fishing expedition.

Give the Pension Tracing Service the name of every employer where you've ever worked, but now have no pension records for, to get the details of each one's pension administrator. Then, for the price of a few phone calls or stamps, you can find out whether you've got a forgotten pot of pensions savings with any of them. The Pension Tracing Service can also help you track down individual pension arrangements, such as stakeholder or personal pensions, but you'll need to know the names of the businesses where you opened your plans. That can be tricky, because the large insurers that offer these pensions are continually consolidating and changing their names.

If you're stuck, the Association of British Insurers keeps a complete list of pension providers, with details of which firms are now responsible for managing the plans they once offered. Policy Detective, an independent service, may also be useful. If all this doesn't pay off, the Unclaimed Assets Register is another option. Run by the credit-reference company Experian, it allows financial institutions and companies to provide it with details of customers with savings who they have lost touch with. It's patchy – only some firms have uploaded information – but for £25, you can search the register and see if you're on it.

Know the auto-enrolment rules

Did you know that you can take advantage of the auto-enrolment pensions system even if your employer is not statutorily required to put you in its pension scheme?

The auto-enrolment scheme requires employers to enrol all their staff in a company pension scheme and to make contributions on their behalf. But there are some exceptions. Staff below the age of 22 don't have to be enrolled; nor do those being paid less than £10,000 a year.

Importantly however, these employees do have a right to request enrolment, and employers are required to say yes. This can be useful to people who are missing out because they're earning less than £10,000, but may well have a higher income overall as they have more than one job. In which case, pension contributions may be affordable – and it makes sense to secure a contribution from your employer.

Workers on short-term contracts also need to keep a close eye on the rules. These allow employers to postpone enrolment for up to three months, which can often see short-term contractors missing out on pension contributions. Make sure you know when you're eligible for membership and take advantage as soon as possible.

Suspect pension transfers face veto

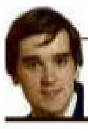
● New rules allowing pension providers and scheme trustees to veto suspect transfers came into effect on 30 November. The rules are designed to combat scams that have seen thousands of savers encouraged to give up guaranteed pension-scheme benefits in favour of less attractive schemes elsewhere, simply so that the adviser can secure a commission. In some cases, such transfers have proved to be outright frauds. Under the new rules, where pension-scheme providers have serious concerns about a member's transfer request, they will be legally entitled to refuse to carry it out.

● Tax relief on private-pension contributions cost the Treasury a record £42.7bn in the 2020-2021 tax year, new data reveals. While income-tax receipts on pensions in payments raised almost £20bn, the net cost of private pensions to the taxpayer was still £22.9bn. The figures provide ammunition for supporters of reform of pensions-tax breaks, potentially with less generous reliefs for high earners. But the data reveals that much of the relief goes to employers, for whom changes could be expensive and complex.

● The value of tax repayments made by HM Revenue & Customs to savers overcharged on pension withdrawals has reached £800m. The problem affects thousands of savers as they exploit the pension-freedom reforms to draw down money directly from their pension fund. With no limit on such withdrawals, many savers draw down large sums at retirement. But HMRC currently has no system for establishing whether these withdrawals are a one-off exercise or will be repeated, so it taxes them as the latter. Savers then have to claim back excess tax. Pension advisers suggest making one small withdrawal initially to get round the problem.

A stock worth a second ride

Coach company National Express is geographically diverse and cheap



Matthew Partridge
Senior writer

One of my most profitable tips has been coach company National Express. I suggested that you go long last October when shares were in the bargain basement. Shortly afterwards news that the Covid-19 vaccines were effective raised the prospect of an end to major restrictions, sending the stock soaring.

By the time I recommended taking profits six months ago, it had nearly doubled in price. Cashing in proved a good call. Concern that Omricon will once again deter people from using public transport has wiped a fifth off the stock since then, making it low enough to be worth revisiting.

One of the reasons to be bullish about National Express is that while it is known for the buses and coaches that it runs in the UK, it actually only derives around a fifth of its revenue from its British operation. The largest chunk of its sales, around 40%, comes from the US, mostly from providing transport to and from schools.

Not only does this mean that the return of restrictions here will have much less impact on its bottom line, but bus transport is itself a market with strong growth potential, owing to the fact that more and more school boards and states in the US are outsourcing their transportation.

Expansion on the continent

Another potential growth area is Europe, which comprises a third of revenue; National Express's Spanish subsidiary ALSA operates bus and coach services throughout Europe. It also has a growing division providing rail services in Germany.

Finally, the group is undergoing talks with rival operator Stagecoach about merging the two companies. While the way in which the resulting share swap would be carried out means that National Express would end up paying a small premium, Stagecoach's low valuation means that it would still be acquiring the assets at a very low price. National Express reckons that it could make large cost savings by eliminating duplicate infrastructure, such as bus terminals.

"Next year sales should eclipse their pre-pandemic level and set a new record"

Overall, National Express currently trades at 10.4 times 2022 earnings, which looks very cheap considering the speed of its recovery: next year's revenue is projected to surpass its 2019 level, setting an all-time record.

What's more, in the four years before the pandemic occurred, the company was growing at a rapid pace, with revenue increasing by 56% between 2015 and 2019. During the same four-year period, National Express managed to deploy its capital efficiently, producing an annual average return on capital expenditure (an important gauge of profitability) of just under 10% each year.

Taking all these factors into account, I think the company looks attractive enough to make it worth overlooking any virus-related bumps in the road and going long on the stock again at the current price of 233p, at £9 per 1p. Given the short-term market uncertainty, I would put the stop-loss at 123p, giving you a total downside of £990.

The outlook is bullish for bus transport

©National Express

How my tips have fared

The last four weeks have been good for my long tips, as five of six appreciated. Media group ITV rose from 108p to 109p, homebuilder DR Horton went up from $99 to $108 and construction firm Morgan Sindall increased from 2,370p to 2,410p.

Mobile-phone company Airtel Africa climbed from 122p to 126p, while wealth manager Rathbone Brothers advanced from 1,860p to 1,892p.

The only disappointment was supermarket J Sainsbury, which dropped from 280p to 271p. My long tips are now making an overall net profit of £4,959.

Interestingly, both my short tips moved in my favour. Cinema chain AMC declined from $36.84 to $23.24, while remote-medicine company Teladoc dropped from $105 to $93 as several analysts cut their share-price targets; what's more, the firm continues to make a loss.

Overall my two short tips are now making a profit of £1,702. None of the three pending long tips (Royal Mail, Ensign Group and JD Wetherspoon) have hit a level where you should start to go long.

I now have seven active long tips (J Sainsbury, ITV, DR Horton, Airtel Africa, Morgan Sindall, Rathbone Brothers and National Express), three pending tips (Royal Mail, Ensign Group and JD Wetherspoon), but only two shorts. Given that this makes the trading portfolio extremely unbalanced, I intend to cancel my pending long position in Royal Mail.

I am also going to hike the stop-losses on some of my longs. Airtel Africa's stop-loss rises to $85 from $80; ITV's goes up to 105p from 100p; and DR Horton's jumps to $85 from $76. Finally, the stop-loss on Morgan Sindall increases to 1,850p from 1,800p.

Trading techniques... directors' dealings

Insider trading, buying and selling shares based on information not generally available to the public, is illegal. Company executives may need to sell shares for legitimate reasons, however, such as raising cash or diversifying their portfolio. Most jurisdictions thus allow directors to buy and sell stocks under closely monitored conditions. Such sales are published by the authorities (you can find the information on many of the major share-trading websites).

Many traders believe that such "insider" transactions provide a good indication of what corporate insiders really think about their company. After all, if the CEO is dumping their shareholding, then they clearly don't think that their shares are worth holding onto. On the other hand, if they are willing to put their own money into a company, it is likely to be a sign that they are confident about its future.

