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Helicopter money

Can it combat coronavirus?

Page 26

9 771472 206115 12

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MoneyWeek
20 March 2020 | Issue 991
Britain's best-selling financial magazine

From the editor-in-chief...

Right now, the UK stockmarket is cheap. Our 15-year-average CAPE (cyclically adjusted price/earnings ratio) is 13 times; our trailing p/e 14; our price to book 1.8 times; and our dividend yield 3.8%. Early this week, Schroders' Duncan Stott calculated those numbers to be 11, 10, 1.2 and 6.8%. At any other time I would tell you to rush out and buy. Fast. Some analysts are doing just that. John Cronin of Dublin-based Goodbody reckons March 2020 may well go down in history as "one of the best all time opportunities to go long equities and banks particularly". He isn't alone: a lot of the analysts we respect are starting to see value in the wreckage. Do we? Not quite yet.

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It's different this time

"When we look back, we will see this as a period of financial and political reset"

John and I consider ourselves cynical market old hands. We've had ringside seats at a lot of crashes. If you asked us a month ago what could surprise us, we would have said nothing. It's never different. We would have been wrong. This time it is different. I have endless reports clogging up my email from the market's one-track-minders. The crash is about tech valuations. It's about demographics. It's about interest rates. It's about the populist pullback from globalisation. It's about the build up of debt in the global economy.

But it isn't actually about any of those things. Sure, an environment of high debt and some silly valuations isn't the best place to start. But this is still not about anyone's long-term hobby horses. It is about the fastest, biggest fall in demand any of us have ever seen – and how long that lasts, a question to which we have no answers. One thing I think we can say, however, is that when we look back, we will see this as a period of financial reset. One in which the market returns to its role of price discovery – and possibly even rational prices; in which the great bond bull finally does come to an end (there is no way that the huge fiscal stimuli on the go will not end in inflation); and in which wealth is redistributed around the generations (the equity price collapse effectively takes from older decumulators and gives to younger accumulators).

It might also be one of political reset. The huge (and necessary) financial bridges being built now to tide workers and firms over (hello, helicopter money – see page 14) will be hard to reverse. That universal basic income is on the way in the US under a Republican president (see page 62 – Bill does not approve) and here under a Conservative prime minister is, as Bill Dinning of Waverton puts it, a reminder of the upside-down world we live in. But that is just the start. The virus is (further) disrupting relations between China and the US. It is reminding us that in a crisis nations like to have borders. And it is putting the euro at risk (how can it survive absent a common eurozone fiscal policy?).

None of this is to say we aren't looking at valuations. We are. We are interested in UK banks, in energy, in some travel stocks (see page 35) and in some of the trusts on huge discounts (if no firms will go bust as a result of the crisis, are some of the micro-cap trusts just too cheap?). And while it hasn't covered itself in glory yet, we are very, very glad we hold gold. Finally, a warning. I have a feeling that financial fraud will rise sharply over the next few months. Loss and panic create the perfect environment for it. Turn to page 36 to see how even the richest and most powerful of us can get scammed. Take care.

Merryn Somerset Webb
editor@moneyweek.com

Grand gesture of the week

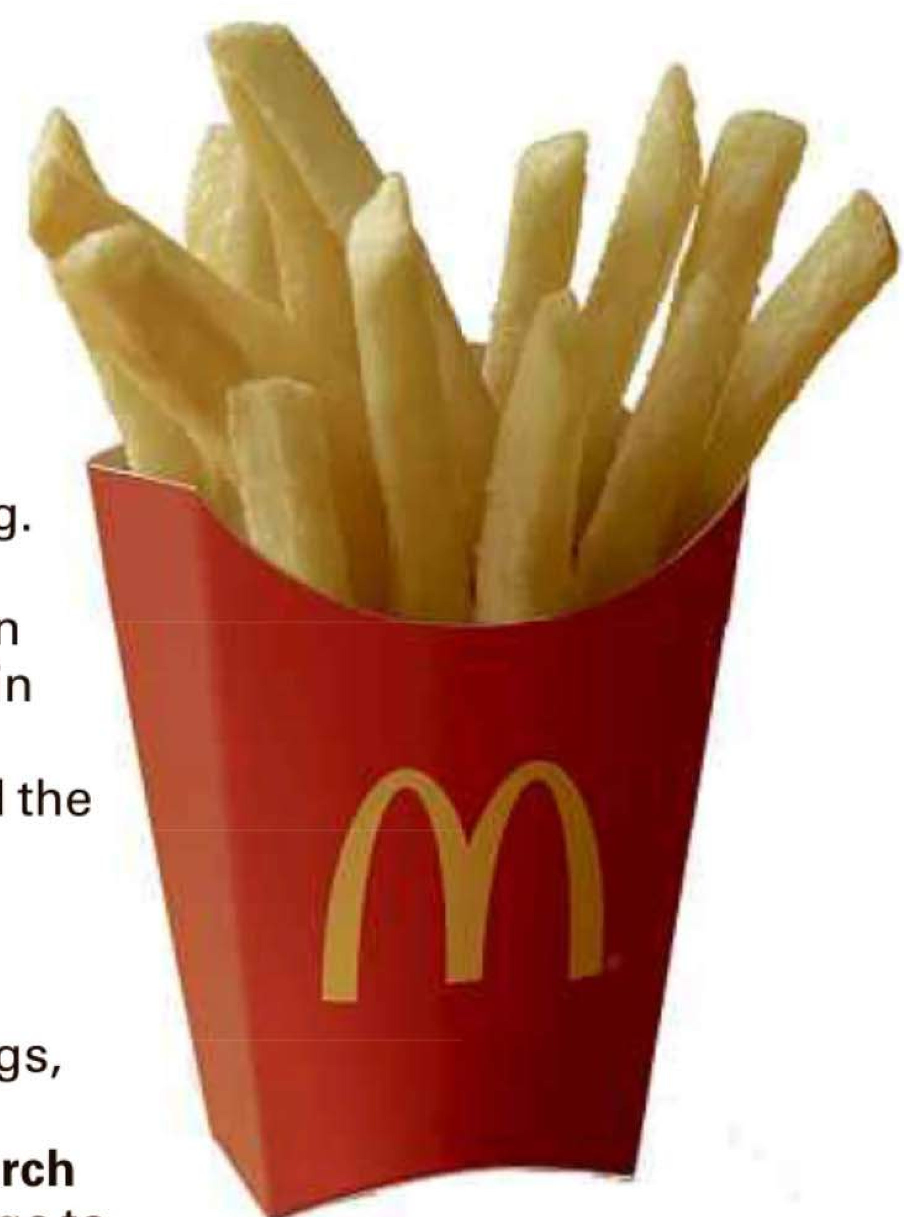
©Getty Images

Spain's King Felipe VI has renounced the inheritance of his "scandal-hit" father Juan Carlos, says the BBC. The palace said in a statement that Juan Carlos, who abdicated in 2014, would also stop receiving an annual grant of €194,000 (£174,800). The move came after the 82-year-old former king was heavily criticised for his "lavish lifestyle". Juan Carlos, who reigned for 39 years, is also facing an investigation by the Swiss financial authorities and reportedly received $100m from Saudi Arabia in 2008 via an offshore account. King Felipe VI, 52, is trying to distance himself from his father's affairs by giving up the money. For a long time, Spaniards held Juan Carlos in high regard for shepherding the country into democracy following the death of dictator Francisco Franco, says Jack Guy in CNN, but his popularity plunged in 2012 over a "controversial" elephant-hunting trip to Africa while the nation was mired in a deep economic crisis.

Good week for:

Seven siblings will be able to forgo fighting over their late father's estate after a McDonald's napkin was formally recognised as his last will and testament by a Canadian court, says Will Pavia in The Times. Philip Langan, who died aged 80, scrawled his children's names alongside the instruction to split his property evenly when he thought he was having a heart attack and later gave it to one of his daughters for safe keeping.

UK record-label revenue hit fresh highs of £1.1bn, driven by the continued growth of streaming and investment in new music, says James Warrington in City AM. The figures mark the fourth consecutive year of growth and the highest level of annual revenue in over a decade.



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Bad week for:

Art thieves stole three "high-value" Old Master paintings, including a Van Dyck, in a major burglary at an Oxford College, says Matthew Moore in The Times. **Christ Church Picture Gallery** is thought to be the only Oxbridge college to possess an internationally renowned Old Master collection.

In what appears to be the highest fine for breaking quarantine, **citizens in Western Australia** who ignore a public health order relating to the coronavirus outbreak could be hit with a A$50,000 fine and spend up to 12 months in jail, says Eliza McPhee in the Daily Mail. In the north of Australia, Queenslanders could be fined up to A$13,345, while in New South Wales the penalty is up to A$11,000 and six months behind bars.

Cover illustration: Adam Stower. Photos: iStockphotos

Monetary bazooka misses its target

Alex Rankine
Markets editor

US Federal Reserve chairman Jerome Powell has failed to put a floor under markets

©Getty Images

"Get ready for the Covid-19 global recession", says Larry Elliott in The Guardian. With mass gatherings prohibited, borders closing and countries in lockdown the world economy is in line for a deep slump. On Sunday central banks in Europe, Asia and North America announced coordinated action to prevent liquidity from drying up. America's Federal Reserve slashed interest rates to nearly zero and pledged $700bn in new asset purchases (with printed money).

A terrifying plunge

These measures failed to reverse the market rout. On Monday both the Dow Jones and S&P 500 recorded their biggest one-day falls in over 30 years, as both tumbled more than 12% in a single day. The VIX measure of market volatility, the so-called "fear gauge", topped a record set in 2008 when it closed on Monday.

"The S&P 500 hit a record high just over one month ago," notes Courtenay Brown on Axios. The index has since tumbled 29% and entered a bear market. The FTSE 100 and Eurostoxx 600 indices are both down one-third since the start of the year.

"Most panics are the result of a pre-existing mania," says Jeremy Warner in The Daily Telegraph, but "this one is essentially an act of God". Compounding the virus fallout has been investors' concern about a series of ignorant statements from Donald Trump. The Fed's swift action, however, has probably prevented a 1929-style rout on Wall Street. "Mr Trump owes more thanks than he knows to the Fed chairman, Jay Powell."

Money cannot cure a pandemic

But the flood of easy money has yet to put a floor under markets, says Gillian Tett in the Financial Times. US stocks have spent a decade like a drug addict "hooked on monetary heroin"; every wobble has been met with a "new monetary fix". Now the financial morphine has ceased to work.

That is because this is not a repeat of the financial crisis, says Niall Ferguson in The Sunday Times. It is a "public health emergency with financial symptoms". To expect monetary and fiscal stimulus to halt a pandemic's fallout is akin to tackling the collapse of Lehman Brothers with a "quarantine of Wall Street". This pandemic is both a demand and a supply shock, says Elliot; monetary policy only tends to work on the former kind.

Cheaper credit won't make people go out and spend when the shops are closed and supply chains buckle. Paul Dales of Capital Economics says that the second-quarter hit to UK GDP could be 5%. What's more, having "imposed bans and restrictions, governments and private-sector bodies will be cautious about removing them". Expect a slow recovery. "[Extreme] situations create opportunities," says John Authers on Bloomberg. But they "also offer the chance to lose ungodly sums of money". The human impulse to "do something – anything" in a crisis is strong, but amid such volatility and uncertainty putting money into the market now is little more than gambling. In the words of legendary US investor Jack Bogle: "Don't do something, stand there!"

China's economy to shrink for the first time since 1976

Is China a safe-haven? Stocks in the country where the coronavirus originated have dodged the worst of the falls on Western indexes. The Shanghai Composite index is down by less than 10% since the start of the year, compared with 29%-33% losses in the US and Europe.

China is gradually getting back to work but with tough restrictions, say Ryan McMorrow and Qianer Liu in the Financial Times. Employees often have their temperatures taken multiple times per day and most companies are only allowing about half of their workers back into the office. Compulsory face mask wearing remains common. "Halting the world's second-largest economy has proved easier than restarting it," writes Keither Bradsher in The New York Times. Most factories have reopened but are operating at two-thirds of their capacity, while tens of millions of workers remain in quarantine or stuck in other towns. Early data hints at the severe impact of the country's "vast containment efforts". Industrial production, retail sales and investment all dropped by double-digits during the first two months of 2020 compared with a year before.

Most factories are still operating at two-thirds of their capacity

China may now be on course for its first quarterly contraction since 1976. This week Goldman Sachs predicted a 9% plunge in first-quarter economic activity in the wake of the shutdown.

"Investors seem to be betting that the crisis in China is mostly over," says Jacky Wong in The Wall Street Journal. The "relative isolation" of the country's financial system has also insulated its stocks from the global sell-off; just 2.1% of equities are in foreign hands.

Yet that optimism appears misplaced. The disease may yet flare up again as restrictions are relaxed. As the world's largest exporter China cannot dodge the incoming global demand hit as other countries bring in lockdowns, nor supply chain disruptions coming from abroad. China may have contained the epidemic for now, but "the economic consequences will... continue to widen".

©Getty Images

Drowning in corporate debt

What happens when a once-in-a-century pandemic hits an economy "saddled with record levels of debt"? In 2008 the problem was household and banking debt. Today it is corporations, says Ruchir Sharma in The New York Times.

At roughly $16trn, US corporate debt is worth 75% of GDP, with the vehicle, hospitality and transport sectors looking especially vulnerable. One in six US firms do not generate enough cash flow to cover debt interest payments, says Sharma. They avoid bankruptcy only so long as they can secure cheap refinancing. Such zombies are "the natural spawn of a long period of record low interest rates". Investors reaching for yield have been forced to put their money into bonds backed by ever riskier ventures.

It's not just America. The world's $74trn "ocean of corporate debt" contains many hidden perils, says The Economist. Data from the Institute of International Finance shows that global non-financial corporate debt rose from 84% of GDP in 2009 to 92% last year. In America, two-thirds of non-financial corporate bonds are rated as "junk", or just above junk at "bbb".

A back of the envelope "cash-crunch stress test" suggests that almost one quarter of global listed firms outside China would run out of cash within six months should their sales fall by two-thirds. Europe's unprofitable banks are a notable area of concern. If they are to get through the next few months then the world's businesses will require a giant "bridging loan".

The big fear is that contagion from corporate junk could infect the wider financial market, amplifying the ongoing shock and generating a repeat of the 2008 credit crunch. Such contagion would be a disaster at a time when businesses are tapping credit lines for emergency cash, says Robert Burgess on Bloomberg. On this score, however, there is room for optimism. The Fed's emergency liquidity injection last weekend saw overnight funding costs for banks plunge on Monday after they spiked to levels not seen since 2008 at the end of last week. The Fed might not be able to put a floor under equities, but if it can ensure that the financial plumbing is working properly and that banks are happy to keep doing business with each other, then "a big worry" is "off the table".

Will the euro survive the virus?

"We are at war," declared French president Emmanuel Macron this week as France became the latest European country to order a lockdown of its population to halt the Covid-19 epidemic. Italy and Spain have already brought in similar measures, meaning that 170 million Europeans are now confined to their homes. Most European countries have closed schools and restrictions are tightening on non-essential shops and entertainment venues. The European Union has also closed its external border.

A spending splurge

Faced with an economic maelstrom that could be "more painful than 2008", European governments have started to roll out measures to mitigate the impact, says the Financial Times. Germany has announced €500bn in loans for companies hit by the pandemic, while Italy is contemplating a one-off €500 per person payment for the self-employed. Tax payment extensions have become common, with Sweden allowing businesses to defer payments for up to a year at a cost of €27.5bn, or 6% of GDP. President Macron has pledged that "no company, of any size, will be allowed to go bankrupt".

The canary in the coalmine

Italy will be the "canary" in the economic coal mine, says Marchel Alexandrovich in The Guardian. Prime Minister Giuseppe Conte has spoken of his country facing its "darkest hour".

On a reasonable estimate Italian GDP declines for the first and second quarters could come in "twice as bad" as the lowest point of the great recession. JP Morgan forecasts a contraction of 7.5% in first quarter Italian GDP.

Italy has announced a €25bn stimulus plan, but markets have started to fret about whether the country's public finances can bear the strain, says The Economist. With government debt already above 130% of GDP, yields on the country's bonds have been ticking up even as the German government's borrowing costs have fallen.

Christine Lagarde's epic blunder has spooked markets

©Getty Images

Lagarde's gaffe

European Central Bank (ECB) president Christine Lagarde's comment that it was not her job to "close spreads" between the bonds of various eurozone governments spooked markets last week. The implication that the ECB wouldn't stand behind Italian bonds was an epic blunder that was quickly retracted, says Jon Sindreu in The Wall Street Journal.

"Implying that the ECB wouldn't stand behind Italian debt was an epic blunder"

Investors should look past the furore about spreads and think about what the ECB has actually announced, says Ferdinando Giugliano on Bloomberg. The central bank has added €120bn to its asset purchase programme, whereby it acquires government and corporate bonds with printed money in order to inject cash into the system.

The ECB has also announced a significant expansion of its targeted longer-term refinancing operations (TLTRO) programme, which provides very cheap loans to banks. It also signalled its willingness to deviate temporarily from rules capping how many Italian and Spanish government bonds it can own. The announcements "should provide meaningful relief to banks, companies and governments".

"Black Zero" no more

With interest rates below zero governments will need to step in with a large fiscal response to Covid-19. Yet early this week eurozone finance ministers had only agreed to cautious steps, such as easing budgetary rules and the activation of the €410bn European Stability Mechanism, the Union's crisis fund. Lucas Guttenberg of the Jacques Delors Centre told the FT that the bloc has so far "failed to send a clear message that it has the political will and the tools ... to keep the eurozone together in the coming months".

German caution has been the main obstacle to the massive coordinated fiscal response for which Macron, among others, is calling. Yet even Germany has started to loosen the purse strings, says Marcus Ashworth on Bloomberg. Angela Merkel's government has long made a fetish of its "black zero" balanced budget policy. Yet Lagarde's gaffe and the consequent bond-market ructions have shocked Berlin into action. With the euro's viability again in question, finance minister Olaf Scholz pledged to loosen the budget rule to provide massive credit support to cash-strapped businesses. "Germany's Black Zero rule [looks] dead."

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

Three to buy

Oxford Metrics
Investors Chronicle
The once niche field of movement tracking is entering the mainstream as smartwatches and fitness trackers become more popular. Aim-traded Oxford Metrics is the world leader in "high-precision motion measurement analysis" through its Vicon division. There are opportunities in fields as varied as medicine, films and virtual reality. Even space agency Nasa is a client. A robust net cash position leaves Oxford Metrics well placed to grow through acquisitions. Strong forecast earnings growth and a varied client base make this a long-term buy. *109p*

Polymetal International
The Sunday Telegraph
FTSE 100 investors in search of a "counterweight" to the market slump don't have many ways to gain exposure to the gold bounce. Russia and Kazakhstan-focused Polymetal is the index's "only precious metals miner". Underlying earnings increased 31% in 2019, thanks to disciplined cost control. Income investors will like the 5% yield and record of special dividends, while value investors will see a "margin of safety" with the shares trading on 13.2 times earnings. A miner exposed to Russia will always be high risk, but Polymetal could prove a safe haven during the Covid-19 pandemic. *1,220p*

WH Smith
The Sunday Times
A burgeoning travel business has set apart WH Smith from the woes of the wider high street in recent years, but now the coronavirus has ensured that last week it became the first retailer to issue a profit warning because of the outbreak. Yet with leverage at just 0.9 times underlying earnings and £109m of free cash flow last year, it is better placed than many to ride out the storm. The shares are a bargain" at this price. *1,119p*

Three to sell

Cineworld
Shares
This global cinema operator's debt-financed takeover of Canada's Cineplex couldn't have come at a worse time. The deal takes gearing up to about four times EBITDA, a level that "statistically… significantly increases the chances of default". Management had pledged to reduce leverage over the coming years, but the coronavirus is likely to deal a severe blow to cinema attendance as customers re-assess the appeal of "spending a couple of hours sitting next to complete strangers". *89p*

Premier Oil
Motley Fool UK
It has been a miserable period for oil stocks in the wake of the Saudi-Russian price war. Smaller independent operators have been hardest hit. North Sea producer Premier Oil crashed 88% at one point last week before staging a rally last Friday, with management pointing to hedging strategies and plans to preserve cash flow by delaying investment. Yet the recovery could well prove a "dead cat bounce". Oil may fall into the low $20/barrel range, which is too low for the firm comfortably to be able to service $2bn in net debt. It's a "very risky share" best avoided. *13p*

Trainline
Investors Chronicle
This rail and coach ticketing platform was performing well in the UK and on the continent before Covid-19. A full-year trading update showed UK consumer revenue up 30% and the small international division saw 41% net growth in ticket sales. Yet with the travel market tanking and enormous uncertainty over how long quarantine restrictions will last, this is one to sit out. In the longer term, moreover, we are sceptical that Trainline has a "sustainable competitive advantage" that will keep earnings high. *348p*

...and the rest

The Daily Telegraph
Specialist infrastructure supplier **Hill & Smith**, which produces galvanised road barriers and the like, has big opportunities in America and the opportunity to consolidate a fragmented market. Buy on weakness *(1,310p)*.

Investors Chronicle
Defence engineer **Chemring** used to be an unpredictable investment, but significant restructuring and higher US defence spending mean that it is now best regarded as a reasonably priced defensive play *(236p)*. A broad portfolio and stable revenue model have helped industrial royalties business **Anglo Pacific** hold its value better than most during the market sell-off. On a price-to-book ratio of 0.85 it offers long-term value *(126p)*. Data specialist **Experian**, best known for consumer-credit scoring, is a long-term growth story with a strong market position across the UK, US and Latin America *(2,470p)*.

The Mail on Sunday
Infection prevention specialist **Tristel** will have an important role to play in fighting Covid-19, while the epidemic may also mean stronger long-term demand for disinfectant products. Buy *(445p)*. Shares in corporate trainer **Learning Technologies** are up sixfold in six years and the outbreak will prove a tailwind for its digital learning model *(135p)*.

Shares
Royal Dutch Shell is now a buy for the brave. An 11% dividend yield would normally be a warning sign, but the company has not cut its dividend since World War II *(1,347p)*. Social care and education services provider **CareTech** has growth opportunities in areas that appear insulated from the virus fallout. Buy *(435p)*.

A German view

Around two billion people will suffer from water shortages by 2030, says WirtschaftsWoche. That implies plenty of future business for France's environmental services giant, Suez. It provides 135 million people with drinking water, making it the world's biggest private supplier. The water resources division's offerings also include wastewater management and re-use. The group's other key division, also accounting for 40% of sales, is in a structural growth area too: rubbish collection and recycling. In 2019 Suez grew operating earnings by 4.6% to €1.4bn on a 3.6% rise in sales to €18bn. A cost-cutting drive designed to save €1bn and a juicy dividend yield of 7.2% are further plus points.

IPO watch

The equity market slump has "shut down the spring IPO [initial public offerings] market" in the US, says Maggie Fitzgerald in CNBC. Warner Music, Madewell (a denim brand to be spun off from clothing group J Crew) and home-rental group Airbnb are among the firms that have already shelved, or are expected to delay, their IPOs. But some "virus-proof" firms have done well, notes Kathleen Smith of Renaissance Capital. Passage Bio, a genetic medicine outfit, gained 23% on its debut last month. "Quarantine-friendly companies" such as remote work-enablers Slack ("WhatsApp for companies") and Zoom Video, which both floated in 2019, have also outperformed the broader market.