However, other traders argue that there are so many legitimate reasons why company insiders could sell shares, such as to diversify their portfolio or pay their bills, that such transactions are meaningless. Since the 1980s studies have shown that insiders' purchases have a positive impact on subsequent returns. A 2011 study by the European Business School, which found that between 2002 and 2009 "high-conviction" shares in several European countries, where insiders bought shares, outperformed the market. "Low-conviction shares", where insiders sold stock, lagged the index.

A study by Florida International University and Mississippi State University in 2017, looking at US shares between 1986 and 2014, found that buy signals provided a stronger harbinger of healthy returns when several insiders bought at the same time.

Top investment trusts overlooked by the market

Two professional investors tell us where they'd put their money. Charlotte Cuthbertson and Nick Greenwood, managers of the MIGO Opportunities Trust, highlight four promising investments

The MIGO Opportunities Trust, previously known as Miton Global Opportunities, seeks to exploit mispricings in the investment-trust sector. Trusts' share prices trade at the balance of supply and demand in the open market. This can differ dramatically from the value of the underlying portfolio.

We seek out investment trusts trading at a discount to the value of their underlying investments – or net asset value, NAV – and offering a catalyst for both a rerating in the share price and an appreciation in the portfolio. This "double whammy" can produce attractive returns, especially when a particular asset class returns from a period of being out of favour.

The new China

Covid-19 will be with us for a long time, so we're looking for trusts that benefit from some of the trends accelerated by the pandemic. Vietnam is profiting as firms diversify manufacturing and supply chains away from China. The trend has brought about increased urbanisation and a growing middle class in Vietnam; an extensive infrastructure plan by the government should stimulate further growth.

We hold the **Vinacapital Vietnam Opportunity Fund** (LSE: VOF) and **Vietnam Enterprise Investments** (LSE: VEIL), both of which have excellent management teams and complement each other, with the former's focus on private equity and the latter's on public markets. These trusts trade on very wide discounts, a legacy of oversupply given the vast sums raised by Vietnamese funds in the noughties. We expect demand to rise as the positive view about Vietnam gains greater acceptance, while both trusts are shrinking supply through share buybacks.

"Vietnam is benefiting as companies diversify supply chains away from China"

A cheap inflation hedge

The **Baker Steel Resources Trust** (LSE: BSRT), which develops mining projects, is on a double-digit discount to NAV. It controls several interesting projects that could be ripe for selling or listing. One recent flotation, a tungsten mine in Devon, gave the trust's valuation a welcome fillip. It has struggled to monetise its holdings during the pandemic: due diligence has been difficult for geologists owing to travel restrictions.

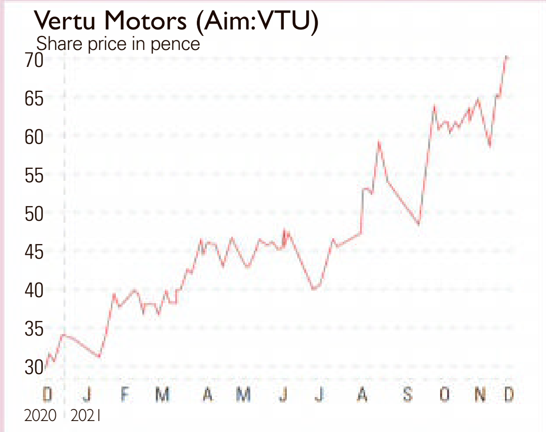
The trust focuses on metals that will be used in the electrification of the global economy. Moreover, it consists of a portfolio of real assets, which should temper concern over inflation. For now, mining finance remains heavily out of favour as the Chinese economy slows.

Georgia on our minds

We seek out unloved and overlooked situations where an investment has fallen below the radar. One such example is **Georgia Capital** (LSE: CGEO), which focuses on the Eastern European country. Its shares currently trade at around half of the latest valuation of its underlying portfolio.

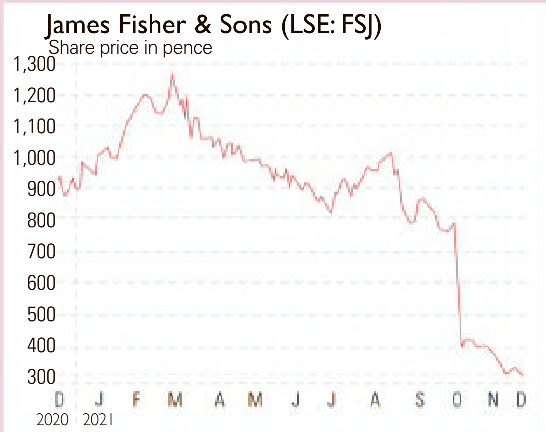
This seems to be due to complete lack of interest at a time when many frontier-market specialist finds are shutting their doors. As a result, there seems to have been constant selling of Georgia Capital's shares over the past few months.

If only you'd invested in...



Vertu Motors (Aim: VTU) is a car retailer. It has benefited from the rise in demand for new and used vehicles caused by shortages in the market, which was in turn a result of global supply-chain constraints. Vertu reported record results for the six months to the end of August, with year-on-year sales jumping from £1.6bn to £1.9bn. The company has continued to make successful acquisitions and has also completed a share-buyback programme. Dividend payments, suspended in the depths of the pandemic, have resumed. The shares have risen by 147% over the last 12 months.

Be glad you didn't buy...



James Fisher & Sons (LSE: FSJ) provides marine-engineering services to the shipping, oil and gas industries. The share price crashed to a nine-year low in October after it "sounded the alarm on profits", says the Daily Mail, and has since failed to recover. When the company reported results for the first half of 2021, it said that profits for the full year would shrink to less than £32m, far below the £40.5m it delivered last year. Clients' projects have been delayed owing to the pandemic, which has left it with holes in its balance sheet. The stock has slumped by 64% over the past year.

The man who reinvented Disney

Bob Iger is stepping down as head of the entertainment giant after 15 years in charge. He leaves a far stronger company in prime position for the future of film and television. Jane Lewis reports

Long before he became Disney's "celebrated supreme leader", Bob Iger was a humble weatherman, starting his career in 1973 at a cable station in Ithaca, New York, "doing that awkward talking-into-space thing while reciting temperatures", says The New York Times. Last week, he "went out as he came in" – marking his retirement with an unannounced star-turn in front of the weather map on an early morning KABC newscast in Los Angeles. "There is a light rain falling," he announced. "However, this is just a prelude to a big storm." Disney fans, who have largely enjoyed an enchanted period in the Magic Kingdom under Iger's 15-year watch, will be hoping there's no significance in that.

Iger's four big deals

Iger's big achievement has been to leave "a much stronger company than he inherited", thanks to four key acquisitions, says the Financial Times. In 2006, he bought Pixar Animation (*Toy Story*, *Finding Nemo*) from Apple, following that up with Marvel Entertainment and Star Wars creator, Lucasfilm. His 2019 deal to buy 21st Century Fox from Rupert Murdoch for $71bn "sealed his reputation as a master dealmaker" – not least because it paved the way for Disney's big push into streaming. The timely launch of Disney+ in 2019 not only took the battle to Netflix and Amazon, but saved his firm from catastrophe when Covid-19 struck, forcing the closure of cinemas and entertainment parks worldwide. Within 18 months, the service notched up 100 million subscribers (a feat that took Netflix more than a decade to achieve) ensuring Disney shares rebounded to record highs "even after other sources of revenue evaporated".

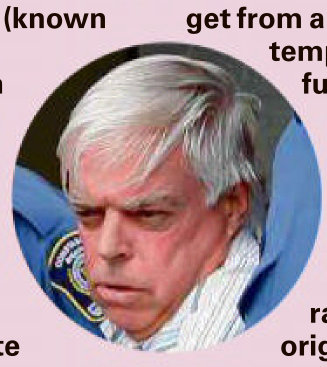
The accepted wisdom in Hollywood is that this success couldn't have happened to a better man. In a town of sharks, Iger is so renowned for his gentlemanly good manners and "honourable" dealings, that Variety dubbed him "The Cashmere Prince". The worst his critics can come up is that he has cultivated "a cult of nice". Perhaps the most inspiring thing, says the Los Angeles Times, is that no-one expected it to happen. Long "under-estimated" in the industry, few expected Iger to land the top job at Disney when his "larger-than-life" predecessor, Michael Eisner, stepped down – he was typecast as "a loyal drone". And having got the job, expectations were low. As one top Hollywood player told The New York Times: "Nobody expected Bob Iger to be Bob Iger."