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Performance to 31 December 2019**

	2015	2016	2017	2018	2019
Managed Fund	6.6%	17.7%	15.0%	-2.6%	21.3%
IA Mixed Investment 40%–85% Shares Sector Median	2.4%	13.2%	10.0%	-6.0%	15.8%

Past performance is not a guide to future returns.

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City talk

● The Covid-19 outbreak has been good news for online retailers Amazon and Ocado, says Simon Duke in The Times. There has been a "surge in demand", especially for groceries and everyday staples, as shoppers stock their larders before potential self-isolation. Shortages in supermarkets have also boosted orders. Amazon has become worried about strains on its warehouses and delivery network, and will hire an additional 100,000 workers. Ocado's shares have also provided a "rare safe haven" during the current market turmoil, rising 8% since the start of this year.

● The idea of Apple buying Disney "simply won't go away", says Eric Savitz in Barron's. Former Disney CEO Robert Iger (pictured) has suggested "the two sides might have merged" if Apple founder Steve Jobs, who also served on Disney's board, hadn't died in 2011. However, the latest market crash might actually turn a dream into reality. Not only has the fact that Disney's shares are selling at a "sharp sudden discount" made it easier than ever for Apple to take control of the Magic Kingdom, but there could also be synergies from combining the Disney+ streaming service with Apple TV, which has got off to a "slow start".

● Thanks to demand from people "stuck at home" amid the pandemic, Tencent Music Entertainment, China's top online music firm, expects growth in its subscription revenue to accelerate this quarter, says Jacky Wong in The Wall Street Journal. So it's not surprising that its shares have lost just 6% this year. Yet streaming services only account for around 15% of overall sales, so it will still lose money from the crisis. And its social entertainment segment continues to face competition from the likes of Douyin, the Chinese version of short-video app TikTok. Tencent Music's streaming division is "a good long-term growth story", but don't ignore the "more challenging" aspects of its business model.

Havoc on the high street

Covid-19 is making life even more difficult for retailers and could deal a fatal blow to the weaker operators. Matthew Partridge reports

Department-store group Debenhams has already gone through two insolvency processes, says Jonathan Eley in the Financial Times. Now it has asked landlords for an "immediate five-month rent holiday" because of the likely impact of coronavirus. The request is on top of a previous plea for reductions in the estimated £250m that the store pays in rent and business rates, which was tied to a planned balance sheet restructuring. While Debenhams has refused to detail the impact of the virus outbreak on its revenue, it is likely to be "significant" given the location of most of its stores on high streets and in shopping centres.

Debenhams is hardly the only retailer to have caught the coronavirus, say Angela Monaghan and Julia Kollewe in The Guardian. Even before the latest social-distancing measures there were signs of a sharp drop in visitors to UK high streets and shopping centres, except at large supermarkets, where people are "panic buying". One estimate said footfall on the high street at the weekend was 31% lower than at the same time last year. Visits to shopping centres were down 21%. But retail parks, which contain most large supermarkets, saw a decline of just 6.8%.

Property landlords feel the pinch

It's not surprising that companies are asking for rent holidays, since the costs of paying rent "could quickly become unaffordable" if companies can't do business, says Aimee Donnellan for Breakingviews. What's more, given the dearth of alternative demand, landlords seem to have little option but to accept their requests. Still, this is yet more "bad news" for property landlords, especially since many will still be grappling with "damage inflicted by online shopping, which reduces the need for physical stores". This week's decision by Dixons Carphone to close 531 standalone stores is a reminder that selling goods on the high street has been a "tough game" ever since internet retailers "got into gear" a decade ago, says Dominic O'Connell for the BBC. The company, which was formed as the result of a merger in 2014 between Carphone Warehouse and Dixons Retail, had hoped to be able to use its "financial muscle" to make a "decent fist of selling online", while sharing millions by "rationalising the two companies' retail estates". However, continued losses and a declining shares of the market have made the latest closures "inevitable".

Laura Ashley has been deserted for nimbler rivals

Another retailer grappling with long-term problems is Laura Ashley, which has filed for administration after failing to secure £15m of emergency cash, says Laura Onita in The Daily Telegraph. Although the company has blamed the coronavirus outbreak for its demise, this is just an excuse, since it has been trying to find more money for a year. Laura Ashley's floral designs became a hit in the Seventies and Eighties, but it "has struggled in recent years to stay relevant and stop shoppers from deserting to nimbler rivals".

Can JP Morgan do without Jamie Dimon?

Shares in JP Morgan (JPM), like most equities, have been "pummelled" in the past week, says Hugh Son on CNBC. But investors received a rare bit of good news when it was revealed that CEO Jamie Dimon (pictured) has returned home after successful emergency heart surgery.

While Dimon, who is the "longest-tenured CEO of an American megabank", is expected to return to his job later this year, the incident has "sparked discussion about potential successors".

It's not surprising that investors are anxious about Dimon's health, says The Economist. Over 15 years Dimon "has built JPM into the world's most reputable bank". It is America's biggest by assets and its "most profitable", last year "breaking the world record for bank earnings in a single year". While Dimon has been "lucky", with JPM benefiting from the changes in bank regulation, he's also made some sensible strategic decisions, such as the decision to focus on "ridding the bank of flab" and then shoring up JPM's balance sheet before the global financial crisis erupted ten years ago.

Still, there are plenty of "long-standing lieutenants" who are "ready to step in", such as Daniel Pinto and Gordon Smith, says Jeffrey Goldfarb for Breakingviews. None of them will be able to emulate Dimon's "statesman-like role", but they should be able to reassure customers and shareholders that the success he has spearheaded "is poised to continue. Dimon's departure will also give some sense of whether he has "properly prepared the institution to function without him".

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PAST PERFORMANCE

	Feb 15 – Feb 16	Feb 16 – Feb 17	Feb 17 – Feb 18	Feb 18 – Feb 19	Feb 19 – Feb 20
Net Asset Value	-0.8%	45.4%	30.8%	-11.2%	5.2%
Share Price	-5.4%	52.0%	32.5%	-8.3%	3.1%
MSCI China Index	-17.6%	46.9%	32.5%	-8.3%	7.6%

Past performance is not a reliable indicator of future returns.
Source: Morningstar as at 29.02.2020, bid-bid, net income reinvested.
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Britain battens down the hatches

The prime minister moves onto a war footing against the coronavirus. Emily Hohler reports

On Monday, flanked by his chief medical officer and chief scientific adviser, Boris Johnson "didn't so much announce an escalation in the government's response to the coronavirus crisis as signal a sharp course correction", says Therese Raphael on Bloomberg. The reason for this rapidly became clear, after the publication of a report by the Imperial College Covid-19 Response Team. The team set out two fundamental strategies: "mitigation" and "suppression". China followed the latter. Until Monday, the UK had adopted a "weak mitigation policy at best".

The difference can be measured in lives. With no mitigation measures at all, the team said they would expect an 80% infection rate resulting in 510,000 deaths (that's without taking into account the impact on mortality of an overwhelmed critical care capacity). Suppression, involving social distancing of the entire population, isolation of infected people, household quarantine and school and university closures, is more effective, but "comes with a catch". It would need to continue until a vaccine is found, which could take an estimated 18 months, or until herd immunity, requiring a 60%-70% infection rate, is achieved. If restrictions are lifted, a resurgence in infections is likely, although extra hospital capacity could be built in the meantime. Access to intensive-care beds directly relates to mortality rates, so early suppression is vital. "In the UK, there are now questions as to whether that ship has already sailed."

The prime minister announces an escalation in the strategy

©Getty Images

Worryingly erratic

The government's antivirus strategy has "appeared worryingly erratic", says the Financial Times. However, the economic support package, announced by Chancellor Rishi Sunak 24 hours after the "strictest" social-distancing measures seen in peacetime, went some way to rebuilding confidence and putting the government "back ahead of the curve" (see also page 14). It is also "crucial that banks behave themselves", adds John Longworth in The Daily Telegraph. Taxpayers bailed out the City's "profligacy" during the financial crisis, now they must return the favour. Banks, for whom liquidity will be maintained, are "priveleged". They must make sure capital and liquidity remain available for businesses.

What was missing from the package, as Sunak understands, was support for individuals and families beyond a three-month mortgage holiday. Since central banks cannot "deliver solvency", governments "can and must do so", says Martin Wolf in the Financial Times. Since long-term government debt is so cheap, they "need feel no fear of doing so, either". The "bare minimum is generous sick pay and unemployment insurance", including for the five million who are self-employed. If this is too difficult, governments can just send everyone a cheque, as is the plan in the US.

The UK government also unveiled new emergency powers, says Gordon Rayner in The Daily Telegraph. These include doctors being able to discharge elderly patients early to free up hospital beds, councils being given powers over "death management" to accelerate funeral processes, and police being given powers to detain those who have, or are suspected of having, the virus so that they can be screened and isolated.

Global solidarity is also key, says Yuval Noah Harai in Time. Viruses mutated and epidemics spread long before globalisation. Success depends on sharing reliable scientific information and acting in concert. If it results in closer global cooperation– it could , for instance, provide the EU with a "golden opportunity" to act generously towards its poorer members and "regain popular support" – it will be "a victory not only against the coronavirus, but against all future pathogens".

Trump: a bungled response

©Getty Images

Will the virus weaken Trump's chances?

At the start of the month the US economy was "humming" and President Donald Trump had every reason to be optimistic about his re-election prospects, says Sahil Kapur on NBC News. Now, the coronavirus outbreak has "challenged Trump as he has never been challenged before". He has failed to get to grips with a complex problem that demanded "technocratic competence" and the virus weakens his two biggest assets — a growing economy and the approval of older folk. The crisis is also likely to benefit Joe Biden, Trump's likely opponent, who people see as the safer pair of hands, according to polls.

Most public-health experts agree that Trump "dropped the ball" in his response to the crisis by downplaying the threat to begin with then failing to begin mass testing, says Ronald Brownstein on CNN. But the nation's political divide has not yet been transcended. Slightly more Americans disapprove than approve of Trump's handling of the outbreak, but the division is explained largely by politics – 85% of Trump's previous supporters give him positive marks for handling the coronavirus crisis.

It's probably too early to tell what impact the crisis will have on the election, says David Siders on Politico. The virus is spreading early in the election cycle, more than eight months before polling day, which means that Trump "has time on his side". The president has belatedly adopted a "more sombre tone", and is finally listening to experts. Some Democrats are even beginning to worry that he could "mould the narrative to his benefit".

Maybe, but history shows that presidents are judged by how they respond in moments of crisis, and Trump has so far handled his "incredibly poorly", says Douglas Schoen in The Hill. Americans are "scared, concerned and need leadership". Trump's bungling has failed them so far. How he handles the pandemic moving forward will "make or break his chances for reelection" and define his presidency.

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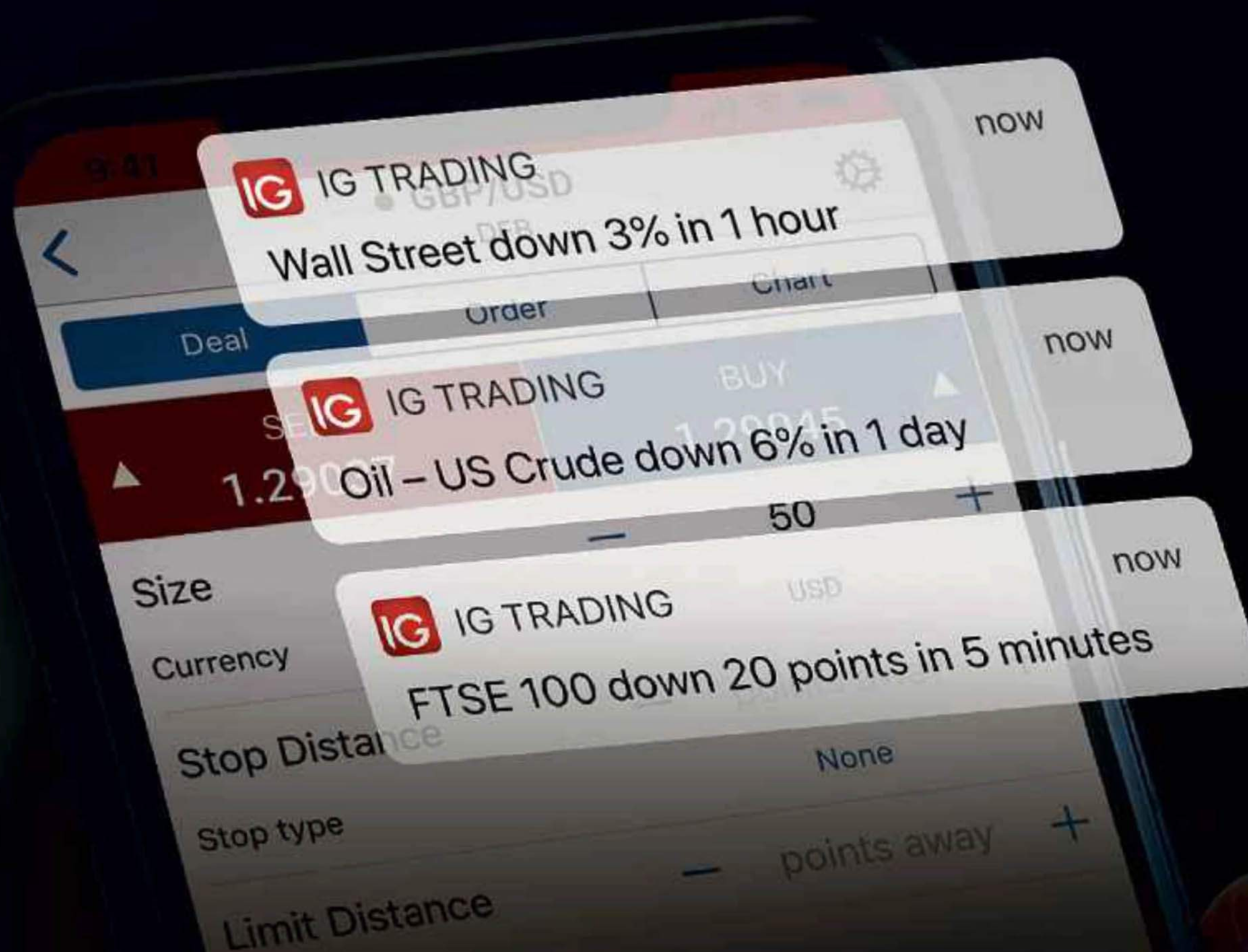

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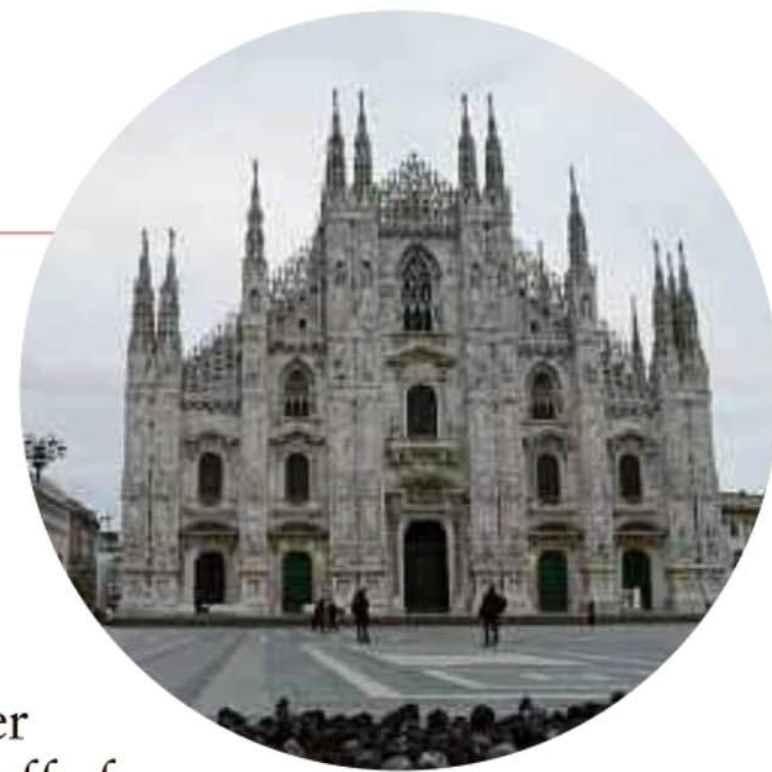

Washington DC

Hurling the kitchen sink at the virus: All 50 US states have confirmed cases of coronavirus and over 110 people have died from coronavirus, says The Washington Post. As the number of cases across the United States surpasses 5,800, the Trump administration on Monday released new guidelines to curb the spread of the virus, including closing schools, discretionary travel, and avoiding groups of more than ten people. Up to 8.6 million New Yorkers face "shelter-in-place" measures. The Trump administration has announced plans to send cheques of $1,000 directly to American citizens as financial aid, while agreeing to purchase up to $1trn (£830bn) of corporate bonds, says Richard Partington in The Guardian. The handouts are part of a wider $850bn stimulus package the government is negotiating with Congress. Meanwhile, the US Federal Reserve said this week it will backstop the $1.13trn market for commercial paper, where companies borrow for the short term, while it has also restarted its quantitative easing (money printing) programme and slashed interest rates to 0% (see page 4).

Brussels

EU tackles virus as new Italian cases peak: The number of new cases of Covid-19 in Italy seems to have peaked this week at just under 3,500 a day. Italians had been told to stay indoors for around a fortnight, while the northern Lombardy region has been under "lockdown" for over a month. The levelling-off of new cases follows a pattern seen in China and South Korea, which had taken similar measures. Swiss bank UBS has revised down its growth forecast for Italy this year from 0.3% to between -0.4% and -0.8%. Elsewhere in Europe the rate of the disease's spread continues to rise. Governments have produced tax moratoriums, payment extensions on social charges, loan guarantees and wage subsidies, says the Financial Times. Sweden has made "the boldest move". Businesses may defer tax payments for up to a year. This will cost 300bn kronor (£25bn), 6% of GDP.

Brasília

President in denial: President Jair Bolsonaro (pictured) continues to "deride" efforts to contain the pandemic in Brazil, despite confirmation of the first death, says Shasta Darlington on CNN. A 62-year-old man died in Sao Paulo. Around 300 cases have been confirmed. Bolsonaro has said that before the virus the economy was doing well, but "a certain hysteria" could "hurt [it] a lot". It already looks hurt. Last year it grew at the slowest pace in three years, 0.5%, a far cry from the days of the commodities boom. Earlier this week the government announced it would inject nearly 150bn reais ($30bn) into the economy to soften the blow from the pandemic, says Marcela Ayres in Reuters. Brazil's stocks have fallen by 37% this year and the currency, the real, has hit a new low against the dollar. To add to the sense of chaos, prison riots saw as many as 1,300 inmates escape after officials announced the suspension of day-release programmes to avoid the spread of the disease.

Tehran

A tenth of MPs fall ill: "Nowhere has Covid-19 hit a country's leaders harder than in Iran," says The Economist. Almost 10% of its parliament has come down with the virus, which, the government says, has infected 9,000 people across the country and killed around 300. That makes Iran the second worst-affected outside China, after Italy. But the true number of cases is likely to be far higher, with 100,000 touted as a possible figure. Trust in the leadership had already been dented after a Ukrainian passenger plane was mistakenly shot down in January. When the virus did strike, "officials hid news of it so that voters would turn out for a rigged... election". A visibly ill deputy health minister denied a cover-up. School closures and a ban on large gatherings "have come late and are incomplete". The economy, expected to shrink by up to 30%, had already been "largely isolated" due to sanctions. Now consumers have stopped spending and neighbouring Iraq, its main trading partner, is restricting the passage of people and goods.

The way we live now: a chilling approach to life after death

Dennis Kowalski, president of the Cryonics institute in Michigan, suggests that we chill out about life after death, says Catherine Nixey in The Economist's 1843 magazine. He specialises in cryonically preserving humans in refrigerators at temperatures of -196°C. They are to stay frozen until the technology has been developed to bring them back to life. Around 180 "refrigerated humans" are already in his care and more people are signing up each year. Cryonics is a very "rational thing to do", assures Kowalski. For a cool $28,000 per person, patients can be frozen for "potential" resurrection. The Institute makes no guarantees you'll be brought back, "though it's unlikely many customers will complain". The institute offers family discounts, while other centres "allow you to do a 'neuro' and freeze only your brain". Cryonics is "an ambulance ride to the future", says Kowalski, who avoids words like "corpse" and "death", instead using "patients" and "cases". Patients are packed in ice and then transported to the cryonics centre of their choice, "where various complex processes are performed". After antifreeze is injected into their veins, patients chill "for a year or perhaps a thousand, until pointy-heads in the future work out how to revive [them]".

A pointy-head may revive you one day

©Cryonics Institute
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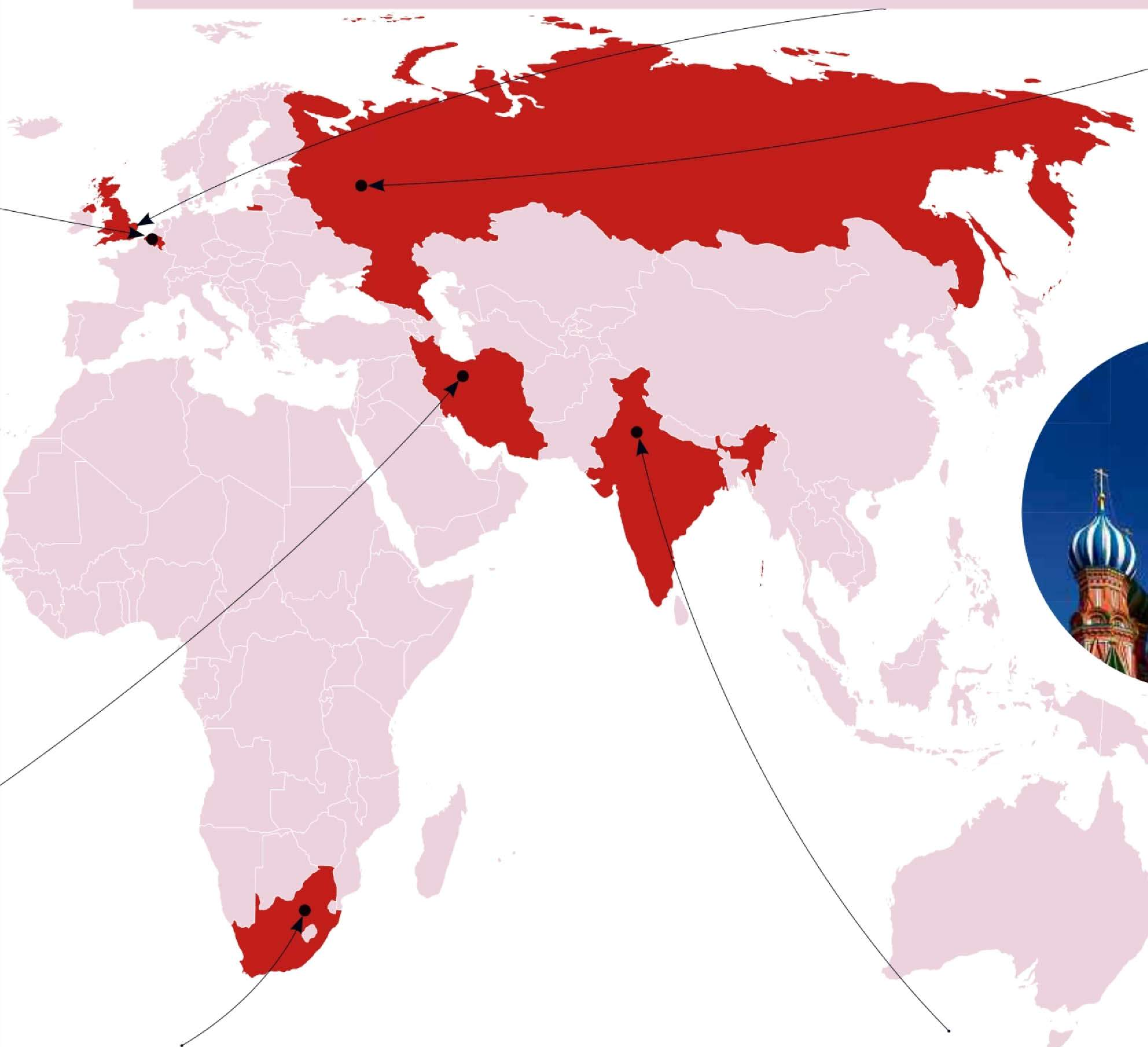
London

Workers brace for impact: There were 1,950 recorded cases of coronavirus and 60 deaths in Britain early this week. Prime Minister Boris Johnson, however, estimated that around 50,000 people had already been infected, and the number of new cases is rising daily. That is having a knock-on effect on the labour market. "We estimate that about two million workers – 6% of the total – will need to stop working on any one day in order to look after children, if schools are shut," says Samuel Tombs of Pantheon Macroeconomics. While the labour market was "pretty robust" before the crisis, the clarity brought by the general election in December did not translate into extra job vacancies. The three-month average last month was "a hefty" 5% below its January 2019 peak, says Tombs. Worse still, "the most severe job losses usually are seen six to 12 months after the recession has begun" as managers look for cuts and employees serve notice periods. "All told, it would be a miracle if unemployment did not rise." Meanwhile, funds have also been closing their doors as investors have fled for the exits. The Kames Property Income fund was suspended on Tuesday, "once again highlighting the problem of shoehorning an illiquid asset class into a daily dealing structure", says AJ Bell's Ryan Hughes. It was followed by the Janus Henderson property fund later that day.

School closures will see more staff remaining off work

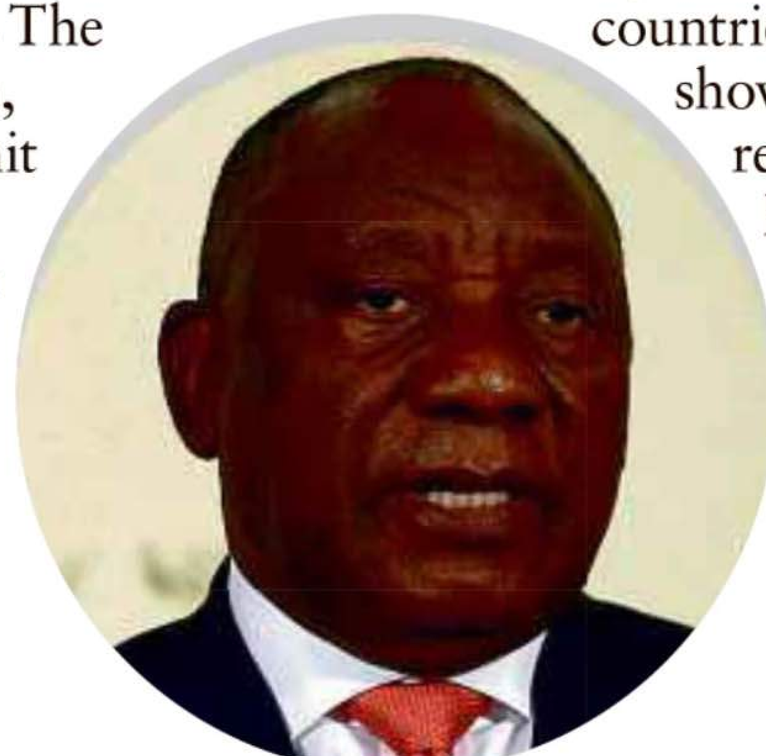


Moscow

Double trouble for Russia: Moscow has banned foreign nationals from entering the country, shut state schools and limited public gatherings in Moscow in order to curb the spread of coronavirus. The number of confirmed cases has reached at least 100. The economy is experiencing a double whammy, with Covid-19 accompanied by a slump in the oil price, says Anna Andrianova on Bloomberg. Oil prices have fallen to around $28 a barrel, their lowest level in almost four years, as Russia and the oil exporters' cartel Opec recently failed to agree on supply cuts. "If the epidemic follows the European scenario, a recession is inevitable," Sofya Donets, an economist at Renaissance Capital in Moscow, told Bloomberg. Citigroup has already cut its 2020 GDP growth estimate to 1% from 2%. The government has set aside $4bn to assist businesses and citizens affected by the virus and will allow affected industries to pay taxes late.

Pretoria

Unaffordable crisis for South Africa: At least 27 African states have reported cases of coronavirus and several have imposed major restrictions to curb its spread on a continent with poor health services, says the BBC. Some 350 people have been diagnosed with the virus and seven people have died. South Africa has 62 cases and on Sunday, President Cyril Ramaphosa (pictured) declared a "national state of disaster". Nearly half of the country's 72 border crossings and two of its eight sea ports are now closed, all schools are shut and gatherings of more than 100 people have been banned. It is not clear how long restrictions will stay in place, but Ramaphosa said that it could have a "potentially severe impact" on production, business viability and jobs and that a stimulus package would soon be announced, says The South African. The economy, already in recession, "cannot afford" the fallout. Kenya will be badly hit too, says The Kenyan Wall Street. South Africa's Rand Merchant Bank says that "the likely impact on African economies can be gauged through tourism, trade and transport". On this basis, Kenya has the highest exposure of all.



New Dehli

India has escaped lightly – so far: Despite being the world's "second-most-populous nation" with 1.3 billion people, India has remained "relatively unscathed" while the number of coronavirus cases "explodes to its east and west", says Saumya Khandelwal in The New York Times. One explanation for this anomaly, which has "spawned a sense of almost disbelief" among experts, is that "there are many more cases in India than have been detected because of the difficulties of getting tested". However, others think it's due to India's "quick and strict" efforts, including being one of the first nations to "essentially shut its borders". The former explanation makes more sense, says the Associated Press. India has only been testing "those who have travelled from affected countries or come in contact with a confirmed case and shown symptoms after two weeks of quarantine" – resulting in it carrying out only 90 tests per day, despite having the capacity for as many as 8,000. While the government justifies this as a way to keep a "deluge of people" from demanding tests that would cost the money it needs to combat other diseases, "fears over hitherto undetected communal spread are growing".

The biggest bailout in history?

The massive economic shock caused by the coronavirus is forcing governments to take radical action. So what is our government doing and how does it compare? Simon Wilson reports

What has happened?

Within the space of just a few days, the world has woken up to the fact that we're facing a great global depression, says Martin Wolf in the Financial Times. Coronavirus lockdowns worldwide have already seen supply and demand fall, and collapsed a wide range of spending, especially on entertainment and travel. Many workers, especially self-employed workers, face a prolonged period of no income, and "many households and businesses are likely to run out of money soon", says Wolf. "Even in wealthy countries, a large proportion of the population has next to no cash reserves." And the private sector – in particular the non-financial corporate sector – has also "gorged itself on indebtedness" (see page 5). Central banks have cut rates hard, but the onus is now on governments to take fiscal and financial measures to manage the crisis and protect firms and workers.

Chancellor Rishi Sunak: this is not a time for orthodoxy

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What has the UK done so far?

As of Wednesday afternoon the focus had been mostly on firms rather than individuals, although the chancellor, Rishi Sunak, has signalled that more announcements are imminent. Last week, in his Budget, Sunak announced £12bn of emergency fiscal measures to support businesses, plus the abolition of business rates in hard-hit sectors for a year. This week, he ramped that up aggressively, with a further £20bn of direct stimulus, including £25,000 cash grants for small businesses in the hospitality, retail and leisure sectors, and he extended the rates holiday to larger companies in those sectors. He also announced (as yet unclear) support for airlines.

What else?

The direct stimulus is in itself pretty big, amounting to 1.5% of GDP. But Sunak also announced £330bn in soft loans and loan guarantees to businesses hit by the pandemic. That's equivalent to 15% of GDP, and amounts to state backing for businesses on an unprecedented scale. The government appears to have listened to the Office of Budget Responsibility, which (notwithstanding its name) urged its masters to not be "squeamish" about turning on the spending taps and borrowing for Britain. As Sunak put it, this was "not a time for ideology and orthodoxy". Or as Faisal Islam put it for the BBC, this is "a wartime effort, with wartime deficits to cover it".

Will it work?

In some respects even the £330bn package is merely a "large sticking-plaster", says Nils Pratley in The Guardian. Loans can alleviate cashflow crises where companies are confident that demand will return, but a "loan is not a handout. Some employers may decide it's better for them to shed staff or shut up shop, the behaviour Sunak is trying to discourage. The threat of mass redundancies looks large, with effects that could last years." What the UK has not done – unlike France and some Scandinavian countries – is to try to prop up the economy by directly underwriting firms' payroll costs. That could come next. For example, the government in Denmark has already told firms that it will cover 75% of the salaries of workers who would otherwise have been laid off, for up to three months, and to the equivalent of up to around £3,100 a month.

How much would this cost?

Supporting half the UK's monthly wage bill would cost the state about £40bn a month, according to estimates by Close Brothers Asset Management. "This is the sort of protection that might be required to ensure that, when we come out the other side, consumer demand returns to pre-crisis levels and the economy isn't damaged beyond repair," argues Robert Alster, the group's investment chief. That kind of intervention – yet more unprecedented and statist – could mean higher taxes for all down the line (although that depends on how it ends up being paid for – see below for more on that). But it's the kind of policy that may now be on the table in an effort to stop what we all hope could end up being a relatively short recession from becoming a far deeper depression.

"Denmark has told firms it will cover up to 75% of workers' salaries"

What else is being done?

On Tuesday, Sunak announced a three-month mortgage holiday for those who need it, and on Wednesday, Boris Johnson promised emergency legislation to protect private tenants from eviction. Sunak is also in talks with unions and business trade bodies about employee support. Meanwhile, new Bank of England boss Andrew Bailey said that the UK central bank will effectively lend unlimited amounts to large UK companies via its new commercial paper facility – companies issue new short-term bonds (typically used to finance day-to-day operations) and the Bank will buy them (although the debt does have to be investment grade – ie, the company needs to be creditworthy). "We didn't put a limit on [the facility]," Bailey told the FT. "We didn't announce it was 'X' because the reason for that is we don't know." The scheme (known as the Covid Corporate Financing Facility) will run for at least a year.

What else could the government do?

More broadly, the crisis has led to a revival of long-running debates about universal basic income and helicopter money (ie, stimulating demand by giving cash directly to citizens). In the US the government is considering the latter. And here in the UK, the FT reports that Bailey has not ruled out "creating money to finance government projects". This would be a manifestation of MMT (Modern Monetary Theory) whose proponents argue – to put it very simply – that as long as a country has its own currency, the only restraint on governments printing money to fund their own spending, including cash handouts to citizens, is the rate of inflation. That still sounds radical – but clearly not as radical as it did before this crisis began.

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Keeping your shares safe

Rules exist to protect your assets if a broker goes bust, but it's best to minimise the risk if you can

Cris Sholto Heaton
Investment columnist

In the middle of a major market panic when all your investments are plummeting in value, the last thing that you want to worry about is whether what remains of them is safe. But anybody who's been investing for a few years will know that, from time to time, stockbrokers, wealth managers and other investment firms fail. And crises are often accompanied by at least one such blow-up (although small brokers go under frequently enough anyway – the most recent example was SVS Securities in August last year). So if you're wondering what rules exist to protect your investments, here's a quick outline.

The key point is that investments you hold through properly regulated UK investment firms should be held on trust for the customers and segregated from the firm's own assets. Your shares will not be registered in your own name, but they will be in the name of a nominee company, which is a subsidiary set up solely for this purpose of holding clients' assets. If the investment firm fails, its creditors don't have a claim on these assets.

"Clients' assets must be segregated from the firm's own assets"

This is important, but not always sufficient. When firms fail, it sometimes turns out that this segregation hasn't been enforced properly. Assets may be missing or mixed up with the firm's own. That can be due to negligence and bad record-keeping: don't underestimate the degree of chaos that may prevail in a firm before it goes bust. Or it could be fraud: even if somebody hasn't set out to steal from clients' accounts, the temptation to dip into them to keep things going when the firm is in trouble may occasionally prove too hard to resist. In general, fraud seems more likely with cash balances than shares, bonds or funds, so keeping less cash in your account may reduce – but not eliminate – your exposure to this risk.

There are several ways to protect your holdings at investment platforms

If the firm fails and cash or investments are missing, the Financial Services Compensation Scheme (FSCS) should be there to plug the gap (see below). But the process of identifying shortfalls, returning assets to clients and paying compensation can be quite protracted. SVS Securities' clients are still waiting, for example. You don't want your account frozen for months at the best of times and certainly not in a market like this.

That's why we'd suggest that if you only have a single account, it's best to stick with one of the largest and most reputable firms, who are very unlikely to fail. If you want to use a smaller firm – and there may be good reasons to do so – we'd suggest splitting your portfolio across more than one company to minimise the disruption if the worst happens. Finally, be aware that all this applies only to fully regulated UK firms. Those offering unregulated investments or those outside the UK may offer less or no protection, depending on the rules that apply to them.

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

The Financial Services Compensation Scheme (FSCS) covers both banks and building societies as well as investment accounts. If a bank goes bust the FSCS will pay compensation of up to £85,000 per person, per bank to cover any losses (or up to £1m if the money is there temporarily – such as the proceeds from a house sale – for up to six months from when the amount was deposited).

So if you have substantial cash savings, you may want to have accounts with more than one financial institution. But if you split your savings like this to maximise your FSCS cover, be aware that many bank brands share the same bank licence, so check you are genuinely saving with two separate institutions.

Bank and building society failures are urgent – people rely on their money to be able to pay their bills. So the FSCS aims to pay within seven days of the institution going under.

If your broker goes bust and there is a shortfall in clients' assets, the FSCS will pay out up to £85,000 per client (not per account) to top up whatever can be recovered from the broker. So if a broker owes you £90,000, but you only get back £40,000, you should be entitled to another £50,000 from the FSCS. However, if you have two accounts with the same broker holding £90,000 in each and you get back £40,000 in each, the FSCS will pay you a maximum of £85,000 – leaving you £15,000 short.

The £85,000 limit should cover any likely shortfall for most investors (remember that you also get what remains of your investments back and it would be unusual – though not completely unknown – for a very large percentage of overall assets to be missing). But if you have a large account and you are worried, consider splitting your assets across more than one provider.

Payouts for failed investment firms are much slower than for banks. Eight out of ten investment claims will be paid within seven months, according to the FSCS website (FSCS.org.uk).

Guru watch

Masayoshi Son, founder, SoftBank

Coronavirus "has become a global pandemic, stockmarkets are crashing, credit is getting crunched and [SoftBank's] share price is down 30%," says Tim Culpan on Bloomberg. "So of course ... Masayoshi Son would announce a share buyback." The Japanese billionaire plans to have SoftBank – his sprawling technology conglomerate – buy back up to ¥500bn (£3.9bn) of its shares over the next year.

The timing may seem odd, but Son has been under pressure from shareholders, including US activist Elliott

Management, after some recent deals started to look unwise. Son made his name with a $20m stake in a small Chinese e-commerce firm called Alibaba in 2000. When Alibaba listed in 2014, that stake was worth $60bn. Ever since, investors have viewed him as a tech visionary. But recent investments – including office-rental firm WeWork and ride-hailing service Uber – have left them wondering if hubris is affecting his judgement.

Hence this "face-saving gesture" of a buyback that "marginally addresses shareholders' demands", says Christopher Chu in FinanceAsia (it's still only a quarter of what Elliott wanted). "It is an act of goodwill rather than an inflection point for the company's investment priorities." But Son gets to pretend he's listening, says Culpan – and while shares could drop further, he will just "wait for the inevitable rebound that will make him seem like a genius". Don't be surprised if other tech firms awash with cash – such as Apple – follow his lead and ramp up their own buybacks.

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Three tasks for the new bank chief

As Andrew Bailey takes over at the Bank of England, he should be thinking about more than just viruses

Matthew Lynn
City columnist

It was hardly the best week to be starting as the new governor of the Bank of England. When he was appointed to the job Andrew Bailey probably didn't expect to have to be dealing with a global pandemic that has plunged the economy, alongside the healthcare system, into an unprecedented crisis and coming up with solutions for the financial and commercial fallout as millions of people stay away from shops, offices and restaurants. His officials may well have to devise some form of emergency helicopter money to keep cash flowing as work comes to a stop, or organise a bail-out or two. Despite these challenges, he should also think about the medium term. The pandemic will pass, as they generally do, and he will need a strategy for the rest of his term. There are three big tasks waiting for him.

Bailey: he'll need to draw some red lines

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1. Win independence from the EU

Bailey is a lot more at ease with Brexit than his predecessor Mark Carney ever was. But he will need to work out where his red lines are as we negotiate a trade agreement with the EU. Brussels will have two objectives. It will want to bring the City under its regulatory control forever and it will want to weaken it so that Paris and Frankfurt can take some of its business. The EU is hardly a friendly partner. At the same time, the British government will be under pressure from car, chemicals and food manufacturers to make concessions on financial services to win them elsewhere. Bailey's job will be to work out where it is most important that the City maintains independence to set its own rules and where it might be willing to adopt European ones to maintain access to its markets. It will be a difficult balancing act, with few obvious answers, but the City's prosperity may depend on him getting this right.

2. Develop a lighter touch

Post-Brexit, the Bank will need to work out a lighter-touch regulatory system that promotes innovation while at the same time ensuring decent levels of market integrity and protection for investors. Over the last 20 years as it used the single market to bring more and more powers under its control, the EU has hugely increased the amount of regulation it imposes on the financial markets. The Mifid II regulations became notorious for their bureaucratic complexity and the EU's war on technology risks shutting down what should be the biggest growth area for the financial markets. It will be great to have the freedom to strip a lot of that away. The City will need to reinvent itself as we leave the EU and that will mean becoming a tech-focused hub for the global money markets. It will be as important as ever that the City is trusted, but also that it has the freedom to take risks and try new things. That is a tough line for a regulator to draw – but not an impossible one.

3. Encourage a wave of IPOs

For more than a decade, the number of companies quoted on the London market has been in relentless decline. It has fallen from 8,000 at its peak in 1996 to around a quarter of that figure now and keeps on going down. That is a global trend, so it is hardly the UK's fault. The rise of the private-equity and venture-capital industry means there are plenty of alternatives for companies wanting to raise capital. But it is still an issue. The City needs thriving initial public offerings to reconnect ordinary savers to the economy and it is part of the Bank's job to make that happen. But how can it do this?

The Bank could press the government to strip away the layers of corporate governance legislation that were designed to protect investors, but have ended up driving companies away from the market. It could work out a way to integrate the booming crowd-funding industry into the main public markets. And it could make the case for bigger tax breaks for small investors to get them interested in owning shares again – after all, once the dust has settled on the immediate crisis the markets are going to be very cheap. Ultimately, if there aren't any quoted companies left then there won't be a functioning financial market either.

Who's getting what

● Disney's former chief executive **Bob Iger** (pictured) received $47.5m for last year. But 46% of shareholders voted against the executive pay plan last week in a non-binding vote. It's not the first time Disney has faced sharp criticism over pay, says Reuters. In 2017 a majority of shareholders opposed the plans. Iger, who stepped down as CEO last month, but remains at Disney in the post of executive chairman, was paid a total of $65.6m in 2018, an 80% increase on the previous year.

● Mining giant Rio Tinto has agreed to pay its former chief executive, **Sam Walsh**, almost A$7m (£3.5m) in deferred bonus payments as part of a "confidential and binding dispute resolution process", the chairman, Simon Thompson, said. The payments to Walsh from performance-based incentive schemes had been postponed in 2017 due to investigations into bribery at the company. Walsh is to get further payments worth A$17m from the schemes, covering his tenure as CEO during the three years to 2016, when he retired.

● US bank Wells Fargo has decided to "claw back" the $15m it paid to former chief executive **Timothy Sloan**, says The Wall Street Journal. Sloan received the pay in early 2019, but resigned the same year after failing to turn around the "troubled" lender. He was paid $1.6m last year, but no severance pay. Sloan was appointed to the top job in 2016, but came under fire from regulators, who accused him of acting too slowly following a fake accounts scandal.

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Nice work if you can get it

Pupils and teachers have faced disruption in Asia as schools have closed due to the spread of coronavirus. But there is at least a silver lining for tutors, say Emma Jacobs, Andrew Jack and Primrose Riordan in the Financial Times. One anonymous primary-school teacher in Beijing works eight hours a weekend at "her side hustle", charging $80 an hour to teach maths. In so doing, "she earns almost as much again as her teacher's salary". The practice is officially forbidden in her state school. Yet some "super tutors" charge up to $300 for 45 minutes, while richer parents are willing to spend $10,000 a term in the build-up to the "pivotal" Gaokao exam, determining university admission. Parents in Asia are even turning to tutors overseas and online. Simply Learning Tuition, a company based in Britain, has seen a "big increase" in enquiries from China for tuition over the internet.

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Britain's got talent for science

Dr Thomas Fink
The Spectator

Britain has an "uncanny aptitude" for basic science, says American physicist Dr Thomas Fink. The Royal Institution alone has earned more Nobel prizes than Russia. Basic science – or "curiosity-driven research" – done without consideration of its usefulness, consistently leads to the "most far-reaching breakthroughs". Newton's laws of motion led to accurate ballistics; describing the "intricate distribution of the primes" to modern encryption. Scientists spot patterns. It is only once these patterns have been identified that they can be "harnessed to solve problems". This sounds obvious, but is not always understood. Horizon 2020, the EU's research-funding agency, mainly supports outcome-led investigations: "they are seeking the applications of patterns that have yet to be spotted". Last week's Budget, which pledged to increase investment in research and development to £22bn a year, was encouraging, but more needs to be done. We need more basic science outside universities; scientists should be allowed to focus on research, not trying to get funding; and we need to fund new ideas faster. The Research Council should work to a timetable of two months, not a year. This is an opportunity post-Brexit Britain should seize.

A handout will see us through

Julian Jessop
CapX

As things continue to deteriorate, I am warming to the idea of some sort of temporary universal basic income (UBI) or one-off handout to ameliorate the fallout from coronavirus, says Julian Jessop. Hopefully, the measure would last just a few months, during a crisis period in which it may be advisable for some people to stop working to protect the lives of others. Temporary payments would support those such as the self-employed, who might not be helped by more conventional measures such as sick pay or the deferral of mortgage payments. In principle, there is Universal Credit, but in practice the system is hard to navigate and could break down if too many people tried to apply at once. The costs and potential inflation risks (the supply-side of the economy is already being hit hard) favour a cautious approach. Perhaps anyone of working age and paying national insurance could receive a one-off, £1,000 sum, taxable at a later date. There are about 42 million people in the UK labour force aged 16-64, so that would cost £42bn a time – no small sum – but these are "extraordinary times, requiring extraordinary policy responses". Self-isolation is not a credible strategy without income support and existing benefits may not be enough.