Getting things done

Iger, who these days comes across as "effortlessly elegant", attributes his success to the hard work and discipline required to get on in life if you view yourself as "unexceptionable". From early on in his career, "people started relying on me because they knew if they asked me to get something done… I would get it done".

That sense of obligation and "*sang-froid* when things go wrong" dates back to his childhood, says The New York Times. Born in 1951, to a Jewish family in Oceanside, Long Island, his father – a trumpet player who became an advertising executive – suffered from "dark moods". Bob's role as the oldest son, as he relates in his memoir, *The Ride of a Lifetime*, was to be "a calming influence in the house". As a teenager, he worked as a stock boy in a hardware store, and later as a janitor for his school district. When he started in TV, he dreamed of being the next Walter Cronkite, but "was something of a flop, lasting only a year", says The New York Times. He took an executive job with ABC, rising steadily up the ranks – a trajectory that continued when ABC was bought by Disney in 1995. Within ten years, he landed the top job.

Great frauds in history… *Earl Jones' 20-year Ponzi scheme*



Bertram Earl Jones (known as Earl) was born in Montreal in 1942. In 1963 he began working at Montreal Trust, in various departments including investment management, estate planning and the mortgage department. In 1979 he set up his own (unregistered) financial advice business, giving free financial seminars to local people in order to identify potential investors. He also targeted the trustees of estates that were being liquidated, offering them interest rates that appeared to be much better than they could get from a bank if they temporarily deposited funds with him.

What was the scam?

Little or none of the money was actually invested. For at least 20 years, Jones ran a Ponzi scam: the original investors were repaid from the money that came in from those clients who joined later. In order to increase the amount of money further, Jones took out additional loans from lenders by falsely claiming that they would go to those who were due to inherit large sums of money from estates that were in the process of being settled. By the mid-1980s, Jones started to systematically divert a portion of the money from clients' accounts to fund his lifestyle.

What happened next?

Initially, Jones' record of paying large amounts of interest regularly ensured that enough cash flowed in to enable the fund to keep running. However, over time, the amount of money left to make payments started to dwindle. Even though he mortgaged some of his properties and took money from his brother in an attempt to keep the scheme afloat, the cheques he wrote to investors started to bounce, causing them to complain. Facing ruin, he briefly disappeared, before surrendering himself to police. In 2010 he pled guilty to fraud and was sentenced to 11 years. After deducting fictitious interest payments, net losses were estimated at around C$36m (£21m at current exchange rates). Following a legal battle with RBC, where Jones had his account, the bank agreed to pay investors around 50% of their losses.

Lessons for investors

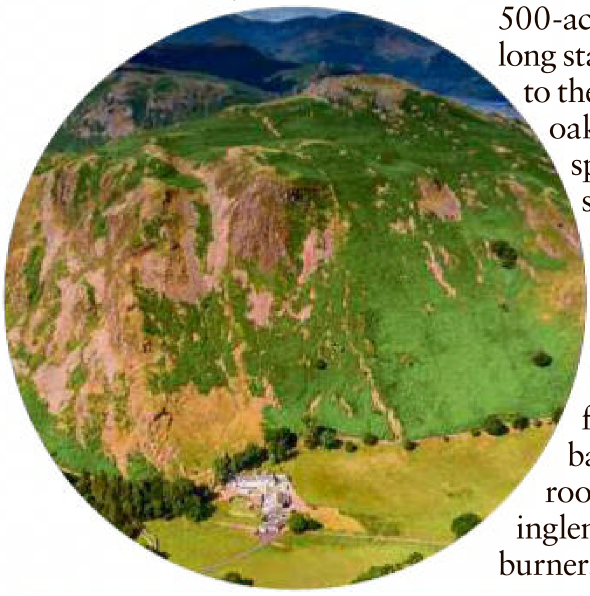
One big red flag that should have warned everyone associated with him was that, during the entire time in which Jones operated, neither he nor his firm were registered with the authorities. Investing with an unregistered firm is always a bad idea because you have no recourse to any compensation scheme in the event of fraud.

Three cosy homes for the winter

Enjoy spectacular views in comfort at these luxurious rural retreats, says Chris Carter

This East Sussex home overlooks Bewl Water

Start the new year with a trip to the Lake District. The Great Barn on Lake Ullswater enjoys stunning views over the water and surrounding mountains in one of the most beautiful parts of the country (below). Together with the main house, Waternook, The Great Barn sits on 27 acres of private grounds, with half a mile of lake frontage. The building was converted from a 17th-century barn and retains much of its original character, with glass walls added to make the most of the natural light and landscape from its secluded location. Inside, there's a kitchen and lounge area, a minstrels' gallery, a cosy snug overlooking the lake, and an outdoor terrace. Each of the four bedrooms has an en-suite bathroom, while Waternook can also be rented to sleep up to 20 guests. Self-catering is an option. But if that's too much work after the chaos of Christmas, a chef, waiting staff and housekeeping are on hand so you needn't so much as lift a finger. You can even arrange to be flown in by helicopter.
From £4,200 a week, theluxurytravelbook.com



A Sussex sanctuary

Hunker down from the cold in a cosy English country home in East Sussex, on the banks of the 500-acre lake Bewl Water. A long stately driveway takes you to the main entrance with old oak doors that open onto a spacious hallway of York stone, an elegant staircase and a galleried landing. Through the French doors you can gaze across the lake from the covered seating area – or for warmer views, nip back inside to the drawing room, which features an inglenook fireplace with wood burner. There is also a gun room with polished floors, exposed wood-beam ceilings, and a large open fireplace. The dining room comes with a walnut table and the Travertine-tiled breakfast room has a glass atrium ceiling and leads onto the terrace. The house has eight bedrooms, seven of which have bathrooms.
From £858 a night, stayonedegree.com

Swiss luxury in Gloucestershire

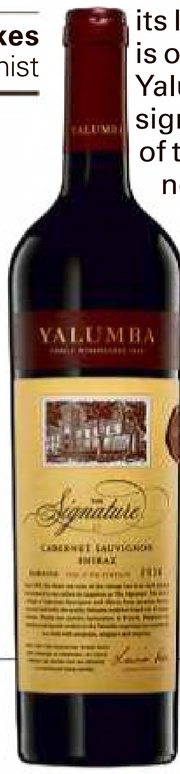
This Alpine-style lodge in the Cotswolds, located just outside Cheltenham, sits amid mature gardens, trout lakes and sweeping vineyards. The large lounge opens out onto a terrace with spectacular landscape views (right). From here, you can read your copy of MoneyWeek over your morning cup of coffee, or at night gaze up at the stars from beside the fire pit. The property comes with a fully equipped kitchen, three bedrooms – two of which have en-suite bathrooms – and a 200-year-old stone annexe, with its own wood-burning fireplace. The luxurious bathroom features a deep bathtub and a large walk-in shower.
From £912 a night, stayonedegree.com

Wine of the week: the best-value Australian red of the year

2016 Yalumba, The Signature Cabernet Sauvignon/Shiraz, Barossa, South Australia

£33.99, waitrosecellar.com; £36.05, vinvm.co.uk; £36.68, corkingwines.co.uk; £37.99, reduced to £33.99 on a Mix Six, majestic.co.uk; £38.34, dennhoferwines.com; £41, auswinesonline.co.uk; £41, connollyswine.co.uk; £42.50, frazierswine.co.uk; £312 for 12 bottles in bond, farrvintners.com; £156 for 6 bottles in bond, uk.cruworldwine.com

Matthew Jukes
Wine columnist



If you track back to 18 June, you'll find my review of 2016 Yalumba The Caley. I described it as the finest young Aussie Cabernet/Shiraz I have ever tasted, and I awarded it a perfect 20/20 score. By all accounts, this wine is relatively rare right now, given that only several hundred cases were made, and even though it was priced at the £200+ mark, sales have been brisk.