Big spender Sunak has got it wrong

Matthew Lesh
City AM

Rishi Sunak's Budget was the "biggest giveaway of taxpayers' money since 1992", says Matthew Lesh. Borrowing will increase by £125bn. Debt will reach a record high at £2trn. The Covid-19 response aside, we should be concerned about this big-spend, big-tax approach, as well as the new, un-Tory reliance on the state rather than entrepreneurs to create prosperity: the government is to spend billions picking winners – "from subsidies to favoured companies to high-cost, low-benefit vanity projects such as HS2". At the heart of the government's research and development pledge (see above) is £800m for a "blue-skies funding agency" modelled on America's Advanced Research Projects Agency (Arpa). Yet the "real breakthroughs" came after Arpa's activities were curtailed and redundant staff decamped to Xerox PARC where they invented world-famous products including the computer mouse and the graphical user interface. The truth is, bureaucrats lack the "knowledge or understanding to drive innovation and prosperity". Politicians should focus on creating an innovation-friendly environment. "Spending like a drunken sailor and distracting top scientists with state-directed projects does not create a thriving entrepreneurial economy."

Africa's first step to prosperity

George Elombi
Financial Times

Last May, the new African Continental Free Trade Area (AfCFTA) removed tariffs on 90% of goods, opening up the world's largest free-trade area, a market of more than $2.5trn, says George Elombi. But this is only the first step. Africans now need to start trading intra-continentally – 61% of the EU's trade is internal; in Africa, just 16% is. This is a problem for growth (large sums flow out of Africa) and it means businesses rely unnecessarily on expensive imports. To take advantage of AfCTA, the "infrastructure deficit", both physical (transport, energy, etc) and digital, needs to be tackled. Fintechs are busy providing banking services, but businesses are still burdened by currency conversions. The Pan-African Payment and Settlement System, the first continent-wide digital payment system, is helping, but digital infrastructure is needed to facilitate the flow of information as well as money so that businesses are aware of opportunities for trade. Harmonisation of trade standards is also vital. Releasing the potential of intra-African trade is a priority. The spotlight is now on African leaders to embed the "roots of a more diversified and resilient economy".

Money talks

"I haven't known. Partly because it didn't feel like that was a fight that could have been won. I have known recently that I've been paid the same and more. So, that's good. I'll take that."
Film star Keira Knightley (pictured) on whether she has ever been underpaid compared with a male peer, quoted in the Financial Times

"Toilet roll £629pp. Comes with a free holiday to New York."
A poster in a travel agent's window in Surrey, quoted in The Mail on Sunday

"All great economists are tall. There are two exceptions: John Kenneth Galbraith and Milton Friedman."
US Nobel Prize-winning economist George Stigler, quoted on Reddit.com. Galbraith was 6ft 9 inches and Friedman 5ft

"They made a billionaire homeless today. I'm a little bit ticked off that they chucked me out of my palace in Belgravia."
James Stunt, former husband of Petra Ecclestone, after his £11m house was repossessed, quoted in the Daily Mail. Once worth around £3bn, he was declared bankrupt last June

"When a management with a reputation for brilliance tackles a business with a reputation for bad economics, it is the reputation of the business that remains intact."
Warren Buffet, quoted on Forbes.com

"If you think he's a paedophile, don't buy the book. Don't go to his movies. Don't go listen to him play jazz at the Carlyle. Vote with your wallet ... In America, that's how we do it."
Thriller writer Stephen King criticises publisher Hachette's decision not to release director Woody Allen's memoir following allegations of sexual abuse against him. Allen has been investigated twice but never charged

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How to work from home

Don't get too comfy – you're supposed to be working

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wired.com

As the new coronavirus continues its "romp around the globe", more and more of us are being asked to work from home, says Brian Barrett. "As someone who has worked remotely for nearly a decade, I am here to tell you: it's not easy." But there are ways to help you cope and keep you sane. Here are five tips.

1. Get dressed

It may be tempting to "roll out of bed and blob over to your laptop in your pyjamas". You might even be tempted to stay in bed and work from there. But this is a "trap". If you're dressed for sleep and slumping around, then your mind will slump too. So get up, take a shower, brush your teeth, get dressed. If you don't get ready for the day, then the day never really starts. Instead of working from home, you're just at home, trying to fit in the odd bit of work.

2. Have a workspace

The cardinal rule of home-working is: set boundaries. And that applies to your work space too. Do not work from the bed, the couch, or the futon. If your options are limited, at least have a coffee table to use as a desk, or anything that keeps your laptop out of your lap (they get hot). Keep your space separate and tidy. This is an aid to concentration and also helps you avoid turning your entire house or flat into an "amorphous space where you're always on the clock, but also kind of not". It's no way to live.

3. Go outside

In more normal times, going to a coffee shop will provide a change of scenery and give you an excuse to get some fresh air and at least a modicum of human interaction. But at the very least, walk around the block a couple of times a day. Sitting down all day is "terrible for your health" and "mind-numbing" when you're staring at the same four walls all day.

4. Check in with colleagues

You will inevitably miss the impromptu meetings and side conversations that are a part of office life. So use email and social-media services such as Slack, and even the phone occasionally, to check in with work colleagues, even if it's only to chat about trivia. It helps to remind people you're still there.

5. Shut it down

What you may miss most about office life is the commute. That may sound "unhinged", but for all the traffic and crowded trains, at least it provides a clear separation between when you're at work and when you're not, and some time to relax in between. When you work from home, you don't get this separation, so try to find a way to make it. Quit out of Slack. Take the dog for a walk. Figure out some way to "ditch your shadow".

Why do we panic?

weforum.org

Panic is an important factor in the economic consequences of pandemics, says Marianna Baggio. The behavioural sciences help us understand why. In the case of infectious diseases, the decisions of individuals matter not just for that individual, but also for society as a whole. Yet individuals aren't entirely rational and may not always be expected to act on the best advice, even if that advice were impeccable. We rely instead on "mental shortcuts". People find it hard to understand risks, especially if these are expressed as probabilities, but also when glossed with words such as "rare", as these are open to interpretation. People are also subject to the "availability heuristic", the tendency to rely on immediate examples. If you've been bombarded by sensationalist headlines and powerful images in the news, these will come to mind first and affect your behaviour. When we overestimate risks and are scared, we perceive the situation to be more extreme than it is and panic sets in, especially if there is a perceived lack of escape routes (as in lockdowns and quarantines), or if the cost of compliance with advice is considered too high (if it requires separation from loved ones, for example). Governments must take such insights into account if they are to mount an effective response to outbreaks.

The economics of Mt. Everest

thehustle.co

When Tenzing Norgay and Edmund Hillary first reached the summit of Mount Everest in 1953, mountaineering was an elite pursuit, says Zachary Crockett. For decades, the governments of Nepal and Tibet denied access to foreign climbers. But in the early 1990s, everything changed. Now Everest is a multimillion-dollar industry and what was once a desolate landscape is now littered with discarded oxygen tanks, human excrement and 200-plus dead bodies.

It could be about to get worse. Today, Nepal relies on Everest-related tourism and it has refused to put a cap on the number of permits it issues climbers. Spotting an opportunity, a younger generation of Sherpas, the legendary mountaineers native to the Himalayas, are offering themselves as guides, undercutting Western companies by 40%. They'll take anyone up the mountain, say some Western guides, and cut corners on safety. That will create more opportunities: retrieving corpses can set you back $70,000. Most are therefore left up there. Some, such as "Green Boots", become immortalised as trail markers.

It's not what it used to be

©Getty Images

A step closer to "Fortress Europe"

piie.com/blogs

As in 2015, the immigration issue "threatens to fracture European unity and torment its conscience", says Jacob Funk Kirkegaard. But the crisis of 2020 is unlikely to repeat the one of five years ago. The present crisis began when President Recep Tayyip Erdogan of Turkey opened his country's borders to allow refugees from Syria and economic migrants from many countries to cross into Europe. The result was violent clashes on the border as the migrants were repelled by Greek riot police firing rubber bullets. Virtually all EU leaders supported that firm response to protect their external border.

Despite their sympathies, many European governments would be "politically devastated" by such an influx and they see the move by Erdogan as a political ploy to extract more money from the EU, albeit an understandable one given that Turkey has borne the heaviest economic burden associated with refugees from Syria. Expect the barbed wire to keep going up and for would-be migrants to receive a hostile welcome in Greece. "Fortress Europe is coming a little closer."

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Pop some pills in your portfolio

Healthcare is set for years of growth and is now available on the cheap. Here are the top trusts

Max King
Investment columnist

If there is one sector that will surely emerge from the coronavirus pandemic in stronger shape, it is healthcare. Increasing global prosperity, scientific advances and the consequent steady increase in demand have made this one of the top growth sectors, although regulation and politics have often got in the way. As a result, it has been a sector that hasn't quite lived up to its promise.

Growth on the cheap

In a note earlier this month, US investment strategist Ed Yardeni pointed out that the healthcare sector in the US, which dominates its global counterparts, traded on a 15% discount to the S&P 500 based on forward price/earnings (p/e) ratios, having underperformed by 10% since the start of 2018. Yet earnings growth, 16% in 2018, nearly 10% in 2019 and expected to be 8% in 2020, compared favourably with the overall market.

The coronavirus crisis was already putting the healthcare sector in the spotlight, but Yardeni pointed to another significantly positive factor: the faltering campaign of Bernie Sanders for the Democratic party presidential nomination, as shown by the "Super Tuesday" primaries. Sanders has called for the socialising of medicine via "medicare for all" and has the sector firmly in his sights. "Every candidate but one is bullish for the sector," Trevor Polischuk, co-manager of the **Worldwide Healthcare Trust (LSE: WWH)**, had said a few weeks earlier, "and Joe Biden, the inheritor of Obamacare, represents goldilocks."

Bernie Sanders, whose campaign is faltering, had been gunning for the health sector

©Getty Images

The pricing row will abate

Drug pricing in the US will remain politically controversial, but Polischuk pointed out that prescription medicines account for just 14% of US healthcare spending, only half of which is accounted for by branded, patent-protected drugs, prices of which had begun to fall in 2019. "The most likely outcome is that nothing will happen on drug pricing," he said, "as the true inflation is in other areas."

Not that WWH or its sister trust **Biotechnology Growth (LSE: BIOG)**, also managed by OrbiMed Capital, were exactly suffering from the uncertainty. In 2019, WWH returned 32%, 18% ahead of the MSCI World Healthcare sector, and BIOG 47%, 19% ahead of the Nasdaq Biotech index.

"It was one of OrbiMed's best years," said Poliuschuk "and the benchmarks are not easy to beat." Key reasons for the strong performance included merger and acquisition activity and a favourable regulatory climate. Scott Gottlieb, commissioner of the Food and Drug Administration (FDA), had introduced a series of policies to speed up drug approval and his successor is expected to continue them. They "have reduced the time, cost and approval risk of new drugs".

Ten potential blockbusters

In addition, "innovation has been as strong as it has ever been". Polischuk listed ten drug approvals with blockbuster sales potential and many more making significant clinical progress in trials. Emerging markets, especially China, have presented a growing number of opportunities and WWH's stock selection, helped by moderate gearing, has clearly been strong.

Biotechnology, both the emerging companies (which WWH favours) and the large established ones such as Biogen and Gilead Sciences, account for less than 30% of WWH's portfolio, but nearly all of BIOG's. Geoff Hsu, BIOG's co-manager, pointed out that large biotech companies were trading at a record low p/e ratio of scarcely ten.

"Emerging biotech, which now represents 73% of late-stage research, is where the innovation is happening," he says. As a result, the portfolio (then \$565m) had rather more holdings than historically: 56 rather than between 35 and 40.

The much larger WWH, with \$2.2bn of assets, has 90 holdings, a number that is expected to come down. In addition to biotechnology, there is similar-sized exposure to the vertically integrated (they have control of their own supply chains) pharmaceutical companies such as Merck and Novartis, lesser exposure to medical technology and emerging markets and moderate exposure to healthcare services and life-sciences companies, such as Thermo Fisher Scientific. As far as Covid-19 is concerned, Polischuk a few weeks ago predicted "high spread, low mortality" compared with previous virus outbreaks. Stocks should recover once the outbreak is under control.

A possible vaccine?

He pointed to Gilead's remdesivir as having potential efficacy against the virus and CanSino Biologics as having a promising vaccine treatment.

Covid-19 may not have the devastating long-term impact many fear, but it is unlikely to be the last pandemic. That recognition must surely change public and political attitudes to spending on healthcare.

Though Polischuk and Hsu were bullish, share prices of £10 for BIOG and £33 for WWH gave investors vertigo. However, over the past few weeks these prices have fallen by 20%, but both have outperformed the market, as has their equally impressive newer competitor, **BB Healthcare (LSE: BBH)**. This is surely time to grasp the increased opportunity in healthcare at a much reduced price.

Activist watch

American oil and gas firm Occidental Petroleum has launched a poison pill defence in the latest round of its ongoing row with activist investor Carl Icahn. The plan would give investors who held shares in the firm additional stock in proportion to their holdings as of 23 March if anyone subsequently buys a stake of more than 15% (thereby diluting anyone who tries to build up a large position after that date). Icahn, who recently raised his investment in the firm from 2.5% to 10%, has been highly critical of Occidental's management, calling its \$37bn purchase of rival Anadarko Petroleum last year "one of the worst disasters in financial history". He described the poison pill as "a travesty of corporate governance".

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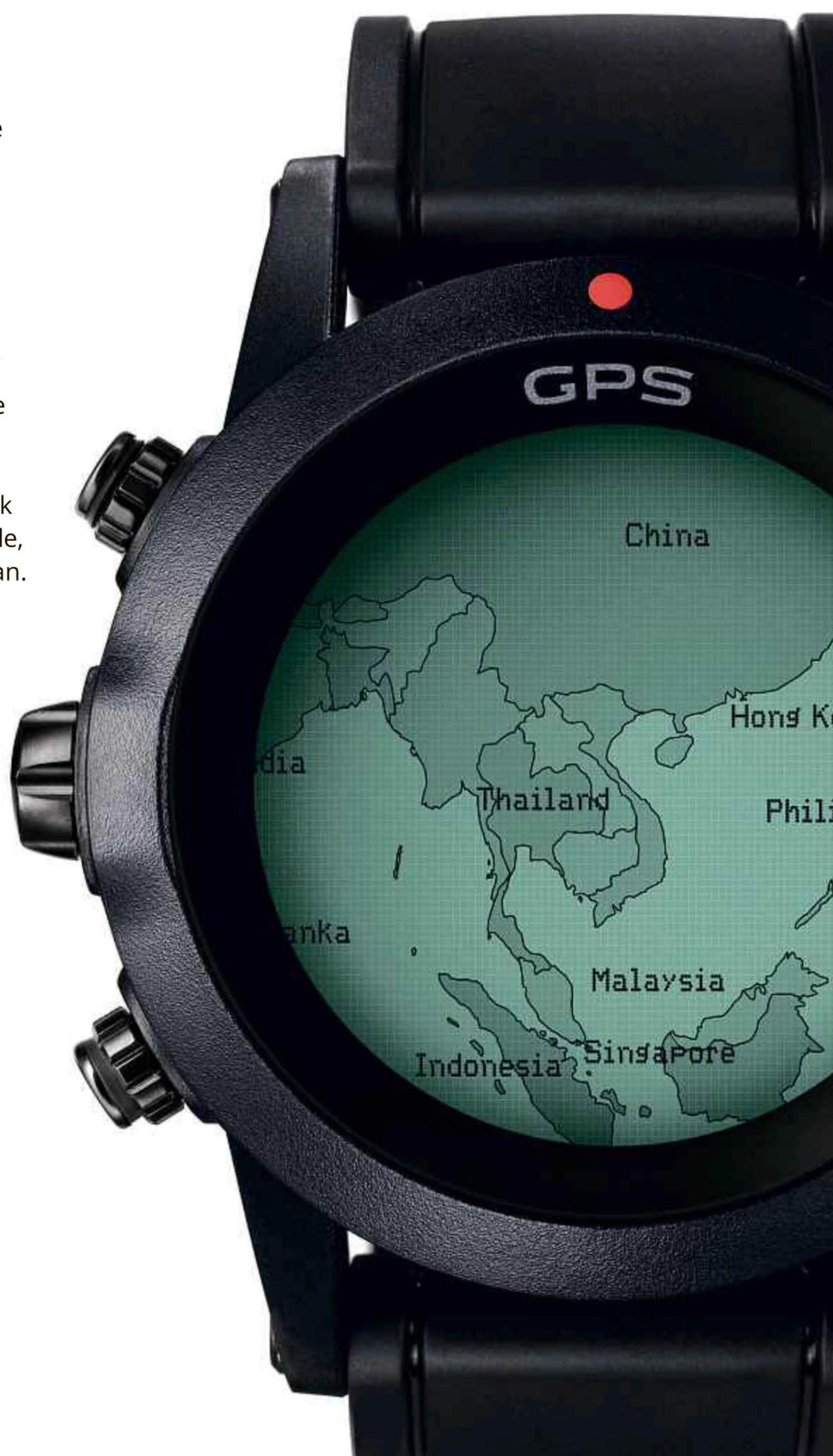

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The coronavirus crisis: will the cure be worse than the disease?

Governments and central banks across the globe are scrambling to get ahead of the coronavirus crisis, writes John Stepek. Will they succeed? And what will that mean for investors and the monetary system?

"Whatever it takes." It's the catchphrase of the moment. Everyone from UK chancellor Rishi Sunak to White House economic adviser Larry Kudlow has been using it. And little wonder. Those three magic words became famous when former European Central Bank governor Mario Draghi uttered them in July 2012, effectively ending the eurozone sovereign-debt crisis with his reassurance (or implicit threat) to investors that he would stop the eurozone from breaking up, no matter what. Global authorities are now facing a far more extreme crisis – and they're pulling out all the stops. Welcome to the era of "helicopter money".

This week, as governments introduced increasingly tight measures to encourage "social distancing" and thus impede the spread of Covid-19, they also stepped up their spending plans for cushioning the impact on the economy. On Tuesday, Sunak announced that there will be £330bn of state-backed loan guarantees to support businesses – that's 15% of UK GDP. He also said that if demand exceeds that amount, "I will go further and provide as much capacity as required". Small businesses will be able to borrow up to £5m interest free for six months and the very smallest businesses will get cash grants of up to £25,000. And no business in the retail, hospitality or leisure sector will have to pay business rates for the next 12 months. Plans to help out employees were being hammered out in discussions with unions and companies, while mortgage lenders have agreed to give three-month payment holidays to those in trouble (see page 30).

Sunak wasn't the only one. In the US, at the time of writing, politicians in Congress are looking at a package of measures, including sending cheques for up to $1,000 to every American household, worth more than $1trn. Across Europe countries are announcing their own measures. Most eye-catchingly, French president Emmanuel Macron announced similar measures to the UK's and declared that "no company, of any size, will be allowed to go bankrupt" (see page 5). Meanwhile, central banks around the world went on a rate-cutting spree (see page 4), with the US Federal Reserve trying to provide as much liquidity as necessary to global financial markets (although debt markets are still showing huge signs of distress, for reasons we'll discuss below).

This time it's different

Is this the right thing to do? In the wake of the 2008 crisis, here at MoneyWeek we had serious concerns about bailing out the banks. After all, they were the ones responsible for driving the economy into the ground in the first place. And there is no doubt that the sense of moral hazard engendered by those actions and the resulting assumption that central banks would always act to put a floor under share prices (the "central bank put") is one reason why we have entered this crisis in such a vulnerable state. Companies are carrying record levels of debt (see page 5) and stockmarkets in the US were more overvalued than at any point since the 2000 tech bubble, the biggest stockmarket bubble the US has ever seen.

"Does it make sense to allow thousands of viable businesses to collapse right now?"

However, this is not 2008. The problem today is that we've seen a massively disruptive external shock in the form of the coronavirus that has caused huge sections of our economy to grind to a halt, both on the production side and on the demand side. There will certainly be long-term implications for our way of life and geopolitics (more on those below). But, fingers crossed, the "lockdown" phase should be temporary.

And if that's the case, then does it make sense to allow thousands of otherwise viable businesses to go bust simply for a lack of cash flow during that period, particularly when many of them can't make money because people have been ordered to stay at home? Does it make sense to allow millions of workers to lose their jobs as a result? Does it make sense for us to make a significant problem far worse by introducing income insecurity, home repossessions and widespread personal bankruptcies into the mix? Or is it better to provide some sort of bridge across this period in the hope that it is indeed temporary and we can get back to some sort of "normal" soon?

In this case it seems clear that the latter is the correct thing to do. You may, of course, query the underlying strategy. Shutting down the economy in this way will have long-term health consequences for many – they will suffer because their distress was not as immediately apparent as that of coronavirus victims and it's quite possible that we'll look back and wonder if opting for "herd immunity" over isolation would have worked out better (see page 10). But if it's the chosen path, then there is no way the government can back out of its responsibility to absorb that blow where possible and for central banks to stand behind them and provide the breathing space to do so. The big question for investors now is: will it work? And what will the longer-term consequences be?

Will it work?

As we were going to press, markets – credit markets in particular – still looked extremely wobbly despite all of the vows being made by governments across the globe. Why? Almost certainly because it's still not yet clear how these measures will work in practice. The US package has yet to go through the political mill and markets are almost certainly expecting a repeat of the 2008 bailout package, which took a lot of negotiating, panicky moments, bribery of individual state representatives and outright pleading by the then-US Treasury secretary to get passed into law. As John Authers notes on Bloomberg, lots of industries need bailing out, but none of them are politically easy to defend. Boeing is a massively important US manufacturer, but it has hardly covered itself with glory in the run up to this crisis. The shale industry almost certainly needs help (assuming America wants to continue pumping its own oil), but the drillers have scarcely made any money even during the good times – how do you justify bailing them out yet again just because the oil price has fallen?

Meanwhile, the European Central Bank, in the absence of Mario Draghi, who was very good at communication, is struggling to convince the

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Crisis meeting: Chancellor Rishi Sunak, Prime Minister Boris Johnson and Sir Patrick Vallance, the government's chief scientific adviser

market that it will stand behind the eurozone as a whole. Spreads (that is, the gap between the yields on similar bonds from different countries) are blowing out again. In other words, investors are selling off Italian government bonds relative to German ones because they're losing faith that the eurozone will hold together. If that spread expansion isn't stopped (which should be easy to do, but this is the eurozone so politics gets in the way, even in a crisis like this), it would represent a major problem.

So until investors are sure that governments have genuinely underwritten the entire system – which is a much harder process than bailing out the banks and one fraught with bureaucratic complications, unintended consequences and simple delays that end up putting companies out of business by accident (if you're wondering how this works, just consider the difficulty most governments have in administering simple changes to the benefit system and then amplify that across the globe) – there will be a lot of room for further falls in the market.

Are we near the bottom?

That said, the direction of travel is pretty clear – bailouts for all – and markets have fallen pretty fast and hard already. Investment writer Joachim Klement noted the other day, using a back-of-the-envelope calculation, that major indices including the S&P 500, FTSE All-Share and Eurostoxx 50, were "pricing in between five and 15 years of zero earnings growth, or the complete collapse of earnings and dividends for the next ten to 15 years". That's extreme – and markets have fallen further since. Meanwhile, previously useful indicators that we are getting closer to the bottom include a slide in the FTSE 250 earlier in the week to the point where the dividend yield was around 5.6% – which, as James Ferguson of MacroStrategy Partnership highlights, has represented the peak yield in the past two recessions.

The latest Bank of America survey of global fund managers has also seen them take fright at equities at the fastest rate on record (which goes back to 2001, so encompasses the wilds of 2008). None of this means we've seen the bottom, but it does all indicate that markets are pricing in a very nasty outcome and that any sense of complacency has now vanished. And it's important to remember that we don't need good news for markets to turn around. We just need the news to stop getting worse. As Eoin Treacy points out on Fuller Treacy Money, "the stockmarket is likely to bottom out well ahead of the last coronavirus case". We look in more detail at what might be worth buying in the box on page 28.

The longer-term consequences

The longer-term consequences will depend on how long this goes on for. At a societal level, will companies decide they can do without expensive city offices and opt for more permanent working-from-home regimes? If they save enough money to offset the hassle, then quite possibly, particularly if it's also seen as a "green" option. That would have a huge impact

Continued on page 28

> ***"We don't need good news for markets to turn around. We just need the news to stop getting worse"***

Continued from page 27

on office providers, providers of remote-working technology, transport companies and all the cafes and other services that thrive on selling services to lots of office workers. And will anyone ever go on a cruise again? Maybe, but the industry will surely shrink permanently.

Equally though, we know that human beings have short memories. Maybe those of us who have been working remotely will all be so glad to get back to work that we'll never want to leave the office again. And if cruise companies survive the crisis and get their pricing right, they could create a whole new generation of ardent boat lovers all desperate for luxury holidays after being confined to quarters for a few months.

However, from a bigger picture point of view, the consequences are a bit more predictable. We know that countries will come out of this with a lot more debt. We're already seeing bond yields rise sharply (and prices fall correspondingly) as investors wonder who exactly is going to swallow all these extra IOUs. The answer, of course, is central banks. Once yields have risen to a point where they might cause trouble, central banks will slap down the resurgent "bond vigilantes" and print money to engage in financial repression, keeping yields capped.

But this does open up a real Pandora's box. If governments print money to wide acclaim and get away with it, who knows what they'll use their new-found power to do. As Treacy puts it: "The coronavirus will be temporary, but the policy response is infinite". In the longer run, we would expect inflation to be the end result of all this. That would cause a different sort of crisis. But one way or the other, it may be the case that we have finally seen the peak of the long-term bond bull market.

The great falling out

Finally, the relationship between China and the US shows worrying signs of deterioration. "The coronavirus is springing the Thucydides trap," says Dominic Green in The Spectator. This, in essence, refers to the theory that conflict between the dominant power (in this case, the US) and the rising power (China) is inevitable. China is now throwing US reporters out of the country as it tries to control the narrative about the outbreak, which it is now trying to say did not begin in China. Meanwhile, in the US Donald Trump is aiming to distract critics of America's complacent approach by constantly referencing the "Chinese virus". Last year, investors were most worried about trade war between China and the US. Indeed, the fear was that trade war would lead to the next bear market. Well, the bear market has arrived for different reasons. But as Diana Choyleva of Enodo Economics points out, "the Covid-19 outbreak has further exposed the world's dependence on Chinese-made goods and is likely to accelerate the rethink of global supply chains that was already under way… This Great Decoupling of the global economy into American and Chinese spheres of influence… is now unstoppable".

©Getty Images

All aboard? Maybe not now

"Could companies permanently embrace remote working?"

What to invest in now

The first point to acknowledge about investing right now is that it is unnerving. This crisis is worse than 2008 (itself the worst anyone had seen since the 1930s) and it's still unclear how long it will last. On the good news front, cases seem to have peaked in the countries that were hit earliest – among them China, Hong Kong and Singapore – and even Italy is showing signs of the rate of infection flattening out. Work on a vaccination also appears to be progressing rapidly.

On the bad news front, most other major developed economies still have to go through the worst (what will investors' sentiment be like when cases explode in New York and London?), recession is now a raging certainty and we have no idea what any second wave could look like.

But this uncertainty is also what creates the conditions to snag assets at cheap levels. And arguably, if you haven't sold already, it's probably too late to start thinking about it now. So where may the best bargains be?

Firstly, if you don't have exposure to gold, get some. Now that governments have discovered helicopter money, there is little to hold them back from making it a permanent part of the policy toolbox. That implies inflation and a lack of faith in fiat currency, which in turn suggests that gold should do well. You can invest using **WisdomTree Physical Gold (LSE: PHAU)**.

If you feel like taking more risk, gold-mining stocks have sold off hard with the rest of the market. They are widely detested, but with their main product selling at higher-than-anticipated prices, they should be among the few companies actually beating earnings guidance in the coming months. You can opt for a VanEck Vectors exchange-traded fund (**GDX** for the "majors", **GDXJ** for the "juniors"), or an actively managed fund such as **Investec Global Gold**.

Continuing with the precious metals theme, both silver and platinum look strikingly cheap. Silver is only partly a monetary metal and platinum not at all – but they have fallen so drastically that it's hard to believe they won't rally significantly from here when the economy finally recovers. You can invest directly in either metal using a bullion dealer or an ETF (**PHSP** for silver, **PHPT** for platinum, or **PHPP** for all precious metals).

Secondly, the UK market looks cheap, with the FTSE All-Share now yielding more than 5%. Many of these dividends may be cut (the oil majors in particular look vulnerable, although as we said last week if the oil price does rebound they could be the bargains of a lifetime), but given where we are, we'd be happy to buy a simple tracker fund or pick up the names in the MoneyWeek model investment trust portfolio (see page 46). However, if you'd rather be picky, then look at sectors that are relative safe havens and which also offer solid dividends. Supermarkets have done well from the coronavirus panic and as long as they can handle the logistical disruption they should continue to do so. **Sainsbury's (LSE: SBRY)** now yields more than 5%, as does **Wm Morrison (LSE: MRW)**. Pharma giant **GlaxoSmithKline (LSE: GSK)**, arguably the most boring stock in the FTSE 100, is also yielding above 5%. Utility companies (now back to being viewed as "defensives" now that they are free of the fear of a Jeremy Corbyn government) are also offering decent yields. You can pick up energy group **SSE (LSE: SSE)** on a yield above 6% and **National Grid (LSE: NG)** above 5%.

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Holidays on hold

The virus has wrought havoc with travel plans. Can you get your money back?

Ruth Jackson-Kirby
Money columnist

The effects of the coronavirus are now being felt far and wide. Many of us have had to cancel holidays or are worrying about upcoming trips. At the same time the travel industry is reeling from travel restrictions and insurers are trying to minimise their losses. So, where does that leave your right to a refund?

The situation is changing all the time, but this week the government asked that we avoid all non-essential foreign travel for the next 30 days. That means if you have an international trip booked that departs in the next month you can get help from your airline or travel firm. They have a duty to offer you either your money back or an alternative trip.

You should speak to your travel provider rather than your insurer. Your travel insurance may cover you for any other non-refundable expenses associated with your trip, but it will depend on your level of cover.

How soon were you due to leave?

You also need to consider when you are due to travel. Many firms are only offering flexibility on trips due to take place in the next few weeks. For example, British Airways is allowing passengers booked on flights taking off before 31 May to change their destination or date of travel with no fees. If your trip is far in the future – more than 12 weeks roughly – it is unlikely you will be offered any flexibility.

People are avoiding "non-essential" trips

©Getty Images

If your trip is some weeks away then you may be able to get a refund through your travel insurance, but it is unlikely. "The only deals that will help must include 'cancel for any reason' clauses and only 9% of policies sold have these," says Alice Grahns in The Sun.

If you are concerned about a future trip, contact your travel provider to see what their current policy is on refunds and amendments.

Over the coming weeks and months it is highly likely that some travel firms will go bust. If this happens you may be able to claim a refund for your trip from your insurance provider.

Many travel insurance policies include cover if your airline or travel company goes bust. Check your own to see if you are covered. If you aren't you could speak to your insurer to see if you can upgrade your policy to include protection against airlines or travel agents collapsing. If your travel provider does go under – and you paid for a trip costing £100-£30,000 on a credit card – you should also be able to claim a refund via your credit-card provider.

Under Section 75 of the Consumer Credit Act your credit-card firm is equally liable if something goes wrong with your purchase. This means you can go to them for a refund if you can't get your money back from the travel firm. Similarly, if you paid for a trip on a debit card you may be able to get a refund through the chargeback system.

If you have a holiday planned for the future and haven't purchased travel insurance yet you are going to struggle to protect yourself from coronavirus-related cancellations.

Several insurers including Churchill, Aviva, Admiral, Direct Line and LV have suspended sales of travel policies. "The moves by several of the UK's biggest insurers underline unprecedented turmoil in the industry caused by the spiralling cost of dealing with travel problems caused by the outbreak," says Rupert Jones in The Guardian.

Covid-19 is now a "known event"

If you do manage to buy a policy, be aware that you are still unlikely to be protected if you decide to cancel your trip due to coronavirus.

On 11 March the World Health Organisation (WHO) declared the coronavirus a pandemic. This makes it a "known event" in insurance terms and means policies bought after that date are unlikely to cover you for cancellation due to coronavirus.

The same goes for people who have annual travel-insurance policies. Several insurers told Moneysavingexpert.com that because coronavirus is a known event, "a new trip booked under an existing annual multi-trip policy 'will not cover any cancellation claim in relation to coronavirus'". Now is the time to get to know the small print on your travel insurance.

What you need to know about working from home

With the government recommending that we all avoid "non-essential travel" and offices where we can, more and more of us are going to be working from home. The good news is that the taxman and your employer should help you out with some of the additional expenses homeworking creates. Here's what you need to know.

Claim the homeworking allowance

If you and your employer have agreed that you are going to work from home regularly you can claim a homeworking allowance. This is tax-free and paid by your employer. "Reimbursements can only cover reasonable additional costs incurred by any homeworking employee," says Kaisha Langton in the Daily Express. The allowance covers extra heating and lighting costs, additional insurance you might require, increased water bills and telephone and broadband charges. It is currently £4 a week, rising to £6 on 6 April 2020.

Get the taxman to cover your expenses

Your employer may cover other things you need for homeworking either through expenses or by loaning you equipment such as a laptop or printer. If you need more than that HMRC can help. "You will have to pay for the items yourself, but the taxman can help you get back some of your money as employment expenses via a P87 form," as David Byers points out in The Sunday Times.

The self-employed will be used to claiming homeworking expenses via their self-assessment form. But people who usually work in an office don't generally need to fill in a tax return.

This is where P87 comes in. If you are an employee with allowable expenses that amount to less than £2,500 in the tax year you can claim tax relief using the P87 form.

According to HMRC you can claim tax relief for expenses that are incurred "wholly, exclusively and necessarily" while doing your job.

Don't get carried away

Anything you buy and claim on a P87 form has to be used entirely for work. In other words, a desk chair or stationery is permissible, as is paying for broadband. But you can't claim for milk and teabags.

What you get back

The amount you receive depends on your income-tax bracket. For instance, a basic-rate taxpayer who spends £1,000 on office equipment will get £200 back: 20% of £1,000. A higher-rate taxpayer would get £400.

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Is your car really insured?

It's surprisingly easy to invalidate a car insurance claim inadvertently. Here are some key pitfalls, says Ruth Jackson-Kirby

Pets in your car must be suitably restrained

©Getty Images

Insuring your car is one of the biggest drains on your finances. The average annual premium is £666. And to make matters worse, many of us are accidently invalidating our car insurance.

"Drivers may not be aware, for example, that choice of footwear could potentially invalidate any claim they make," says Rachel Wait in The Mail on Sunday. Driving in your flip-flops may not be illegal, but the Highway Code does state that your footwear must not "prevent you using the controls in the correct manner".

A quarter of us travel with our pets free to move around in the car, according to research by Moneysupermarket.com. But the Highway Code says they should be "suitably restrained".Anything that can stop the driver seeing "what's going on could be illegal and result in prosecution", Simon Williams of the RAC tells The Mail on Sunday. "It could also lead to an insurance claim being denied if the obstruction was considered to be a contributory factor to an incident."

"Driving in your flip-flops could pose a problem when it comes to making a claim"

When you renew your car insurance you should also be very careful about the details you give on your application. You could be invalidating your insurance while you are in the process of buying it.

For example, you can often reduce car-insurance premiums by adding an older, more experienced driver to the policy as an additional driver. That is perfectly legal. But don't make them the main driver. "Placing the experienced driver as the lead motorist will dramatically reduce costs but can be illegal," says Luke Chillingsworth in the Daily Express. Keep in mind too that satnavs, stickers or air fresheners could obstruct the view through the windscreen. "Increasingly, insurers deem stickers – stripes and logos – as modifications that they need to be told about when a policy is purchased," says Williams.

Check your car-insurance policy before you start car sharing too. "Lift sharing can invalidate car insurance, particularly if money changes hands," says Wait.

Keeping costs down

There are a number of ways you can cut your car-insurance premiums without risking invalidating your policy. Always shop around and avoid auto-renewing. Auto-renewing adds an average £40 to your premiums, according to Moneysupermarket.com.

Pay for your policy annually to avoid the interest charges added to monthly payments. Opting to pay each month adds an average £55 to your premiums, according to Gocompare.com.

Finally, fiddle with your quote. See how much you could save if you cleared out the garage and put your car in it. Look at whether adding a family member as an additional driver could reduce your premiums. Check the price of installing an approved immobiliser and how much that would cut the cost.

Bad news on pensions buried in the Budget

One little-noticed Budget measure could cost some pension savers thousands. The Treasury has confirmed that it is pushing ahead with reforms to change the way in which many people's pensions go up in line with inflation – and the measure could even be introduced earlier than expected.

At present many occupational schemes increase the pensions they pay members in line with inflation each year. Many either link directly to the retail prices index (RPI) measure of inflation, which typically sits about one percentage point higher than the official consumer prices index (CPI) measure, or make the link on a discretionary basis.

Now, however, the Government is considering scrapping RPI as a measure of inflation altogether, possibly by 2025, even though when these plans were first mooted, 2030 was considered to be more realistic.

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For policymakers, the move from RPI to CPI makes sense. They'd rather have a single measure of inflation and most state benefits, pay awards and so on are already linked to CPI.

However, for current and future pensioners whose annual income is supposed to go up in line with RPI each year, the cost of the switch to the lower CPI rate will build up over time. The trade union Unison reckons it could cost the average pension scheme member as much as £12,000 over their retirement.

The change also has implications for pension-scheme investments, since it will reduce the income paid by the government's index-linked gilts. Sadly, in many cases, schemes' savings on members' lower pension increases will be more than wiped out by lower investment returns.

David Prosser

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Tinkering with the tapering system

The problems caused by the annual pension contribution allowance have been partially addressed

David Prosser
Business columnist

Ministers hope Budget measures announced last week will solve the row over tax on pension contributions that has prompted senior doctors to refuse extra work or even to retire early. But the changes don't only apply to NHS staff. Anyone previously caught out by complicated rules that reduce pension contribution allowances for high earners could benefit.

The problem centres on the annual allowance: the amount that savers may pay into their private pensions each year. For most people, the cap is £40,000 or your annual earnings if this sum is lower; go over this allowance and you face punitive tax charges. But many high earners only qualify for a reduced annual allowance. Their maximum contribution tapers down according to their income, potentially to as little as £10,000.

Reform or scrap?

Many have called for these complex rules to be scrapped. Instead Chancellor Rishi Sunak substantially increased the income levels that currently bring 250,000 people into the tapering system. This will make a big difference to many of those savers, with the changes costing the Treasury £180m in the 2020-2021 tax year, rising to £670m by 2024-2025.

To see how you're affected, first work out your "threshold income". This is the total of your pre-tax income for the year – including your earnings, your savings and investment income, and any other income you may have. Confusingly, HM Revenue & Customs talks about "net income" in its advice on threshold income. It doesn't mean income after tax, but the money left after various deductions you are allowed to make. For most people, the only deduction relevant here is your pension contribution.

For any contributions you have made where HMRC has given you tax relief, whether through a workplace scheme or a personal plan, you can include the value of the tax relief in the deduction. The second figure you need to know is your "adjusted income". This is your threshold income plus any contributions to your pension made by your employer.

So for most people threshold income is total income minus any pension contributions made. Adjusted income is threshold income plus employers' pension contributions made on their behalf. In the current tax year, anyone with an adjusted income of £150,000 or less doesn't have to worry about the tapered annual allowance. Anyone above this level is also off the hook if their threshold income is less than £110,000. However, if you're above both figures, you get a reduced annual allowance. Your allowance (including your contributions and your employer's) comes down by £1 for every £2 you're over the £150,000 income limit. The maximum reduction is £30,000, so if you have income of £210,000 or more, your annual allowance is £10,000.

Most NHS staff will now escape the trap

©Getty Images

Same story, new numbers

The Budget keeps this system but changes the figures. From 6 April, the threshold income and adjusted income limits are increasing to £200,000 and £240,000 respectively.

This will take many people out of the tapering system altogether, including most NHS workers. In addition, many of those still caught in the tapering net will be able to make more pension contributions each year without worrying about tax charges.

But it's not all good news. There will now be a new minimum annual allowance of £4,000. As a result, anyone with an income of more than £300,000 will see their annual allowance drop below the current £10,000 minimum, until they hit the £4,000 minimum at income of £312,000 or more.

Still, most people with a tapered annual allowance will be better off now. They'll be able to pay more into their pensions, claiming more tax relief as they do so. And even those who do pay tax penalties because they exceed their annual allowance will face lower bills.

How Covid-19 could affect your mortgage

What's happening to interest rates?

Last week's announcement that the Bank of England was slashing the base rate from 0.75% to 0.25% is good news for many mortgage holders, *writes Ruth Jackson-Kirby*. Several big banks including Santander, Lloyds and Halifax swiftly moved to cut their own rates to reflect the drop. Homeowners on a tracker mortgage or their lender's standard variable rate should see a fall in their repayments from April.

Should I remortgage?

Nonetheless, the drop in the base rate doesn't mean now is the time to remortgage. Some top lenders have actually hiked rates on their fixed-term mortgages, as Adam Williams points out in The Daily Telegraph. HSBC has increased the rate on its fixed-rate mortgages by as much as 0.1%; Accord Mortgages and Leeds Building Society have also hiked the price of their fixed deals. "Rates have been so low for so long that lenders have seen this as a way of boosting margins," Colin Payne of financial planner Chapelgate told The Daily Telegraph.

What if I can't make my repayments?

While the interest-rate cut may help some mortgage borrowers, many more will be under financial pressure as a result of coronavirus. As more and more people self-isolate they may only get statutory sick pay or go unpaid. This could leave many people worrying about how they will meet their mortgage repayments. The government has now announced that all homeowners can claim a three-month repayment holiday from their mortgages if they are unable to pay owing to the coronavirus.

"It has not been clarified how eligibility will be decided," says Adam Williams in The Daily Telegraph. "However, those banks which have already offered payment holidays allowed both those who have the virus, and those who are healthy but have suffered a loss in income, to claim." A payment holiday means you can take a break from paying part or all of your monthly total. While this is known as a payment holiday, it isn't all sunshine. Interest will still accrue so "homeowners will see monthly bills rise slightly when they resume payments", says Anna Mikhailova in The Daily Telegraph.

What is forbearance?

One term cropping up a lot is forbearance. When it comes to your mortgage, this means an agreement between you and your lender to delay mortgage payments because of financial hardship. It could entail reducing or delaying your payment, or increasing the term of your mortgage. If you are worried about being able to make your mortgage repayments, speak to your lender immediately.

A buy for the brave

BA's parent company is dirt cheap and well placed to recover

Matthew Partridge
Senior writer

The airline industry has borne the brunt of the financial fallout from the coronavirus. Countries around the world have imposed various degrees of restrictions on flights, from screening and quarantines to outright bans; even where planes are still allowed to fly, demand has fallen so far that airlines have voluntarily cancelled flights.

The industry seems to be facing a crisis much worse than the 2003 outbreak of Sars or the global financial crisis of 2008/2009. Indeed, some experts are predicting that, unless things improve, the entire industry could find itself bankrupt by May.

> *"This is a crisis much worse than Sars in 2003 or the 2008 global meltdown"*

A nosedive too far

It is no surprise, then, that shares in **International Consolidated Airlines Group (LSE: IAG)**, the parent company of British Airways, have fallen by nearly 60% from the peak of 646p in January to the current level of 259p. However, this is an overreaction. Firstly, it's still very unlikely that this crisis could force IAG into bankruptcy. While some of its costs are fixed irrespective of how many flights it operates, others, such as fuel, can be drastically cut back under a nightmare scenario of a prolonged grounding, or at least deferred until normal service has been resumed. The company could also save money by suspending the dividend.

Russ Mould of AJ Bell estimates that even if it were to operate at 20% capacity for the next 12 months, a far longer period of disruption that most experts are predicting, it would still only lose around £5bn. While this is a huge amount, IAG has more than £9bn of liquidity, enabling it to survive even an 18-month shutdown.

The fact that CEO Willie Walsh has said IAG will not be seeking government support, in contrast to most other airlines around the world, suggests that the management is confident that it will be able to survive the coming crisis.

If IAG does manage to pull through, it looks extremely cheap. According to the official estimates it is trading at only three times 2021 earnings. While next year's earnings-per-share estimates are now clearly out of date, they do give an idea of what will happen when things return to normal. Mould also points out that the fact that IAG is in a better financial position than its rivals, especially those in Europe, means that it could benefit from a reduction in the number of competitors, something that Mould thinks is needed to cut the industry's overcapacity.

Willie Walsh has a wad of cash

©Getty Images

I suggest that you go long on IAG at the current price of 262p at £15 per 1p. With a stop loss of 120p, this gives you a downside of £2,100. This is a much wider and deeper stop loss than I normally recommend. However, it reflects the extremely volatile market and the short bias of my portfolio: it has leeway for potential losses on IAG, thanks to current gains from shorting other stocks such as Uber and Boeing. Meanwhile, take profits from shorting Wayfair, which has fallen by 70% since I tipped it in issue 969.

5 Reasons to Buy Physical Gold...

1 **Gold is a safe haven asset** - Gold is frequently used as a safe haven asset in times of economic turmoil or geopolitical uncertainty. For this reason, many advisors recommend allocating around 5% - 15% of their portfolios to gold.

2 **Gold has a history of holding its value** - Unlike paper currency, gold has maintained its value through the ages. It is an ideal way of preserving wealth from one generation to another. Plus, investment gold is not subject to VAT in the UK.

3 **Gold is a hedge** - Gold has historically had a negative correlation to movements in the financial markets and is frequently used as a hedge against inflation or to offset falling stock markets.

4 **Scarcity** - Deposits of gold are relatively scarce and new supplies of physical gold are limited. This natural scarcity and high production cost is the ultimate reason why gold holds value.

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Utopians flee for Galt's Gulch

Peter Thiel, the tech tycoon who founded PayPal, has long been prepared for a flight from societal collapse. As coronavirus panic spreads, where is the enigmatic billionaire now? Jane Lewis reports

©Getty Images

"You might say that coronavirus is the moment the 'preppers' have been waiting for"

While most of us are preparing to hunker down at home in response to coronavirus, some of the "one-percenters" are "self-quarantining" in more "dramatic and expensive fashion", says Vanity Fair. Indeed, as The Sunday Telegraph points out, "many of the tech industry's elite – led by PayPal billionaire Peter Thiel – have spent years preparing for the apocalypse with bunkers, secret retreats and action plans". You might say "coronavirus is the moment Silicon Valley's 'preppers' have been waiting for".