While this was only the fifth release of The Caley, its little brother, The Signature, is on its 47th vintage. The Yalumba luminary invited to sign their name on the label of this epic 2016 vintage is none other than chief winemaker Louisa Rose. Let's be clear, Lou has not used her once-in-a-lifetime opportunity to scribble her name on any old vintage. She has reserved this privilege for a phenomenal wine.

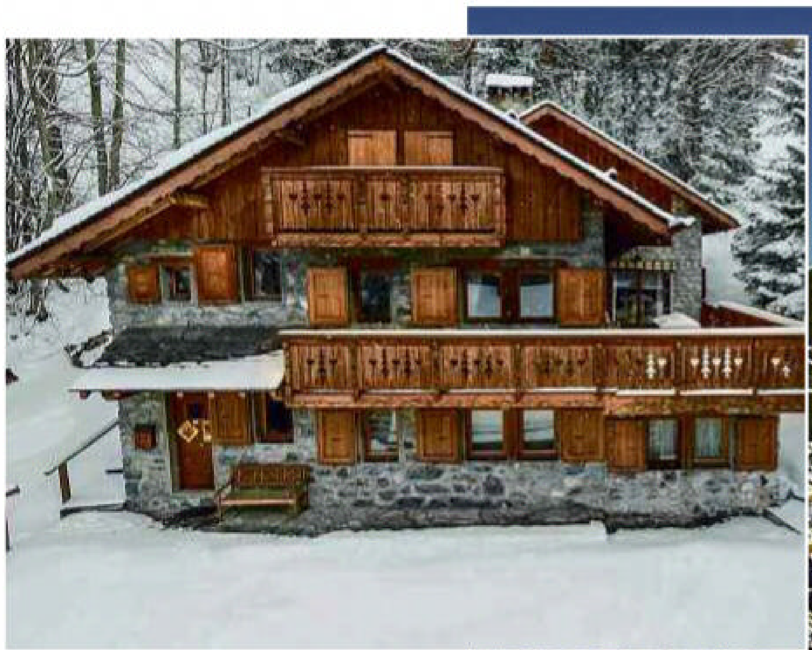
Consider this: 2016 is a stellar year for Yalumba and this elite blend, which I call The Great Australian Red. And also, that The Signature shares an enormous amount of The Caley's DNA. It therefore follows that this red wine is the finest-value Australian wine of the year. It drinks perfectly now, but it can age gracefully for a further quarter of a century and more, so it might just be the finest red wine to buy for your cellar as 2021 comes to a close. 2016 The Signature has earned its starring role this week, not least because it gives you just enough time to snap some up for last-minute festive gifts for your fastidious, wine-loving friends.

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

This week: ski chalets – from a large house in a popular ski-in, ski-out mountain resort in Colorado's Beaver Creek

▲ **Essert Romand, Haute-Savoie, France.** A large chalet with four flats and a studio in a village five minutes from the Morzine ski resort. It has beamed ceilings, wood and tiled floors, a swimming pool and sauna, and a hot tub in the garden. 7-bed apartment, 3-bed apartment, 2 x 1-bed apartments. £1m Hamptons International +44 20 3151 6841.

▶ **Megève, Haute-Savoie, France.** A ski chalet in a secluded position between Megeve and the Mont d'Arbois ski area, and close to the Domaine Evasion ski area. It has wood-clad interiors, floor-to-ceiling windows and an open fireplace. 5 beds, 4 baths, open-plan living area, gym, spa bath, gardens, 0.96 acres. £6.4m Hamptons 020-7265 6571.



▶ **Chalet Grizzly, Meribel, France.** A traditional alpine property in a sought-after neighbourhood on the road of Le Grand Coeur with easy access to the ski slopes and rest of the resort. It has traditional wood-clad and stone interiors, a large open fireplace, balconies and decked areas. 6 beds, 6 baths, 3 receps, kitchen, dressing/ski room, wine cellar, 2 garages, gardens, 0.2 acres. £4.26m Alpine Property Finders 020-7692 0786.

, America, to a traditional-style chalet in the Megeve ski area of the Rhône Alpes, France

◄ **74120 Megeve, Haute-Savoie, Rhône-Alpes, France.** A substantial, traditional-style chalet in the popular ski area of Megeve. It has wooden ceiling beams, wood floors, a large fireplace, well-equipped kitchen, wellness and games area as well as a ski room and a swimming pool. All five bedrooms come with their own bathroom. 5 beds, 5 baths, 2 receps, laundry, multiple storage areas, balcony, terrace, gardens, 0.32 acres. £4.1m Knight Frank 020-7861 1727.

► **Chalet, CH-1885 Chesières, Switzerland.** A former barn dating from 1813 in the Carroz district, renovated in an open-plan style using reclaimed wood and stone. 3 beds, 3 baths, open-plan kitchen/living area, balcony, laundry, cloakroom, loggia, ski storage, parking, garden. £2.45m John D Wood 020-7610 2021.

◄ **Chalet Altitude 1600, Chemin Des Cleves, Nendaz, Switzerland.** A traditional-style, three-storey chalet constructed in 2015 out of exterior-aged wood, situated above Haute Nendaz with views towards the Bernese and Vaud Alps. It has an open-plan, contemporary living area, a wellness area with a Jacuzzi, a large terrace and balcony, and an outdoor hot tub. 7 beds, 6 baths, ski store, 5 parking spaces. £4.74m Savills +41 (0)27 565 89 40.

▲ **75 Elk Track Court, Beaver Creek, Colorado, USA.** A large house in Beaver Creek, a popular ski-in, ski-out mountain ski resort in Colorado with ski runs and cross-country routes. It has a living area with a vaulted double-height ceiling and mezzanine level, an indoor home theatre and landscaped gardens with an outdoor pool and hot tub. 8 beds, 9 baths, 2 receps, office, exercise room, gardens .£8.24m Vail Real Estate +1 970 376 0746.

► **Tignes 1800, France.** A ski-in, ski-out chalet situated ten metres from the nursery slopes and a new high-speed bubble lift to Tignes and Val d'Isere. The modern interiors include a triple-aspect, open-plan living, dining and kitchen area with large windows and doors leading onto a balcony, which offers far-reaching views of the slopes. It has a sauna and relaxation area that includes an indoor spa, steam room and pool. 5 beds, dorm room, 6 baths, garage. £4.68m Free Spirit Alpine 01244-351011.

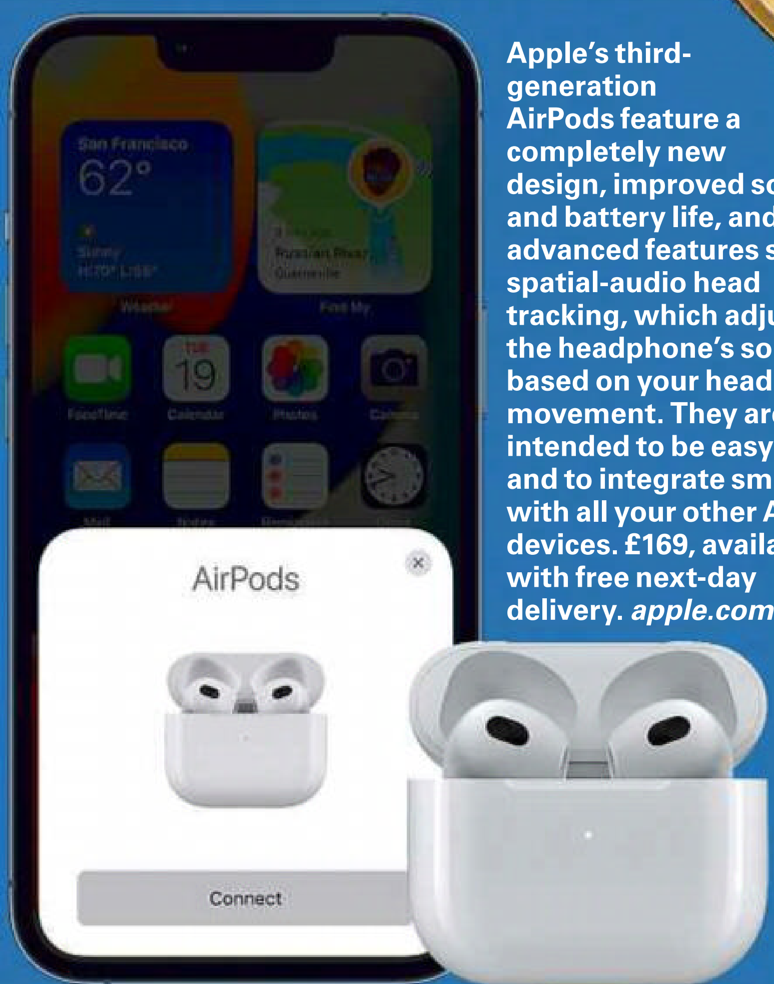
The last present under the tree

Try one of these ideas if you're stumped for gifts that will still arrive by Christmas, says Nicole Garcia Merida

Subscription boxes are the gifts that keep on giving. Each gift-box delivery by The London Sock Exchange features three pairs of exclusively-designed socks. There's also an option to refill the first box with old socks and return them for free to be recycled. Select express shipping at checkout for speedier delivery. £80 for a 12-month subscription. *thelondonsockexchange.net*

The Cocktail Man's monthly boxes are curated by award-winning mixologist James Vyse. As well as an exclusive cocktail recipe, each delivery includes three 50ml bottles of super-premium spirits, one 100ml bottle of Sliqueur (The Cocktail Man's secret signature cocktail base) and a signature garnish to produce five servings of bar-quality cocktails at home. The first box comes with free 48-hour delivery. After that, they're dispatched on the 15th of every month for a recurring treat. £279.95 for a 12-month subscription. *thecocktailman.co.uk*

The sixpence coin, also known as a tanner, was first minted in 1551 and circulated until 1980. This one by the Royal Mint is struck in fine gold, blending "age-old craftmanship and 21st-century style". It comes in a bespoke box with a booklet on the sixpence's story "and the charming customs that surround it". £475, shipping within three to five working days for orders in the UK. *royalmint.com*



Apple's third-generation AirPods feature a completely new design, improved sound and battery life, and advanced features such as spatial-audio head tracking, which adjusts the headphone's sound based on your head movement. They are intended to be easy to use and to integrate smoothly with all your other Apple devices. £169, available with free next-day delivery. *apple.com*

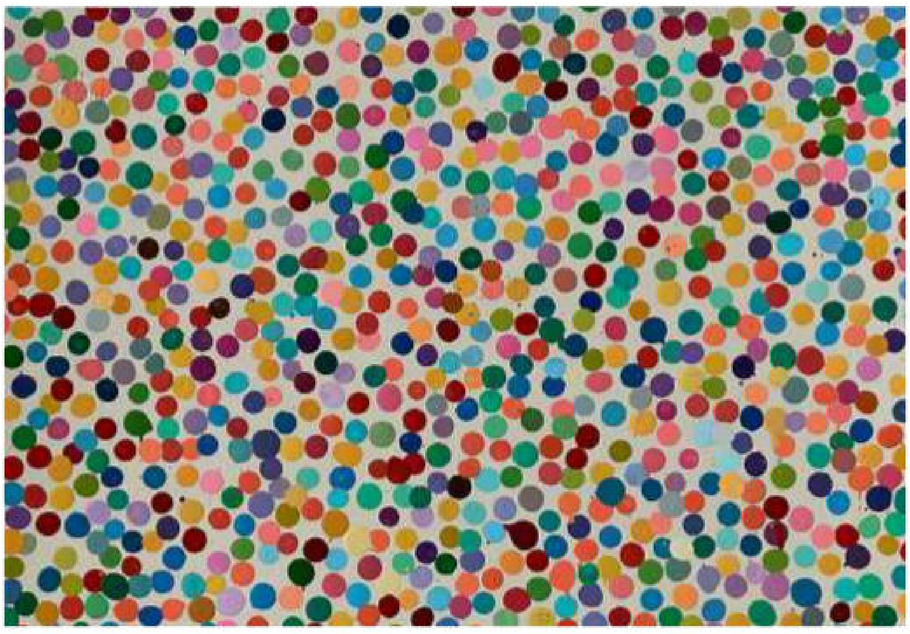
Suitable for both the whisky-connoisseur and the whisky-enthusiast in your life, the Dram Team's Cask Magic gift box features four tasting-sized high-end Scotch whiskies as well as two premium single-malts. It promises "an exploration of how casks are used to get the very best out of a whisky as it matures". £27.99, allow up to three working days for delivery. *thedramteam.co.uk*

The blockchain art frenzy

Non-fungible tokens (NFTs) became big business for the art world in 2021. Chris Carter reports

If there was one word, or rather one acronym, that defined the world of collectables in 2021, it was NFT. And it was artist Michael Winkelmann, better known as Beeple, who lit the blue touchpaper in March. For while "non-fungible tokens" – unique digital artworks, or indeed, pretty much anything that can be rendered into a computer file – had been around for a few years already, it was the auctioning of his work *Everydays: the First 5000 Days (2021)* for \$69.3m (£52.3m) that led to the explosion of interest in all things crypto.

NFTs are the artsy sister of bitcoin, with which it shares blockchain technology. To demur was to be left behind. Blockchain art became the coolest thing since American pop artist James Rosenquist painted sliced bread in 1964. All you needed was a computer and an internet connection. Amid the frenzy, an original Banksy was burned so that it could live on solely in the digital realm. The NFT sold for \$382,000. (The print was called *Morons*.)



Damien Hirst's The Currency*: 10,000 copies at \$2,000 each*

The NFT of Beeple's Everydays *was auctioned for \$69.3m*

NFTs go mainstream

Nobody was talking about the Botticelli that sold for £92m in January anymore. Out with the Old Masters, in with the new. Even top-tier auction houses, led by Christie's, were falling over themselves to relieve collectors of their ether – the art collector's cryptocurrency of choice – lest they be overtaken by upstart start-ups. Credit-card giants, too, sat up and took notice. In August, Visa, with its \$373bn market cap, announced it wasn't so much as testing the water of crypto-finance as "jumping in feet first", according to Visa's crypto expert Cuy Sheffield. It did this by buying a "CryptoPunk" – one of 10,000 tiny pixelated images of heads that are all slightly different – for a reported 49.5 ether, or roughly \$150,000 in old money. Visa was trying to gain an "understanding of the infrastructure requirements for a global brand to purchase, store, and leverage an NFT", while also "[signalling] our support for the creators, collectors and artists driving the future of NFT-commerce", Sheffield said. Within an hour of the purchase, another 90 CryptoPunks, which in August sold for an average of around \$199,000 each, had been sold, reported Artnet News. The corporate endorsement had been well received. As recently as last Friday, another CryptoPunk – PUNK #4156, one of 24 "Ape" punks – reportedly sold for 2,500 ether at auction, equivalent to \$10.2m. It had been bought in February for "just" 650 ether, netting the seller a \$9.8m profit.