So where exactly is the enigmatic Thiel? The chances are that he may be headed for the southern hemisphere, says The Guardian. In 2016, another influential tech entrepreneur, Sam Altman, revealed an arrangement that, in the eventuality of some kind of "systemic collapse scenario", they would both board a private jet and fly to a hideaway that Thiel bought in New Zealand in 2011. One of Thiel's inspirations is *Atlas Shrugged* novelist Ayn Rand, whose hero, John Galt, retreats to Galt's Gulch, a utopian community, in the face of societal collapse. The German-born venture capitalist has long considered New Zealand to be "the Future".

A great visionary... and cartoon villain

A conservative libertarian, and prominent backer of Donald Trump, Thiel, 52, has long split opinion. On the one hand he's hailed as a great visionary: The Economist credits him with "one of the most interesting minds in American business". On the other, he can come across as "a caricature of outsized villainy", says The Guardian. Known for his "public musings about the incompatibility of freedom and democracy", a spiteful side emerged in 2016 when he "vengefully" helped bankrupt Gawker, a scurrilous gossip website that had outed him as gay in 2007. Over the years, Thiel's futuristic utopianism has seen him back everything from "sea-steading" (the concept of creating permanent settlements at sea) to the singularity (the merging of humans and AI technology).

Born in Frankfurt in 1967, Thiel's love of sci-fi and fantasy fiction began early: as a child he played Dungeons & Dragons and he read Tolkien. But he was also a disciplined ideas-man who became a US chess master at 21. After studying philosophy at Stanford, where he co-founded "The Stanford Review" to counter the university's perceived "political correctness", Thiel hit Wall Street. But by 1996, he had tired of selling derivatives for Credit Suisse and returned to California in search of more meaningful work. Thiel quickly became enthused by the nascent internet movement and, with financial support from his family, launched his first venture-capital company. In 1998, he struck gold when he realised he could solve a problem in making online payments – and the basis of his estimated $2.3bn fortune, PayPal, was born. A timely investment in Facebook did the rest.

Some odd moves

Thiel's career has been "evolving in an odd direction" of late, notes The Economist. He has largely turned his back on the denizens of Silicon Valley. In 2018, he relocated to Los Angeles, claiming that the Valley felt like a "one-party state", says Forbes. Last year, he accused Google of being "seemingly treasonous" because of its investments in China. While outspoken in his opinions, Thiel keeps his private life so tightly closed that no one knows for certain if he has a private jet, says HuffPost. Still, he's a dedicated survivor and it will be interesting to see where he turns up next.

Great frauds in history... *The Hound of Hounslow*

Navinder Singh Sarao was born in Hounslow, west London, in 1979. He graduated from Brunel University and took a job at Futex, a trading firm that allowed workers to trade with the firm's own money in return for half of the profits. Sarao enjoyed huge success, but was unhappy with handing over a share of his winnings, so he moved to another trading house, CFT Financials, in 2008, buying a seat on the Chicago Mercantile Exchange (CME) in order to cut trading costs.

What was the scam?

A chunk of Sarao's earnings came from "spoofing", a form of market manipulation. He would place trades in e-mini S&P futures (a financial instrument based on the price of the S&P 500), cancel them before they could be filled, then profit from the resulting price movements. His early trades were relatively small, but he developed his own software system that allowed him to place (and cancel) larger sums, accounting for up to 7% of e-mini futures trades.

What happened next?

US regulators claim that on 6 May 2010 Sarao placed cancelled trades equal to nearly a third of the total shares on offer that day. This in turn vastly increased the impact of a large $4bn sell order from asset manager Waddell & Reed, causing the Dow Jones to briefly plunge by 9%, although it quickly rebounded (the "flash crash"). The CME warned Sarao several times, both before and after the event, but it wasn't until 2015 that Sarao was arrested at the Hounslow home from which he conducted his trades – the press dubbed him the "Hound of Hounslow" – and extradited to the US.

After pleading guilty to spoofing (which was only made illegal in the US in 2010, and is covered under market manipulation rules in the UK) and wire fraud, Sarao was allowed to return to the UK, and was sentenced to one year of home supervision earlier this year, partly because of his help in identifying other scammers.

Regulators estimate that he made $879,018 from the flash crash alone, plus $70m from his trading between 2009-2015, though they accept that some of this came from legitimate trades. Ironically, Sarao lost most of his fortune after he invested in a tax-avoidance scheme that proved to be a front for an investment scam.

Lessons for investors

Sarao had extraordinary mathematical abilities and trading prowess. If he can get so badly burned by stock volatility and scams, so can you.

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Small share

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We collect small unwanted shareholdings, unlocking value from them that would otherwise go to waste. The funds we create are used to give millions of pounds to thousands of charities in the UK and Ireland. Your unwanted shares can make a difference.

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Stash your cash tax-free

Interest rates may be historically low but, if you are looking for a home for your savings, you should still consider a cash Isa. Eternally protected from the taxman, your money will have more freedom to grow

Ruth Jackson Kirby
Money columnist

It's individual savings account (Isa) season again: the time of year when millions of us scramble to put our savings beyond the reach of the taxman before we lose our annual allowance with the dawn of the new tax year on 6 April.

The popularity of cash Isas has fallen in recent years as the arrival of the personal savings allowance (PSA) in 2016 began to erode their appeal. The PSA allows basic-rate taxpayers to earn £1,000 in interest on their savings every year before income tax becomes due.

For higher-rate taxpayers the PSA falls to £500, while additional rate taxpayers get no PSA. So a basic-rate taxpayer can save up to £100,000 in an account paying 1% interest before they will have to pay tax on the returns. As a result, there are fewer people opening cash Isas.

But cash Isas still have a valuable role to play. The key attraction of a cash Isa is tax-free certainty. No matter how large your balance grows it will never be liable for income tax. If you'd invested the full allowance every year since Isas were introduced, you'd have around £180,000 by now, assuming a 1.5% annual interest rate. That would be earning interest beyond the PSA allowance even in an account paying just 0.6% interest.

The other certainty that a cash Isa offers is that you won't suddenly have to pay tax on your savings if your income increases. Your PSA is halved if you move from being a basic-rate taxpayer to a higher rate and is eliminated entirely if your income puts you into the additional-rate bracket. So, if you get a pay rise you could find overnight you have to start handing part of the return on your savings to the taxman unless it is in an Isa.

The lure of a cash prize

For the next few weeks banks and building societies will be advertising their Isas in the hope of grabbing our custom. But what should you look for when shopping around for a new Isa? With one provider offering cash prizes to new customers you need to keep your head and find the best account that will serve you well for the next 12 months at least.

Nationwide is trying to entice your cash with a new prize draw. Invest at least £100 into a new or existing Nationwide Isa before 30 April and you'll be in with the chance of winning ten prizes of £20,000, ten prizes of £10,000 or 40 prizes of £5,000. Sounds great but after the winners are announced is the account any good?

If you are tempted to enter the draw, Nationwide's 12-month fixed Triple Access Online Isa pays 1.21%. You can make three withdrawals over the year but any more than that and your interest rate will be cut to 0.1%.

There are better interest rates out there. Paragon Bank and Shawbrook Bank both pay 1.35% if you don't want access to your money for 12 months. And anyone who wants to be able to access their money could get 1.29% from Cynergy Bank. On the average Isa balance of £5,000, Nationwide would pay £7 less than Paragon Bank or Shawbrook Bank over 12 months and £4.50 less than the best-buy instant access account.

If you do opt for a slightly lower return in exchange for a possible cash prize, make sure you set a reminder to move your money in 12 months when the Nationwide rate tumbles to 0.75%. And remember, your odds of winning are around one in 7,600.

Anyone who already has a Nationwide Isa can enter the draw by adding £100 to their account by 30 April. But once the winners have been announced look at your interest rate and see if you would be better off transferring to a new Isa.

©Alamy

The best branch-based accounts

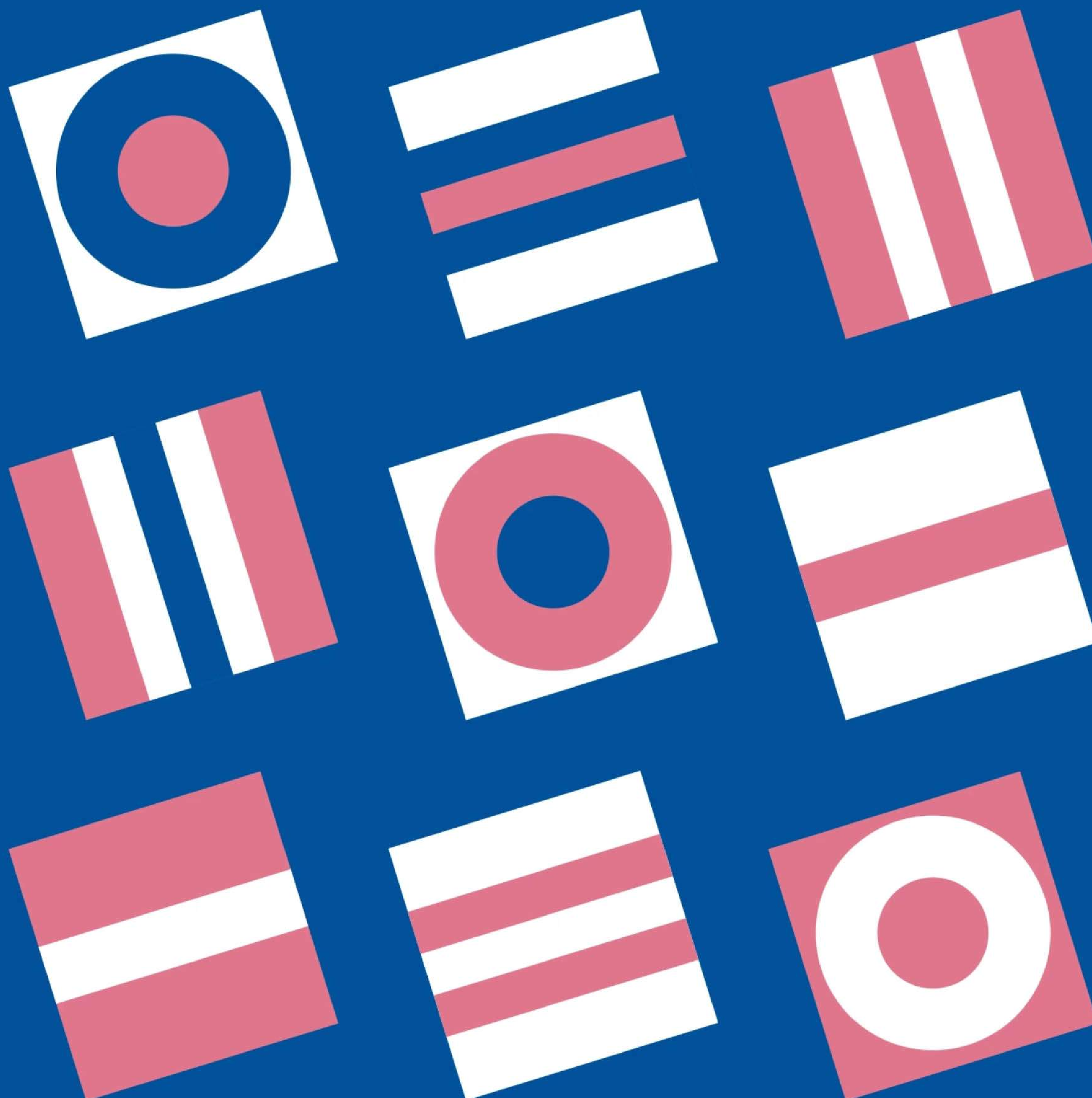
In this age of internet accounts and banking on smartphones those of us who aren't tech-savvy tend to miss out on the best interest rates. Isa providers usually reserve their top rates for internet-only accounts that require minimal staff time. But there is good news this year: the rates for in-branch accounts are pretty competitive. Barclays is offering 1.7% on its three-year cash Isa and Virgin Money is paying 1.36% on a 12-month one.

If you want to be able to access your cash, then Yorkshire Building Society and Leeds Building Society are both paying 1.3%, but you can only make one or two withdrawals respectively. For unlimited withdrawals and counter service Bath Building Society and Market Harborough Building Society are both paying 1.25%. The problem is that you need to have a branch near you. If you don't have a nearby outlet of any of the Isa providers mentioned above, keep these rates in mind and visit your local banks and building societies to see how theirs compare.

What Paragon Bank and Shawbrook Bank are paying on a one-year no-access cash Isa account

1.35%

Witan investment trust



It takes all sorts to grow your ISA

Buying shares in Witan for your ISA could be a wise move. Our aim is to provide long-term capital growth and a growing real income. We invest in stock markets around the world by choosing expert fund managers. So you don't have to.

Invest via your online platform
or contact your Financial Adviser.

Experience collective wisdom
witan.com

Witan Investment Trust plc is an equity investment. Past performance is not a guide to future performance. Your capital is at risk.

Protect your stocks and bonds from tax

Investments held in an Isa are free of capital gains and income tax, and you can invest £20,000 in 2019-2020

Chris Carter
Wealth editor

You might not be able to shield your shares from a falling stockmarket. But you can at least protect your investments from the taxman with a stocks and shares individual savings account (Isa). The Isa "wrapper" is a tax-efficient way to invest in shares, unit trusts, investment trusts, exchange-traded funds (ETFs), open-ended investment companies (Oeics), real estate investment trusts (Reits), and both corporate and government bonds.

You can even park your cash here while you're scouting around for what to buy next. Just be aware that, depending on your provider, you may not earn interest on your cash while you decide what to subsequently invest in. That's what cash Isas are for. Still, with a stocks and shares Isa, you won't pay any capital gains tax (CGT) on your investments. Better yet, any income, whether dividends from shares or interest on bonds, is also sheltered from tax in your Isa.

Bestinvest's fee for amounts up to £250,000: 0.4%

Dealing with volatility

The value of your stocks and shares Isa can go down as well as up. If it does fall then you can't top it back up if you've already used up your £20,000 allowance. And remember, that £20,000 allowance is spread between all of your Isa accounts. So, for example, you might put £10,000 in a cash Isa and £10,000 in a stocks and shares Isa. But in this scenario, if the value of your stocks and shares Isa falls, you will have to wait until the start of the next tax year to pay in more money. You can, of course, transfer money into your stocks and shares Isa from, say, your cash Isa.
If you decide to do this, you will need to use an Isa transfer form to ensure that the money maintains its tax-free status; the provider you are switching to will help.
If you haven't used up your allowance, get moving as you won't be able to carry the remainder into the next tax year.

Bed and Isa

What if you already have investments outside of a tax wrapper that you would like to save into your stocks and shares Isa? Not a problem. There is a useful trick known as "bed and Isa". First you sell your investments on your trading platform. Then you can buy them back inside your stocks and shares Isa. Simple as that.

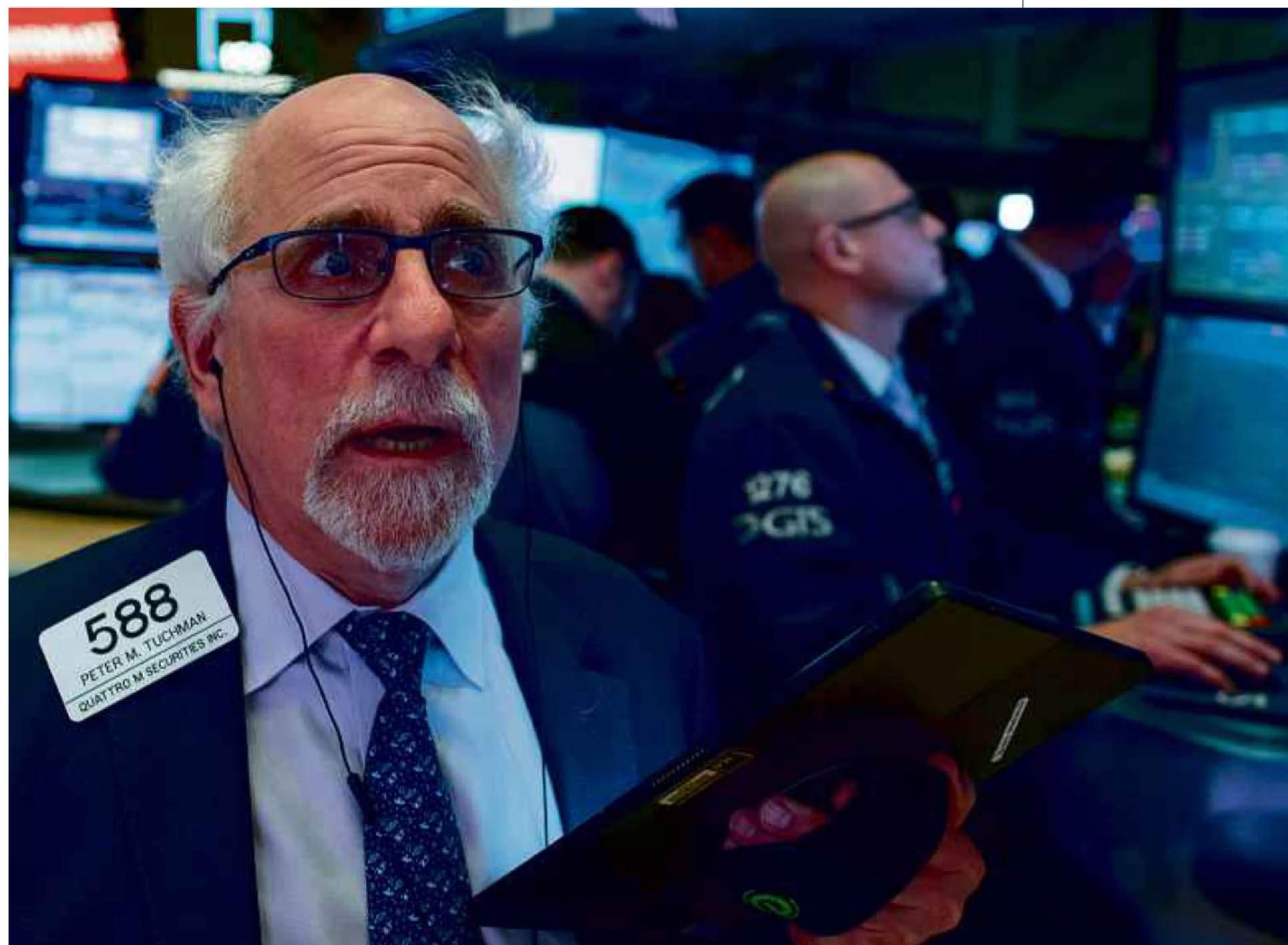
Because the investments were outside of the tax wrapper when you sold them, they will be subject to your £12,000 CGT allowance for this year. If you are in danger of breaching that limit, consider selling your investments in different tax years. Otherwise, you can transfer an investment to a spouse who hasn't yet used up their allowance. They can then sell it and buy it back in their Isa. Because investment platforms do the selling and then the buying in rapid succession when they carry out Bed and Isa services, your exposure to price movements in the market is kept to a minimum.

The top Isa tips

For larger amounts: Halifax-owned iWeb (iweb-sharedealing.co.uk) charges £25 to open an account. After that, you pay just £5 per trade.

For smaller amounts: Vanguard (vanguardinvestor.co.uk) charges 0.15% a year, capped at £375. Investors can choose from its range of 70 mostly passive funds, or opt for a ready-made portfolio. Trading is free (or £7.50 to trade at specific times). The minimum monthly investment per fund is £100.

Frequent trading: MoneyWeek advocates investing for the long term: you can ride out downturns and reduce trading costs. But if you are inclined to trade often, then consider BestInvest (bestinvest.co.uk). It charges 0.4% a year for amounts up to £250,000, 0.2% up to £1m, and nothing over that. Buying and selling funds is free and online share dealing costs £7.50 a trade.



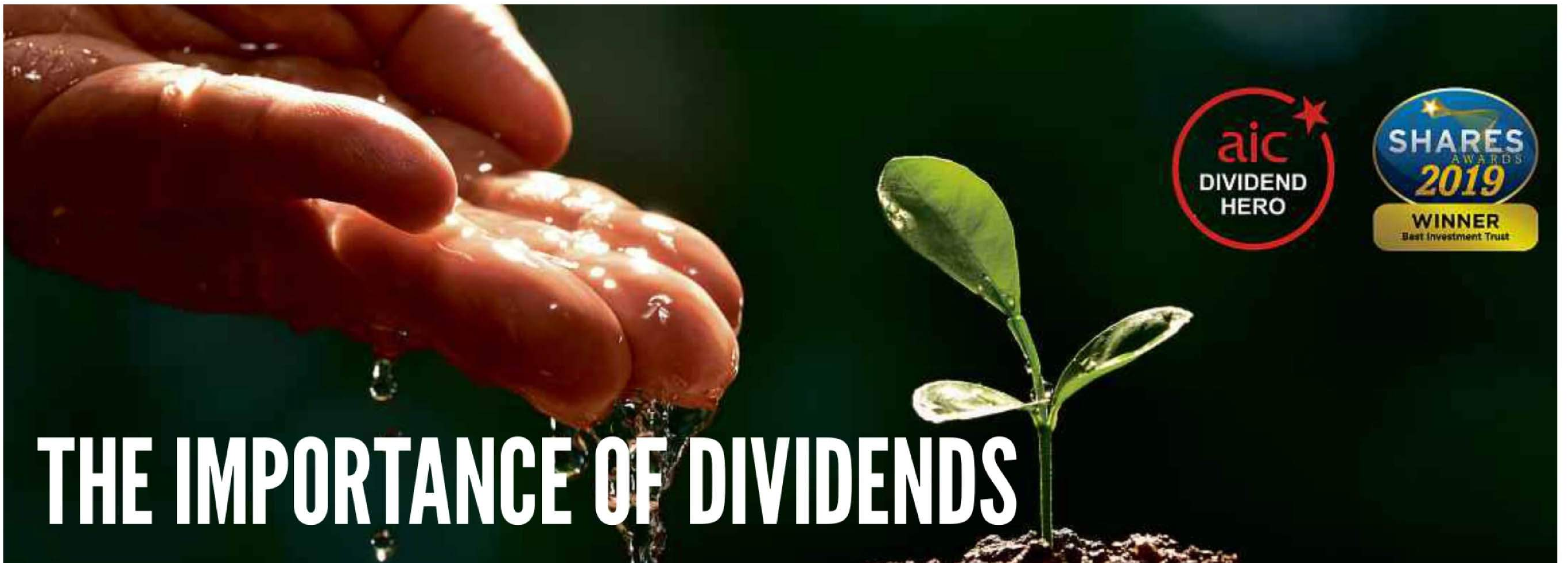
Be prepared: the value of your stocks and shares Isa can fall as well as rise

©Getty Images

Finding a stocks and shares Isa

There are several things to consider when choosing an investment platform for your stocks and shares Isa. Some charge a flat fee, good news if you have a lot of money invested (over £25,000). Other platforms will charge a percentage of the value of your funds, which suits better if you are investing smaller sums. Then there's the fee you will be charged for buying and selling investments.

Finally, there's the range of investments that they offer, as well as the small, but important things, such as reliability and customer service. Above are three investment platforms to consider depending on your circumstances. For a full comparison table visit MoneyWeek.com.



THE IMPORTANCE OF DIVIDENDS

Capital growth is important, but it's a mistake to spend too much time focusing on the daily ups and downs of share prices. Dividend payments can make a huge difference to your long-term investments. Here we look at the role they play in your portfolio.