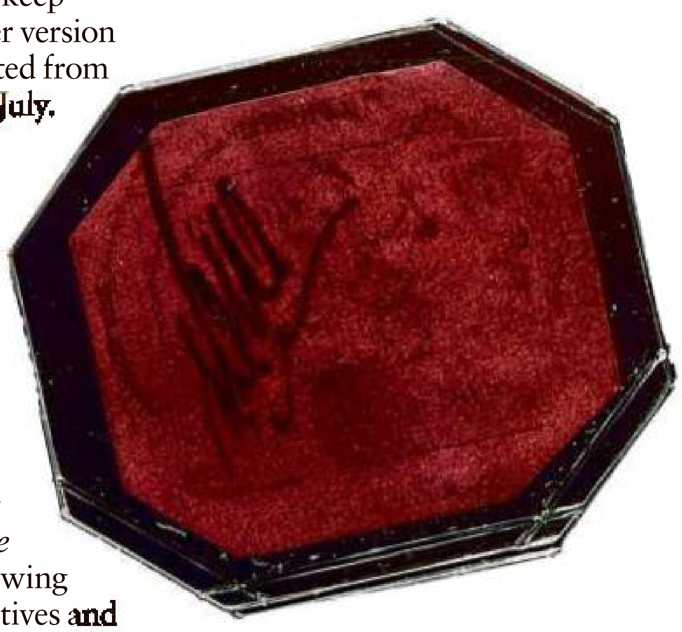
Physical or digital

Money isn't just changing hands, then – it's changing. Visa hasn't been alone in running experiments into what the future heralds for NFTs. Damian Hirst has too. In July, the artist sold 10,000 almost identical spot paintings – the same number as CryptoPunks – to the public for \$2,000 each. The buyers can either choose to keep the physical paper versions, which, like pound notes, come with watermarks and holograms, or they can choose to keep the digital NFT version. But they can't keep both. Choose the paper version and the NFT gets deleted from the digital ledger next July. Choose the NFT, and, like the Banksy above, the corresponding physical artwork gets incinerated. All in the name of economic theory. Former Bank of England governor Mark Carney was even on hand to lend credence to the project – which Hirst calls *The Currency* – by interviewing the artist about his motives and what he hoped to achieve.

The future of philately

Stamp dealer Stanley Gibbons will be hoping collectors haven't completely given up on physical assets. In June, the company took a gamble by buying the only known example of the British Guiana 1c Magenta at Sotheby's in New York for \$8.3m. After flying the 1c Magenta back to London, the dealer launched its fractional ownership scheme last month, whereby collectors are invited to buy a share of the tiny stamp, which is, gram for gram, said to be the most valuable man-made object in existence. And yet no secondary market was announced at the time, making it harder for owners to sell their shares – something a digital ledger (ie, the blockchain) could have facilitated.

But why bother owning the "*Mona Lisa* of the stamp world", as the 1c Magenta has been called, when you can own the "*Everydays* of stamps"? Late last month, the online shop of Swiss Post crashed due to demand for its new "crypto stamp". Buyers can purchase a regular physical stamp for CHF 8.90 (£7.30). With it, they get a digital version depicting one of 13 designs, which they are free to collect and trade. Thankfully, there is no requirement to burn the physical stamps – owners are at liberty to affix them to their Christmas cards in the usual way. Who knows, the idea could even spark a revival in old-style stamp collecting, which has been stuck in the doldrums for several years. Crypto stamps may even be the future of philately. Stanley Gibbons should take note.



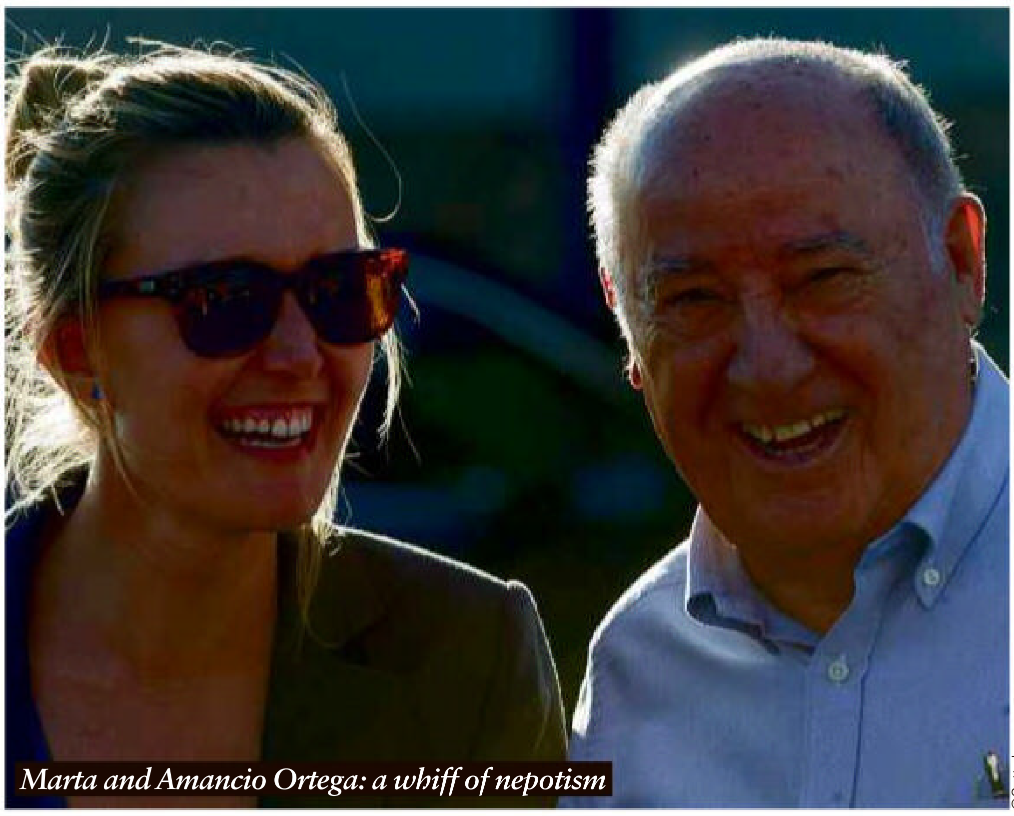
The 1c Magenta sold for \$8.3m

The perils of keeping it in the family

Zara's founder is handing a top job at the chain to his daughter. Investors are not convinced that's wise

Parents who blindly hand the family firm to their offspring without considering the consequences risk going from "clogs to clogs in three generations", as the adage goes. Especially if your business involves selling goods that are the very opposite of clogs.

So it is not surprising that the "whiff of nepotism" has wiped billions off the shares of Inditex, the owner of Zara, after founder Amancio Ortega announced that he had decided to appoint his daughter Marta as the company's chair, says Oscar Williams-Grut in the Evening Standard. To start with, Marta's privileged background couldn't be more different from that of her father.


Marta and Amancio Ortega: a whiff of nepotism

©Getty Images

The fourth son of a railway worker and a maid, Amancio left school at 14 to work for a local shirtmaker, before leaving to set up his own company, the first step in creating a business empire that would eventually win him "an estimated fortune of $75bn" In contrast, his daughter "grew up going to ballet classes and riding horses", with her family building riding stables for her to support her amateur career as an equestrian that has seen her competing "in almost 400 horse riding events".

> *"Amancio left school at 14 to work. Marta grew up with ballet classes and horse riding"*

Starting on the shop floor

To be fair, there's a reason why Amancio has chosen his daughter over his two other offspring, not to mention "dozens of relatives, many of whom work for The family firm", says John Arlidge in the Sunday Times. Marta isn't new to the business: she has worked there in some capacity since her time on "the shop floor in the King's Road branch of Zara when she was a 19-year-old student at the European Business School in London". Over the past two decades, she has "earned plaudits for strengthening Zara's brand image, signing up edgy stylists and image makers", as well as launching premium collections.

Nonetheless, her appointment means that she "elbows aside a professional who has successfully managed the group", says Daniel Dombey in the Financial Times. Under the guidance of Pablo Isla, her predecessor, "Inditex's market capitalisation multiplied six-fold", leading to him being "acclaimed by Harvard Business Review as the world's top performing chief executive". Without him in charge, analysts worry that the "fantastic ocean liner" that he has built could deteriorate so that "in ten years' time, you might look at it and see that it isn't the Queen Mary any more".

Maximising the chances

Still, maybe investors are overreacting a bit, says MoneyWeek columnist Matthew Lynn, writing in The Daily Telegraph. True, business history "is filled with examples of children taking over their father's business empires, and, in no time at all, making a complete hash of it", with one study by the Harvard Business Review putting the failure rate "at 70% once the second generation was at the helm". Still at least Amancio has been wise enough to maximise his chances of success by handing it to a daughter, rather than a son. After all, daughters "don't come under pressure to take over but do so enthusiastically" and as a result "rarely feel the need to prove themselves with reckless deals".

Quintus Slide

Tabloid money... why Musk knows better than Malthus

● In 1798, economist Thomas Malthus wrote in his hugely influential *An Essay On The Principle Of Population* that population growth would hinder human progress and lead to famine and want, says Tom Utley in the Daily Mail. "Since then, legions of others have piled on to the Malthusian bandwagon – including, I'm sorry to say, several members of the Royal Family." For they are "plain wrong", and SpaceX founder Elon Musk (pictured) is right. Civilisation is threatened not by people having too many children but too few. Who will look after us in old age? Who will drive the lorries? There are far more people alive today than in Malthus's day. But "thanks to the miracle of modern capitalism, most of them are better fed and lead more comfortable lives than their ancestors at any other moment in the world's history".

● The household manual inflicted by Ghislaine Maxwell on staff in Jeffrey Epstein's properties has come to light at her trial, says Vanessa Feltz in the Daily Express. It includes gems such as: "Remember that you see nothing, hear nothing, except to answer a question directed at you." Some may regard this as "a paradigm of perfect service", fit to give to new recruits in your own business. "To me… it is a frighteningly vivid example of the real way in which bosses and corporations view workers. Workers must not have faces, voices, fragrances or personalities." They are like robots, programmed to do a perfect job. "The message is clear. 'We don't care who you are or where you are from. Do the job. Shut up. Get out.'"

● Prince Harry, you have "enraged me", says Ulrika Jonsson in The Sun. "Advising people stuck in jobs that don't bring them joy to quit is… yet another sign of how utterly disconnected you are from reality." Of all the royals, you have shown "glimmers of humility and vulnerability", not least on matters of mental health. But an Eton-educated man saying "leaving work should be celebrated", from his £11m mansion in California, is "unforgivably irresponsible". Giving up your job because it "frustrates the hell out of you and makes you want to suffocate your co-workers" would be ideal. The pursuit of happiness is essential. "But so is food on the table and the ability to pay the bills in this rat race in which we find ourselves."

©Getty Images

Bridge by Andrew Robson

Tremendous Tal

West led a Club v Six Spades, and declarer, the young Israeli Dana Tal, won dummy's Ace and immediately ruffed a Club. She crossed to the ten of Spades and ruffed the last Club. Having eliminated Clubs, she then led her singleton Heart.

Dealer South — Neither side vulnerable

	North	
	♠ J104 ♥ K1082 ♦ 1054 ♣ A92	
West ♠ 3 ♥ AQ4 ♦ Q762 ♣ Q7654	N / W E / S	**East** ♠ 52 ♥ J7653 ♦ 98 ♣ KJ108
	South ♠ AKQ9876 ♥ 9 ♦ AKJ3 ♣ 3	

The bidding

South	West	North	East
2♣*	pass	2♦**	pass
3♠***	pass	4♣§	pass
6♠	end		

* 23 or more points, or a hand worth 123 points (as here).
** Generally wiser to make the conventional negative/waiting bid even with positive values (unless you have a good five-card suit).
*** Setting trumps and asking for Ace-showing control bids
§ Ace of Clubs.

West had to rise with the Ace of Hearts (or he'd lose it) but, with Clubs eliminated and sensibly unwilling to lead a Diamond from the Queen could do no better than lead a second (low Heart) to the eight, Knave and ruff. Declarer crossed to the Knave of Spades and the King of Hearts. When the Queen fell, declarer could enjoy the promoted ten of Hearts. Away went two Diamonds, and that was 12 tricks and slam made. Had West exited with the Queen of Hearts, declarer could win dummy's King, and take a ruffing finesse against East's Knave.

Note, declarer could not afford to draw a second Spade before leading up the singleton Heart. If the King lost to East's Ace, declarer would need to cross to a second Spade and lead a Diamond to the Knave, potentially needing a third Spade in dummy to ruff a fourth Diamond (if East held ♦Q98x).

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

Sudoku 1082

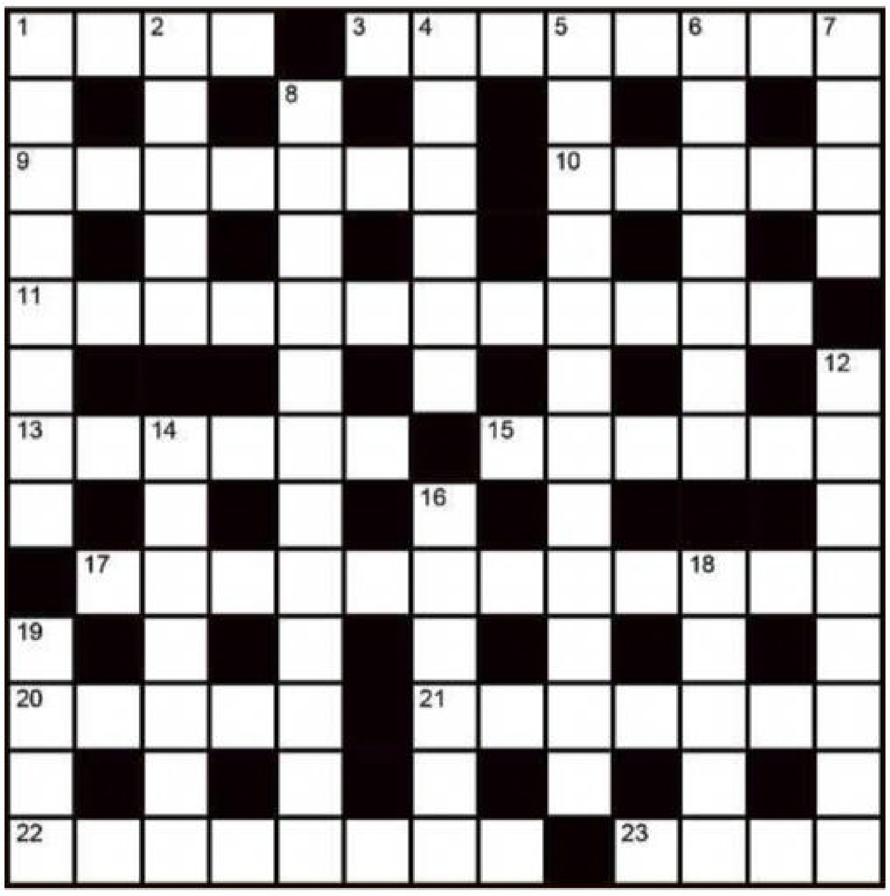
3					2	4		1
		4		1	6		5	
	7					1	9	5
2								8
4		9						
	5		9	2		8		
6			8		5			4

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

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

Tim Moorey's Quick Crossword No. 1082

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 27 December. Answers to MoneyWeek's Quick Crossword No.1082, 121-141 Westbourne Terrace, Paddington, London W2 6JR



Across clues are mildly cryptic while down clues are straight

ACROSS

1 Hardy cereal spoken of in island resort (4)
3 Sort of artist working on flags in a way (8)
9 Poor online financial result? (3, 4)
10 What taser shot may end in? (5)
11 Actor representing genuine class (4,8)
13 Negative noises from the shires? (6)
15 Famous racehorse going west for slaughter (6)
17 Unemotional nature wherein solver will find nothing! (5, 2, 5)
20 Kingdom's genuine millions (5)
21 Played away from home in cold and hot (7)
22 Pursuit of pleasure from Sondheim arrangement (8)
23 Blue anecdote needing no introduction (4)

DOWN

1 Coloured neckwear (8)
2 Coffee (5)
4 State capital of Texas (6)
5 Put out (12)
6 Passed by, as time (7)
7 Cricket match (4)
8 US stevedore (12)
12 Chummy (8)
14 Northern island country (7)
16 Organised military body (6)
18 Go one better than (another person) (5)
19 Cunning (4)

Name ....