Making dividends work for you

If you're a shareholder in a company, you may receive a dividend paid out of that company's profits, as a reward for entrusting it with your capital. As with all investment trusts, The Scottish's main source of the income used to pay dividends to its investors are the dividends received from its portfolio of holdings in other companies. This enables us to deliver one of the highest dividend yields in the AIC Global peer group. This is important because, in conjunction with share price movements, dividend income forms a substantial part of an investor's total return.

Compounding occurs as dividends are used to buy more shares which, in turn, earn dividends on their own. These reinvested dividends would then gain or lose in line with the movement of the share price. For example, over 25 years to 31 December 2019, the share price of The Scottish increased by 297%. The share price plus dividends taken as cash would raise this to 431% over the same period. If those same dividends had been reinvested in the trust rather than taken out as income, the total return would have been 612% (all before any dealing expenses). It's important to remember, of course, that markets can be volatile and shares (and the income from them) can go down as well as up.

Why a contrarian approach can pay dividends

As we've demonstrated, dividends can account for a significant part of the return on your investments over the long-term. We're pleased to say that we've increased our regular dividend for the last 36 consecutive years which makes us a 'dividend hero', according to the AIC, although remember that dividends are not guaranteed and they can fall as well as rise.

In this context, how does our contrarian style come into play? It guides us to look for what we call 'ugly ducklings' – unfashionable and unpopular investments. The share price of such investments typically reflects their 'unloved' status. They have often been written off by other investors. We research such companies to figure out if they are ripe for improvement. Has there been a change in their business model, or in their senior management team? Are there nascent opportunities in the markets in which they operate? If we believe we can see a change, and the company presents a credible plan for recovery, we'll consider investing. However, we also take a 'belt and braces' approach to our investment – which brings us back to dividends.

One of the things we may consider before investing in an 'unloved' company is whether it has sufficient cash to pay dividends throughout its turnaround. As our approach is based on long-termism and patience, a sustainable dividend may make it easier for us to hold the stock while the business is recovering. A good example of this is our investment in US telecoms group AT&T. Deemed unexciting by many, we view the steadiness of this business as a virtue. It fits our 'unloved' criteria, because investors' expectations are low. The company has a credible plan to improve its fortunes. As we wait for positive development, we can enjoy the dividend – the belt to the braces.

> “Dividends can account for a significant part of the return on your investments over the long-term”

What if the company doesn't pay a dividend?

If dividends are so useful, does that mean we'll shun companies that don't pay one? Not necessarily. When a company is putting its house in order, it might choose to stop paying a dividend, conserving its cash to allow it to improve the business (investing in new technology or changing its business model, for example). This was the case with Tesco, which suspended its dividend before we invested. Tesco addressed areas of concern, made improvements to its business – then restarted its dividend. We see the reinstatement of a dividend as an important signal that a company's rehabilitation is underway.

As you can see, dividends can tell us a lot about a company's health – and its future prospects. We always pay close attention to a company's dividends when we're considering investing – both its ability to pay them and its track record of doing so, because dividends can make a tangible difference to long-term investors. ■

3 March 2020

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Should you go beyond stocks?

You needn't stick to traditional assets such as equities or bonds. Alternative investments qualify too. But buyer beware

Ben Judge
Digital editor

Innovative-finance Isas (IFIsas) were introduced in April 2016 as the alternative-finance sector began to establish itself. They provided a way for investors to diversify out of traditional investments and into the exciting new world of crowdfunded property, peer-to-peer (P2P) business loans and renewable energy bonds, for example. They offered far more enticing returns – around 15%, often – than you could find elsewhere.

Nonetheless, IFIsas haven't exactly set the world alight. The total number of Isa accounts subscribed to in 2017/2018 was 10.8 million, counting cash Isas and the stocks and shares version, according to HMRC. Compare that to IFIsas. The Peer-to-Peer Finance Association (P2PFA), a trade body, said that the value of assets held in IFIsas had "nearly doubled" in the six months to the end of August 2019, when £588m was invested in 40,000 accounts. Even children subscribe to more Isas – 907,000 Junior Isas were subscribed to in 2017/2018.

You can see why people have been wary. The wider P2P sector has undergone a shakedown in recent years. Property crowdfunder Lendy, one of the sector's biggest players, went bust as borrowers failed to repay their loans, costing investors tens of millions of pounds. Another, BondMason, pulled out of the P2P business last year after it decided it would not be able to offer investors the attractive returns it was hoping to. The share price of Funding Circle, a P2P lender that floated on the stock exchange in September 2018, has done spectacularly badly, losing investors who bought in at the initial public offering over 80% of their money. Many of the lenders that remain have closed their IFIsa offerings, including Landbay, Folk2Folk and Thincats.

From hydropower to African solar energy

But there are still plenty of IFIsas on offer. For consumer and business loans, Ratesetter offers up to 4% and Funding Circle up to 6.5%. In the property business, Octopus Choice offers up to 4%, and The House Crowd up to 7%. And while most IFIsas invest in loans to property developments or smaller businesses, there are also opportunities in more exotic areas.

You may no longer be able to invest in specialist IFIsas raising money for litigation, film projects or the renovation of listed buildings; but Amberside, for instance, is offering around 8% lending to infrastructure projects worth under £20m. Abundance has been a pioneer in lending to renewable energy projects such as solar power and wind turbines; it also dabbles in community infrastructure projects. It is now offering 6% to build sustainable affordable housing in Liverpool.

Dutch bank Triodos's IFIsa offers 5% with local renewable energy projects such as small-scale hydropower and community-led businesses. And investment platforms Lendahand and Ethex have joined forces to provide the Energise Africa IFIsa, which offers up to 7%. It is funding off-grid solar power provision in sub-Saharan Africa.

If you're going to go for it, make sure you're careful...

High returns mean high risk

The Financial Conduct Authority (FCA), the City regulator, has tightened up its regulation of the sector and introduced new rules which came into force in December. In the past, IFIsas were touted as alternatives to cash Isas. But they are a wholly different beast. It should go without saying that the reason investors are offered 6%, 8% or even 12%-plus is because the risk they are taking is correspondingly high. The FCA now says that nobody should put more than 10% of their investments into these sorts of vehicles. Many platforms insist on you self-certifying as a "sophisticated" investor, and have to provide potential inventors with much more information about the product and the risk than they previously did. Warnings are now much more prominently displayed.

None of your funds are protected by the Financial Services Compensation Scheme, which guarantees £85,000 of your money at a bank or financial company that goes bust. Bear in mind the wider economic environment, too. None of the platforms have lived through a downturn, in which many smaller businesses and property developments will fold.

Liquidity is a problem too. You may be happy tying your money up for up to five years in theory, but what if you need to get hold of it in a hurry? With a cash Isa, you can always withdraw your funds; if you need to liquidate assets in a stocks and shares Isa, you may not get back what you paid for them, but you can sell them relatively quickly and easily.

With IFIsas, secondary markets can be very limited – if they exist at all – and you may not be able to get your money out until your investment matures. One final drawback of IFIsas is diversification. Each platform lends to a fairly restricted segment of the market – small businesses, consumers or property developers, for example. Because you can only contribute to a single IFIsa in any one tax year, it is impossible to spread your investment across the sectors available. That could expose you to a higher risk than you are comfortable with.

Nonetheless, for brave investors with some spare cash not allocated to other Isa investments, IFIsas may prove well worth a look.

The potential return on an African solar energy project: 7%

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Don't let this year's ISA allowance get away

Secure it now. Invest later.

Short of time and not sure where to invest, but want to secure your ISA allowance before the deadline on 5 April? We make it easy for you.

You have the option of putting as much of your £20,000 ISA allowance as you want in cash within our award winning Stocks and Shares ISA right now. You can then choose investments when you're ready. You'll even have free online guidance, which includes our range of investment selection tools to help you find what you're looking for.

Important information – The value of investments can go down as well as up, so you may get back less than you invest. Tax treatment depends on individual circumstances and all tax rules may change in the future.
This information is not a personal recommendation for any particular investment. If you are unsure about the suitability of an investment, you should speak to an authorised financial adviser. Trustpilot rating based on 1,003 reviews as at 05.03.20.

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Don't forget your pension

Generous upfront tax breaks mean you should use Sipps or occupational schemes

You can put more money to work every year in a personal pension than in an Isa

©iStockphotos

David Prosser
Business columnist

With just a few weeks remaining of the 2019-2020 tax year, everyone is rushing to take advantage of their individual savings account (Isa) allowance. But have you thought about putting as much as possible in a pension plan? If not, you're missing out on valuable tax breaks that can make a huge difference to your standard of living later in life.

For most people, the rules on maximum contributions mean it is possible to save more in a private pension each year than in an Isa. Your annual allowance in a pension is usually £40,000, or your total earnings for the year if this figure is lower, as opposed to £20,000 in an Isa. The rules are more restrictive for very high earners – those on more than £150,000 a year – and for those not earning enough to pay tax, but for the most part the system is generous.

Moreover, for every penny you put into a private pension, you'll get upfront income-tax relief at your highest marginal rate. Paying £1,000 into your pension thus costs only £800 if you're a basic-rate taxpayer and only £600 or £550 respectively if you pay the higher or additional rates of tax. All income and capital growth on savings inside a pension are tax-free. And when you start cashing in your savings, you're entitled to take 25% of the money tax-free.

The best way to take advantage of these tax breaks depends on your circumstances. If you're an employee, saving through your employer's workplace pension scheme always makes sense, since they'll contribute to it too: by law, they must pay in at least 3% of your salary. If you don't have access to a workplace plan, or you want to top up your savings, you'll need an individual arrangement – a stakeholder or personal pension managed by an insurer, stockbroker or fund manager.

Self-invested personal pensions (Sipps) can be a helpful option. They give you more control over the investments you choose to hold inside your pension plan rather than restricting you to the funds offered by your pension provider.

They're also a flexible way to take advantage of the pension freedom reforms that came into effect in 2015. These make it simple to carry on managing your savings in retirement while drawing an income from the plan. The list of investments you can hold inside a Sipp is long, though not all providers offer access to the full range. In most cases, you'll be able to use your Sipp to buy the same funds that are available inside Isas: unit trusts, investment trusts, exchange-traded funds and open-ended investment companies. You can use these funds to build exposure to the right asset classes for you – likely to be largely equities when you're younger, but moving into lower-risk areas such as bonds as you move closer to retirement age and beyond.

The majority of Sipps also allow you to trade individual equities if you want to invest directly on the stockmarket rather than through a fund. However, if you're interested in more esoteric investments, such as commercial property, you will need a more specialist Sipp provider.

Most savers manage their Sipps online, where it's easy to track your portfolio's progress and make adjustments. Since you're choosing the investments, rather than depending on a professional manager, the key to picking a Sipp is finding the best deal on charges. Higher costs eat into your returns and over time make an enormous difference to your savings total.

The difficulty with comparing Sipps is that providers charge in different ways, with various fees to consider that may be levied as a percentage of your savings or as a fixed amount of cash.

Key costs to look out for include the Sipp provider's annual administration charge, the charges for holding the investments you're interested in, dealing charges when you buy or sell and any exit fees payable if you want to transfer to another provider. As you approach retirement, also compare income-drawdown plan charges, which become payable as you start to draw an income from your savings.

Generally speaking, percentage fees are more expensive for savers with larger pension funds, for whom flat fees work out more cheaply. But you will need to do some sums to be sure. A 0.3% charge on a £100,000 pension fund, for example, is lower, at £300, than a flat fee of £500; but as soon as your fund is worth more than £166,666, you'd be better off with the cash charge.

Our pick of the best

Which Sipp offers you the best deal depends on the value of your savings and the investments you want to hold. Consider the following:

Cheap Sipps for savers using funds
Analysis by financial advice website Moneytothemasses.com suggests that new industry entrant Vanguard offers the cheapest Sipp for investors who simply want to invest in funds via their pensions. On a pension fund worth £100,000, its costs work out at just £150 a year (assuming ten fund switches a year). The next cheapest deal, from Close Brothers Asset management, costs £250 a year. Vanguard will only offer investors its own funds, however, which is not the case elsewhere. It is also good value for larger pension fund sizes, charging £375 on a £1m pot. But at this size, iWeb and Interactive Investor, both charging £280 a year, work out cheaper.

Cheap Sipps for savers investing more widely
If you want to go beyond funds into equities, the calculation differs as providers have different dealing charges for these investments. For a £100,000 pension, Moneytothemasses.com picks out Selftrade, at £159 a year, as the cheapest provider, followed by ShareDeal at £190 (assuming 20 trades a year). For £250,000 pensions, both Selftrade and ShareDeal quote the same prices, so they come out on top here too.

Juicy tax rewards for early birds

Backing a new venture in its early stages is risky, but also potentially very rewarding – and highly tax-efficient

David Prosser
Business columnist

If you have used up your annual individual savings account (Isa) and pension savings allowances and are looking for a more adventurous type of tax-efficient investment, venture capital trusts (VCTs) and the enterprise investment scheme (EIS) could be for you. Both offer generous tax breaks to encourage investors to put their money into small, early-stage businesses with the potential to deliver exciting long-term returns. But these ventures also carry an elevated risk of outright failure.

VCTs are collective investment funds run by professional managers with specialist experience investing in early-stage firms. They must put at least 70% of the money they raise into qualifying companies within three years of launch. Usually, these have to be worth less than £15m, have fewer than 250 employees and be less than seven years old. Such businesses are usually privately owned rather than stockmarket-listed, though some companies trading on the London's junior market (Aim) are eligible.

Investors in VCTs get 30% upfront income-tax relief on their investment, while all income and gains from the funds are tax-free. That mitigates some of the risks posed by immature businesses and the maximum £200,000 annual VCT investment looks especially attractive to those who have contributed fully to Isas and pensions.

The EIS offers exposure to very similar companies to VCTs, sometimes on an individual basis, or sometimes in a managed fund. The maximum allowance is usually £1m and investors get the same 30% upfront tax relief as VCTs offer, as well as tax-free capital gains. Dividends generated by EIS companies are taxable, but unlike with VCTs, losses on EISs can be offset against your tax bill. What's more, EIS investments don't count towards the value of your estate for inheritance-tax purposes.

Don't sell too soon

While the underlying investments are the same, the EIS is generally regarded as riskier than VCTs. You'll typically be investing in a smaller portfolio of businesses, or even a single company, so you won't get the same diversification benefits. VCTs can also keep up to 30% of the fund in cash or low-risk assets, providing a safety buffer. That said, you need to be prepared to hold on to VCTs for longer. Sell your investment after less than five years and you'll have to repay the upfront income-tax relief; the same is true in an EIS, but only for three years.

For investors prepared to take on even greater risk, there is also the seed enterprise investment scheme (SEIS), a variation on the theme that invests in companies that are worth less than £200,000 and have been trading for less than two years. The SEIS offers all the same tax breaks as the EIS except the upfront tax relief is a souped-up 50%. The maximum annual SEIS investment is £100,000, but this is a high-risk option.

VCTs and the EIS have become steadily more popular in recent years. The increasing number of savers hit by rules that reduce the annual private pension contribution allowances of those earning more than £150,000 – potentially to as little as £10,000 – is part of the explanation for that.

But there is also growing awareness of the returns on offer from this type of investment. The average VCT, for example, has delivered a total return of 91% over the past decade as well as offering a current yield of 8.6%. And remember that those returns are tax-free.

Since only new EIS and VCT shares offer the upfront tax relief – not those bought on the secondary market – new funds are launched each year. In the 2018-2019 tax year, new VCTs raised £731m, the second-highest total on record. HM Revenue & Customs releases data on the EIS more slowly, but the scheme raised more than £2bn in 2017-2018.

Investors interested in these schemes may therefore need to move quickly. EIS and VCT managers cap what they raise in order to be sure they can find enough investment opportunities of sufficient quality that meet the qualifying rules. The most popular products from managers with the best records often sell out well before the end of the tax year.

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The advisers who can help

That said, don't invest just to beat the rush, or simply to secure a tax break. Both VCTs and the EIS are riskier than mainstream investments, which is why successive governments have accepted the need to offer tax breaks to encourage savers to invest.

You certainly need to be prepared to take a long-term view – don't invest if your time horizons are shorter than five to ten years – and to accept the possibility of losses.

Remember too that these are often illiquid investments that may be tough to sell in a hurry.

It's also worth working with specialists in the sector. Advisers such as MJ Hudson Allenbridge and Wealth Club have long-standing experience of identifying and evaluating EIS and VCT opportunities. Their research provides good independent analysis of what's available each tax year, including detail of managers' fees, which can often be high compared with other types of investment product.

If in doubt, take professional financial advice before investing. VCTs and the EIS can offer valuable financial planning opportunities, from boosting the value of your savings to mitigating the inheritance-tax liabilities of your heirs, but you may need help working out how best to exploit their potential.

Six top trusts for your Isa

Our favourite investment trusts are all solid long-term bets and well worth considering for your Isa portfolio

Merryn Somerset Webb
Editor-in-chief

Eight years ago we decided that we should spend a little less time carping from the sidelines about other people's investment decisions and a little more making some of our own. So we created a long-term portfolio for our readers. We wanted it to be active without requiring too much action. We wanted it to be geographically and sectorally diverse without deviating too much from the mainstream. And of course we wanted it to be inexpensive: nothing kills investment returns faster than high costs. With advice from a few experts (Simon Elliott of Winterflood, my husband Sandy Cross of Rossie House and Alan Brierley of Investec) we settled on a small group of investment trusts as our core holdings.

Why investment trusts? Several reasons, mostly to do with structure. An investment trust is simply a company set up with the purpose of investing in other companies. Its capital is permanent. You can buy and sell the shares in the trust but not actually withdraw the capital. That makes it a great structure for holding long-term and illiquid assets. You can sell shares in a FTSE 100 stock in an instant. But it takes time to sell a solar farm or a portfolio of unlisted companies – so these are best held in a vehicle that is never obliged to sell in a hurry.

Attracting good managers

Permanent capital also attracts good managers, lured by the opportunity to manage money without the endless distractions of investors buying and selling units (as can be the case with the other major type of investment vehicle, open-ended funds or Oeics). Fund managers hate admin just as much as the rest of us. The other consequence of this corporate structure is that trusts have boards of directors.

And this is where they really come into their own (I know a little about this – I am on the board of three investment trusts). The directors are obliged by law to bear in mind the needs of all stakeholders. But their main priority is always going to be the longevity of the company – and shareholders. They also tend to be shareholders themselves. The board is also entirely independent of the fund manager, who is simply a contractor to be hired or fired as needs be. This means that investment trusts are generally not susceptible to the usual downfall of open-ended funds: prioritising revenue-generating asset-gathering over performance. Directors may be happy to issue more shares in their trusts. But they will also have two things in mind: first, using economies of scale to bring down the costs of the fund; second, keeping it at a size that works for managers and investors. What they won't be thinking about is the profit margins of the fund managers they employ. And quite right too.

The system isn't perfect: for instance, the share prices of trusts often trade at either discounts or premiums to the value of the assets they hold (net asset value, or NAV), which can be confusing and exaggerate market moves. The same goes for the way in which trusts can borrow money to improve returns, known as gearing. But it mostly works very well. Investment trusts have a long-term record of outperforming open-ended funds, possibly for all the reasons listed above – although historically lower fees have played a part as well.

Size of Tesla position in Scottish Mortgage: 10%

Finding star stocks set for outsize gains

So what's in the portfolio now? Six trusts: **Caledonia Investments (LSE: CLDN), Personal Assets Trust (LSE: PNL), Scottish Mortgage Investment Trust (LSE: SMT), RIT Capital (LSE: RCP), Law Debenture Corporation (LSE: LWDB),** and **Temple Bar (LSE: TMPL).** Their average performance since we bought them (up until the recent turbulence at least) has been a gain of 80%, a figure underpinned by a surge in the perfomance of Scottish Mortgage over the past few years; it specialises in innovative high growth companies. Anyone who heard its manager James Anderson speak at our Wealth Summit in London last year will understand why we need it in our portfolio: most of the long-term returns in the market come from a few amazing companies and James's job is to find them. Tesla (10%-odd of the portfolio) may turn out to be a disaster. It may also turn out to be world-changing.

At the other end of the spectrum is the Personal Assets trust, managed with a primary aim of avoiding losing capital (hence high holdings in gold, cash and short-dated government bonds). Temple Bar, meanwhile, takes a contrarian approach, investing in domestically-focused UK companies that have fallen out of favour. That hasn't been particularly successful over the last three years (Brexit uncertainty!), but a solid yield of more than 5%, plus holdings in some very cheap companies, make it a keeper.

RIT and Caledonia both have their origins in family fortunes. The former still holds some of the Rothschilds' and the latter the Cayzer family's. Both are hugely diversified with significant private-equity exposure. Finally, Law Debenture gives us access to a great value-orientated investment team focused on UK companies as well as an interesting professional services business the company owns outright. It's on a double-digit discount with a yield of over 4%. Very cheap! Hold all these trusts in equal quantities (and rebalance them back to equal if one goes up or down much more than the others) and you will, we think, have one of the better diversified but reasonably low-cost portfolios available. So far, so good, at least.

Tesla: a disaster... or a potential world-changer

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The investment trust advantage for ISAs

Investors have a vast choice of ISA options this year. However, we believe the investment trust structure has advantages that give it an edge on other investment options

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Investment trusts are the oldest type of collective investment, and have endured since the 1860s[1] for a reason: they give fund managers greater flexibility and freedom to exercise their judgement. This means they can manage the portfolio for long-term growth and income, rather than having to respond to short-term market movements.

A robust toolkit

Investment trust managers have a fixed pool of assets to manage. Managers of open-ended funds must buy new holdings when money comes into their funds and sell some of their holdings to meet any redemptions. This can create anomalies. For example, at times of market stress, it can become more difficult to sell holdings because buyers become more scarce. The manager of an open-ended fund may be forced to sell their most liquid or top-performing holdings to meet redemptions, regardless of whether they are the most appropriate holdings to sell at that point.

The manager of a closed-ended fund does not have this problem, and can manage the fund as they see fit. This may help them to manage the market cycle more efficiently. The manager is not forced to sell out at the bottom of the market and may even be in a position to buy more of individual holdings where they see opportunities in volatile markets.

Investment trusts can borrow to invest (at the discretion of the board). This can help improve returns in rising markets, though may compound losses in falling markets. As equity markets have been shown to deliver a stronger return than other asset classes over the long term[2], the greater exposure provided by gearing can be an advantage.

Illiquidity advantage

This also means that the investment trust structure tends to be more appropriate for 'illiquid' assets – those assets where there are fewer buyers and sellers. This might include areas such as frontier markets or smaller companies, where there is real growth potential, but share prices can be

affected by liquidity considerations in the short term.

This year has exposed some of the problems inherent in using an open-ended structure to manage these assets as funds have been forced to close to redemptions and investors haven't been able to get their money back for a period of time.

Illiquid assets can have an important place in portfolios. The performance of these asset classes may not move in line with conventional stock and bond markets and can have an important diversifying effect on a portfolio. At BlackRock, by using an investment trust structure, we can invest in some of these exciting areas whilst aiming to manage liquidity risks.

Ahead on income

Income is the other key advantage for investment trusts in the current environment, when income is at a premium. Investment trusts have a good track record of paying a high and growing dividend. According to research by Stifel, 31 investment trusts currently have a dividend yield of over 4%[3].

Investment trusts also have the ability to reserve income in more buoyant periods to shore up their payout to investors in trickier times. Many of the BlackRock range of investment trusts have significant reserves to call upon should dividends have a difficult year. This helps keep payouts consistent.