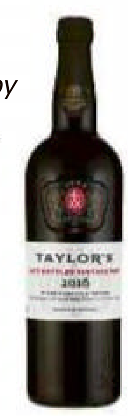
Address ....

Solutions to 1080

Across 1 Dog days *deceptive definition* **5** Sites *homophone* **8** Chatter *hidden* **9** Tithe *IT inside the* **10** Swami *swam + i* **12** Mandate *man + date* **13** See red *seer + ed* **14** Lively *two definitions* **17** Against *gain a st* **19** Seeks *homophone* **21** Lydia *hidden* **22** Abidjan *a bid Jan* **24** Trash *t + rash* **25** Abetter *a better.*
Down 1 Ducks **2** Goa **3** Astaire **4** Shrimp **5** Satan **6** Tete-a-tete **7** Scenery **11** Alexandra **13** Shallot **15** Inspire **16** Ottawa **18** Neath **20** Senor **23** Jot.

The winner of MoneyWeek Quick Crossword No.1080 is: Drew Wood of Jedburgh

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

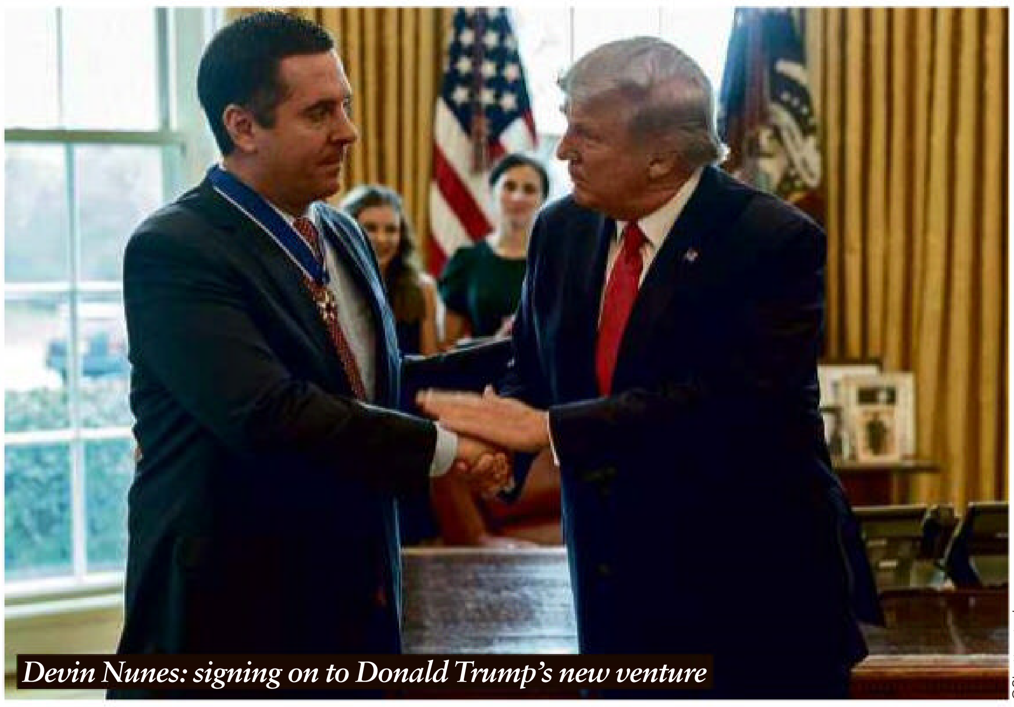


Taylor's is one of the oldest of the founding port houses, family run and entirely dedicated to the production of the highest quality ports. Late Bottled Vintage is matured in wood for four to six years. The ageing process produces a high-quality, immediately drinkable wine with a long, elegant finish;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

Getting what they deserve

Trump's investors will lose their shirts – but they might earn a precious hint of truth

Bill Bonner
Columnist



Devin Nunes: signing on to Donald Trump's new venture

©Shutterstock

In the latest news from Fantasy Land, a non-existent social-media company has chosen a non-tech, non-media executive to head up its non-operational operations. Devin Nunes, a Republican congressman from California, is leaving Capitol Hill to run Donald Trump's media company.

Trump and a few Wall-Street whizzes have set up a special-purpose acquisition company (Spac) called Digital World Acquisition Corp. (DWAC). The sole aim of DWAC is to buy a media firm, Trump Media & Technology Group, that they also set up.

Your correspondent admits to some first-hand knowledge of Spacs. One of the firms with which he is associated recently completed a Spac deal. In our experience, and by our cynical reckoning of the way the world works, it is unlikely that most Spac deals will lead to any real-world business success. It's hard enough to find a good business at a good price. But buying a non-existent business founded by the same people who started up the Spac in the first place is a clear and present danger.

"Trump's proposed social-media platform, 'Truth Social', invites ridicule"

Typically, at least the seller knows his business. In this case, neither buyer nor seller has any idea how to build a successful social-media company. Adding a political hack with no experience either in technology or media, nor anything other than dairy farming (perhaps) and political chicanery surely dooms the project altogether.

We might add, too, that "Truth Social", Trump's proposed social-media platform, invites ridicule. We humans only get a faint whiff of truth, rarely, when the wind is blowing in the right direction, and we have just suffered some crushing loss. Truth 24/7 is much more than we can handle.

The odds against Spac investors

Adding to the odds against Spac investors, the pros are circling like vultures, ready to pick the carcass clean. Over the weekend, the new Trump group announced that it had struck a deal to raise $1bn from hedge funds and other large players. The deal gives these insiders the right to buy shares for 40% below the retail price.

These are not patient, long-term investors, with faith in the new business. These are fast-money mavens, preying on ideologically driven, naive "investors", who think they can make the world a better place and make money, too. These insiders expect to make money in the old-fashioned way… buying at wholesale… and selling to the gullible at retail.

This is okay with us. It's fun to watch. However it goes, it'll prove our maxim – that "investors don't get what they want or what they expect; they get what they deserve". And in this case, as the new project inevitably heads to the finance morgue, they are likely to get a hint of Truth as a bonus.

The bottom line

$2.9m What Napoleon Bonaparte's dress sword, along with five of his pistols, sold for through the Rock Island Auction Company in Illinois, USA. Napoleon wore the sword during the coup in 1799 that brought him to power.

€150m How much the Dutch government has set aside to buy *The Standard Bearer*, a 1636 self-portrait by the Dutch painter Rembrandt van Rijn, for the Rijksmuseum in Amsterdam. The museum will contribute a further €10m and the Rembrandt Association will add €15m.

£2,400 The selling price for a scribbled self-portrait by David Bowie, drawn by the late singer in the early 1990s for the charity Save The Children, at auction with Parker Fine Art Auctions, in Surrey. Another doodle by former England cricketer David Gower fetched just £25.

£7,347 The average yearly rent that students are paying for halls of residence, up 60% from a decade ago, and more than the average maintenance loan of £6,900, says the National Union of Students and charity Unipol. In London, the average rent for student rooms is £10,857.

£1,013 The typical total cost of taking the various Covid-19 tests required for a British family of four – comprising two adults and two single-jabbed teenagers – to visit the French Alps, flying via Geneva, for a skiing holiday this Christmas, says The Times.

$4.1m The "mediocre" opening-day US box office takings last Friday for Steven Spielberg's *West Side Story*, starring Ansel Elgort and Rachel Zegler (pictured), says Forbes. The $100m remake of the classic musical took a further $6.4m on Saturday and Sunday to top the US charts in a quiet week.

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FUTURE