Independent oversight

The presence of an independent board is an important advantage of using investment trusts. The board will hold the fund management group to account, making sure that they manage the fund in line with its stated goals and objectives. It has the power to change the fund manager if necessary. This should reassure investors that someone is looking out for their interests.

Investment trusts can help add balance and finesse to an investment portfolio, bringing diversity, income-generation and, in certain cases, stronger performance. We believe they merit consideration as part of an ISA portfolio.

For more information on BlackRock's range of investment trusts, please visit www.blackrock.com/its

Brought to you by **BlackRock.**

[1] *Financial Times, March 2019,* [2] *Money Week, April 2019,* [3] *Financial Times, May 2019*
Unless otherwise stated all data is sourced from BlackRock as of February 2020.

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How you can Aim to reduce IHT

Once considered too risky for an Isa, shares on London's junior market can offer brave investors some valuable tax benefits

Matthew Partridge
Senior writer

One of the big benefits of individual savings accounts (Isas) is that you don't pay tax on any capital gains, dividends or interest. What's more, unlike with personal pensions, there are no taxes on withdrawals. This has made these accounts popular with investors of all ages, including those over 65.

However, many are not aware of the fact that "unless you pass an Isa on to a spouse on your death, those who inherit the pot could lose 40% of those funds to inheritance tax (IHT)", says Alex Davies, CEO and founder of Wealth Club. Even when the Isa is passed on to a spouse the estate will have to pay a marginal rate of IHT of up to 40% when they die – so it's only deferred, not cancelled.

Still, you can cut (or even eliminate) this bill by choosing to invest in shares listed on Aim, the London Stock Exchange's (LSE) "junior" market. Aim was established in 1995 in order to help smaller firms raise money by providing them with a market with less stringent listing requirements than the main part of the LSE.

In order to encourage people to invest in Aim listed companies, the government has allowed many Aim shares to qualify for business property relief (BPR). This means that they are treated like unlisted shares and exempt from IHT, even though shares on Aim can be bought and sold normally.

Just until seven years ago, these IHT benefits of Aim shares were tempered by the fact that up until 2013 people were prevented from putting them in their Isas. So investors had to choose between the IHT benefits of Aim shares or the capital gains and income tax exemption of Isa investments.

However, in 2013 the government allowed Aim shares to be included in Isas (as well as making them exempt from stamp duty). This means that you can combine both sets of tax benefits by including Aim stocks in your Isa.

The small print

As you might expect, there are some conditions that you have to fulfil to make sure that your investment qualifies for BPR. Firstly, you need to have held your Aim shares for at least two years, a provision that is deliberately intended to encourage long-term investment, as opposed to short-term speculation. However, this doesn't mean that you have to hold the exact same share for two years as long as you reinvest the money in another share within three years and the cumulative time adds up to two years. So, in theory you could hold one share for one year, sell it and keep the proceeds in your ISA in cash for another year, and then hold another Aim share for just a year, and you would still qualify.

Another problem is that not all Aim shares are covered by the IHT exemption. Many are excluded. Generally, the rule of thumb is that collective vehicles such as investment trusts and property companies are not eligible; neither are shares listed on another exchange. But firms that engage in "proper" business qualify.

However, it's not always as straightforward as you might think. One 2014 study by Fundamental Asset Management revealed that one-third of Aim shares were excluded. To make matters worse, there is no publicly available list that you can access to check whether your investment is covered.

Asos: an Aim success story

©ASOS

Hiring a professional

Note too that just because Aim shares are tax-free (when held in an Isa) they aren't risk-free. Smaller companies tend to be more volatile and less liquid, with wider bid/ask spreads (the difference between the buying and selling price of a share, which can reduce your returns if you have to sell them).

The more relaxed listing standards means that Aim also has acquired a reputation for having a disproportionate number of dubious companies, with success stories such as Asos, Domino's Pizza and Numis counterbalanced by high-profile collapses such as African Minerals and Patisserie Holdings.

If trying to work out which shares are eligible for BPR while trying to avoid the duds and frauds seems too complicated, it's possible to hire a professional to do the work for you. While funds and trusts with Aim shares are not exempt from BPR, many investment managers offer to pick a portfolio of Aim shares eligible for the Isa wrapper on your behalf.

Sadly, as you might expect, this doesn't come cheap. Annual fees of 1%-2% of assets and hefty minimum investments (usually at least £10,000, but potentially up to £50,000) are common.

Will HMRC reconsider?

Aim shares may be a good idea for those who want to reduce their IHT bill, but investors should bear in mind that there is no guarantee the tax benefits of these shares will endure.

Indeed, there has been speculation that the inheritance tax benefits of Aim shares may be reduced, or even scrapped, as part of a review into BPR that will take place in the near future. BPR for third-party shareholders was criticised by the Office of Tax Simplification in a report last year.

If Aim shares were to lose their IHT exempt status, investors would face a double whammy. Not only would they miss out on any future tax benefits, but they would also face a substantial loss on their investment from falling share prices, as the overall valuations of Aim stocks stem at least partly from their tax benefits.

A guide to ESG investing

Environmental, social and governance investing is all the rage. But what exactly is it – and does it work?

Chris Carter
Wealth editor

If you want to grab investors' attention these days you need a catchy acronym or buzzword. "Ethical investing" is pretty self-explanatory. It has also been knocking around for ages. So someone decided it needed a reboot for the 2020s and we got ESG, which stands for environmental, social and governance. It is a mantra that allows today's on-trend investors to feel Ever So Good about themselves, judging by the burgeoning popularity of this style of investing. The value of global "sustainable investments" grew from $13.3trn in 2012 to $30.7trn in 2018, according to the Global Sustainable Investment Alliance. Credit Suisse puts the 2020 figure at $40trn.

But what does it really mean? That is a good, if awkward, question, because nobody can quite agree. As John Stepek notes in Money Morning, MoneyWeek's free daily e-mail newsletter, "what's taboo to one person might be perfectly acceptable to another". Your weapons manufacturers are my (self-) defence stocks. Smoking is bad, but I like a drink every now and again. And gambling is just a bit of fun, right? Until you take it too far.

So let's take a step back. Broadly speaking, ESG stands for businesses that act to minimise their effects on the environment and climate change, firms that champion diversity and human rights, and those that are well behaved and transparent. But finding out which companies actually do all that takes time and effort. We're not used to effort. In today's world, we're spoilt for choice when it comes to "life hacks", such as pre-chopped garlic in jars. Investing in funds is no different. You want to invest ethically? It's tempting to buy an ethical fund off the shelf, and put it in your stocks and shares Isa. Then forget about it.

The amount likely to be invested in ESG funds worldwide by 2020: $40t

Watch out for greenwashing

If only life were so simple. Look at what these "ethical" funds actually hold in terms of "ethical" stocks, and you may end up choking on your quinoa. When wealth manager SCM Direct examined them closely, it found "several ethical funds investing material amounts in tobacco, alcohol, gambling and defence stocks". This is known as "greenwashing". Fund managers give their portfolios a lick of green paint and hope nobody notices. It is becoming such a problem that the Securities and Exchange Commission (SEC), America's financial watchdog, "has begun asking pointed questions as record amounts flow into ESG funds", says Liam Bailey, global head of research at property investment group Knight Frank. But full regulation is still some way off. So, while it has become fashionable for fund managers to give their products ESG ratings, don't think you can rely on them. It's in their interests to look greener than green.

It hardly helps matters that the investment world is just as split as to what exactly constitutes an ethical investment as the rest of us. In 2018, for instance, electric car group Tesla was ranked top for sustainability by market index provider MSCI, notes Anthony Hilton in the Evening Standard. Another index provider, FTSE, on the other hand, ranked it as the worst carmaker globally on ESG issues, owing to its factories and what goes into its batteries. A similar thing happened with Facebook. So the upshot is that if you want to invest in an ESG fund, you must do your own thorough research to be sure you're happy with its stance on various issues.

Will ESG hurt your returns?

ESG is here to stay. "The doctrine that Milton Friedman propagated in the early 1970s, that a company's sole social responsibility is to produce profits for its shareholders, is increasingly being rejected by corporate boards", says Bailey. "In its place is a new vision in which CEOs put 'purpose' at the heart of their business models."

In other words, it can't all be about the profit. Shareholders want their companies to be deemed socially responsible too. It's not all altruism, however. "Active ownership strategies are on average rewarded with a worthwhile increase in the value of the target company", according to Credit Suisse. So does ESG create its own virtuous circle? Perhaps. The evidence is still far from conclusive.

The bottom line is that stripping out "vice" stocks such as alcohol and gambling-related businesses, or even environmentally damaging sectors such as fossil fuels, depending on your bent, restricts your hunting ground for profits. Tobacco stocks account for around 5% of the FTSE 100; oil and gas, 13%. "Leaving some of those out could have a much larger effect [on your returns]", says MoneyWeek regular Cris Sholto Heaton. "The key is to make sure that the universe of stocks you are choosing from is wide enough that you won't miss the sector you want to exclude." This means taking a close look at the composition of indices. So, if you are planning to invest ethically, ensure it doesn't come too much at the expense of your potential returns. ESG requires a lot of homework.

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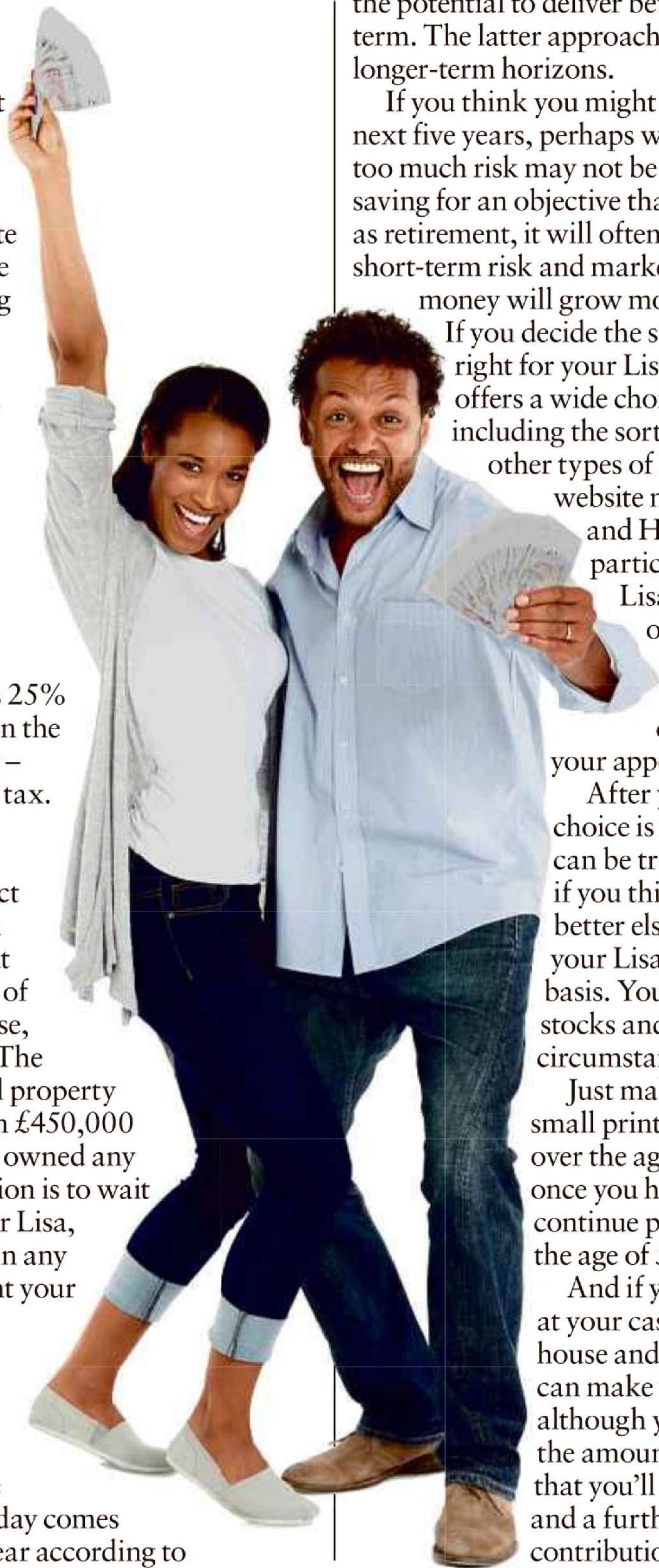
Should you look into a Lisa?

This tax-free savings vehicle can suit younger homebuyers and retirement savers

David Prosser
Business columnist

Meet Lisa, the often-overlooked member of the individual savings account (Isa) family. Introduced in April 2017, lifetime individual savings accounts (Lisas) were aimed at two quite different audiences – first-time homebuyers and people saving for retirement – and received a mixed reception. But the accounts do have their merits.

You can open a Lisa at any time between your 18th and 40th birthday, paying in a maximum of £4,000 a year, which counts towards your overall annual Isa allowance of £20,000. In addition, the government tops up your contributions with a generous 25% bonus – worth up to £1,000 on the maximum annual investment – and your savings grow free of tax.



What's the catch?

The catch is that there are strict rules on when you can cash in your Lisa. Option one is to put your savings towards the cost of the purchase of your first house, which you can do at any age. The purchase must be a residential property in the UK worth no more than £450,000 and you can't previously have owned any other property. The other option is to wait until at least 60 to cash in your Lisa, when you can use the money in any way you see fit – to supplement your pension savings, for example.

As with other Isas, there is plenty of choice about how you invest money within your Lisa. One possibility is a cash savings account, where the best rate on the market today comes from Moneybox, at 1.4% a year according to personal finance market analyst Moneyfacts.co.uk. Alternatively, you can invest in assets such as stocks and shares, which can rise and fall in value, but which have the potential to deliver better returns over the longer term. The latter approach makes sense if you have longer-term horizons.

If you think you might cash in your Lisa within the next five years, perhaps when you buy a house, taking too much risk may not be appropriate. But if you're saving for an objective that is much further away, such as retirement, it will often make sense to accept more short-term risk and market volatility in the hope your money will grow more substantially over time.

If you decide the stocks and shares approach is right for your Lisa, you'll need a provider that offers a wide choice of potential investments, including the sort of funds you'd consider for other types of Isa. The Money Saving Expert website notes that two brokers, AJ Bell and Hargreaves Lansdown, offer particularly competitively priced Lisas with broad investment options. Another possibility is the online service Nutmeg, which offers a choice of ten different portfolios based on your appetite for risk.

After you've picked your Lisa, your choice is not set in stone. The accounts can be transferred whenever you like if you think your money would do better elsewhere; remember to monitor your Lisa's performance on an ongoing basis. You can even switch from cash to stocks and shares, or vice versa, if your circumstances or objectives change.

Just make sure you're on top of the small print. For example, while nobody over the age of 40 can open a new Lisa, once you have an account you can continue paying into it until you reach the age of 50.

And if you desperately need to get at your cash but you're not buying a house and haven't yet turned 60, you can make withdrawals from your Lisa, although you'll pay a 25% penalty on the amount withdrawn. The upshot is that you'll lose your government bonus and a further 6.25% of your original contribution.

The government will top up your Lisa contributions by 25%

Are Lisas a better bet than a private pension?

With Lisas marketed as retirement savings vehicles, an obvious question is whether they're better than a private pension. In most cases they're the inferior choice (though there's nothing to stop you having both). Lisas do have certain advantages. The cost of getting £100 into your Lisa is £80 after the government bonus, which is also what it costs a basic-rate taxpayer to contribute £100 to a pension after tax relief.

The money grows tax-free in both accounts, but on retirement all of the Lisa money can be withdrawn with no further tax to pay, while 75% of the pension savings will be taxable.

Against that, however, anyone with a pension at work will get additional contributions from their employer, putting them ahead of Lisa savers.

Also, anyone in the higher- or additional-rate income-tax brackets does better because of the way the tax system works. Paying £100 into a pension costs them only £60 and £55 respectively. The salary sacrifice arrangements offered by many employers, moreover, add to the tax efficiency of pension contributions.

Another consideration is that Lisa savings can't be accessed until age 60, at least without a penalty, while pensions can be cashed in from age 55 onwards. Lisas are also taken into account when you're applying for benefits or if you go bankrupt, which could see you forced to dip into your savings before retirement; pensions don't count in the same way. For all these reasons, the standard advice is that unless you're self-employed and never likely to move out of the basic rate of income tax, a pension is likely to be a better option than a Lisa.

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Give your children a helping hand

Junior Isas, or Jisas, will give your offspring a head start in the race for financial security. You can save up to £9,000 a year tax-free from April 6 2020 and the accounts turn into adult Isas once they turn 18

Ruth Jackson-Kirby
Money editor

One way adults can save on behalf of a child is with a junior individual savings account (Jisa). As with adult Isas, growth in a Jisa is completely free of tax. There are just two key conditions. Firstly, any money paid into a Jisa can't be accessed until the child turns 18. Secondly, the annual Jisa allowance is a lot lower than the adult Isa limit. It is currently £4,368 – but this sum soars to £9,000 from 6 April 2020.

If you invested the full new amount each year from birth – and it grew by 3% a year – your child would have £218,000 on their 18th birthday. And at that stage, the Jisa automatically converts into an adult Isa. So the minute they could start earning more than the personal allowance, they could already have £218,000 tucked away beyond HMRC's reach.

Don't let them spend it on a holiday

The drawback with a Jisa is that the money is locked away until the child becomes an adult. That means you can't use any of it to cover the expense of raising a child. It also means that when they are 18 the child gets full control of their money. Your money could be wasted on a coming-of-age holiday to Malaga.

Still, the upside of the money being untouchable for almost two decades is that it has ample time to grow. With Junior Isas you have the choice of both a cash account and a stocks and shares version. If you are saving for a young child, then a stocks and shares account makes most sense; over such a long period the stockmarket is likely to deliver far bigger returns than you will manage with cash. The average cash Jisa pays 2.53%, according to Moneyfacts.co.uk. By contrast, over the five years to early March, the FTSE 250 index tracking medium-sized companies had returned an average annual 5.1%. Assuming you achieved those rates over 18 years on an initial £9,000 lump sum a cash Jisa would rise by £5,184, while a stocks and shares Jisa would return £22,495 (before fees).

©Alamy

All the major investment firms offer Junior Isa accounts. Vanguard has the lowest annual platform fee at 0.15% capped at £375, but it only has 75 funds to choose from (and they are all run by the investment platform). Charles Stanley Direct offers 2,200 funds with a 0.35% fee. Both allow Jisa transfers and neither imposes trading fees on funds.

Children are allowed to have one cash Jisa and one investment Jisa altogether; unlike with adult Isas you can't open a new one of each kind each year and leave the old one open. You may want to start with a stocks and shares account when they are younger and then gradually move it into a cash Jisa as their 18th birthday approaches – assuming they need the money then. The best interest rate you can get on a cash Jisa is 3.6% from Coventry Building Society. The account can be managed in the branch, by post, or over the phone; transfers from another Jisa are allowed. The next-best rate is 3.45% from Danske Bank. This account must opened in a branch or over the phone, but once it is set up you can manage it online.

ADVERTISEMENT FEATURE

Invest in a stocks and shares Isa for the long run

Cash is a vital component of any investors' portfolio – but if you can put your money away for the long run, you should consider investing in shares.

A major headache for savers today is that with interest rates at or near record lows, it's extremely hard to find decent returns on your cash savings. The risk is that – even held in a tax-efficient account, such as an Individual Savings Account (Isa) – returns on cash simply won't be able to keep up with inflation. That's why, once you have enough cash saved for your rainy day fund, you should consider alternatives – such as a stocks and shares Isa – for money that you can invest over the longer term and won't need at short notice. While past performance is no guide to the future, history suggests that shares offer better returns than cash over the long run.

A stocks and shares Isa enables you to choose from a wide range of investments – from funds and investment trusts, to shares in individual companies. Indeed, with US earnings season (where the majority of companies report their latest profit figures) looming, now is a good time to be thinking about companies that you might put into your Isa. Should you avoid companies with supply chains that are vulnerable to coronavirus-related disruption? Or has the panic thrown up opportunities in some of the big tech stocks? And could you profit by investing in companies that are tackling our environmental problems?

Of course investing in individual stocks is risky, which is why you need to have a wide spread of them. By diversifying your holdings, you reduce the risk of one bad bet spoiling your whole portfolio. With that in mind, the other key factor to consider is your cost of investing. Every penny you save upfront, is another penny that goes into the market and can be compounding over the long term. Tax is one such cost. With a stocks and shares Isa, you won't have to pay any tax on capital gains, or income tax on dividends.

The other is your cost of trading. Costs come in various shapes and sizes, but if you're a regular investor, keep an eye out for charges on buying and selling individual shares, as these can mount up quickly. And if you buy overseas stocks, be on the lookout for currency exchange charges – these are sometimes much higher than you might expect. Right now, for example, IG is charging £0 for US share trades if you trade three times or more in the previous month.

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Time to stock up on these French wines

It is France all the way this month with this amazing collection of wines. I have chosen a few classics as well as some rather unexpected wines from the Yapp Brothers' cellar and I think this sextet will push you in some new and exciting directions. My chosen whites are all slender and elegant, while there is a light, medium and full-bodied red, so this collection offers something for everyone. I have known the Yapp portfolio for thirty years and my sustained relationship with them just goes to show how reliable and unique their wineries are. They also prove the point that you do not need to spend a fortune to drink wines of an extraordinary calibre.

Matthew

Matthew Jukes

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Prices shown below are per case of 12 bottles. Wines are also available in a mixed case, giving you two bottles of each for **just £155** - it's a chance for you to try them all, and is the most popular choice with *MoneyWeek* readers!

2018 Pouilly-Fumé, Les Loges, Domaine Dominique Guyot, Loire, France

It is a joy to taste a youthful, innocent Pouilly-Fumé with such immediacy and openness on the nose and palate. All too often the Sauvignon Blancs from the Loire can be brittle and edgy, craving time to soften their angular approach, but Les Loges is charming, gossamer smooth, and ever so sprightly on the finish. It is a textbook Sauvignon Blanc with uncommon allure and gloss and it will be sure to make you go weak at the knees.

CASE PRICE: £198

2018 Picpoul de Pinet, Cuvée Ludovic Gaujal, Domaine Gaujal, Languedoc, France

Picpoul is usually an inexpensive style of holiday wine, glugged on the Riviera by legions of sun seekers. It has recently become a favourite on the High Street, but these versions are invariably diluted, lacking in character, with little traction on the palate. Usually residing in a slender flute-shaped bottle, Gaujal looks more serious in its Bordeaux shaped glass and this attitude continues on the palate. Firm, commanding, and bone dry and with a hint of citrus, this is a wicked white wine for seafood and crustacea and I am shocked by its impressive bravado.

CASE PRICE: £135

2018 Jour de Fruit, Domaine de l'Ancienne Cure, Bergerac Sec, France

Because I love the sweet wines from this epic property I have never given the dry whites a look in - but this organically grown 70% Sauvignon Blanc 30% Semillon blend is a little rocket! Made along the same lines as a dry white Bordeaux, but with a nifty, vivacious framework, this is a cheeky, keen aperitif white with a rapier thrust of citrus fruit and a tart, palate-tingling finish. You ought to make space in your fridge door for this cheerleading white wine.

CASE PRICE: £147

2018 Gamay, Cave de Saint-Désirat, Vin de Pays des Collines Rhodaniennes, France

My first red is a light, fresh, strawberry-kissed wine with little tannin and a delicate lick of acidity on its finish. Southern French Gamay is the sort of red that you might find in a roadside auberge while touring on holiday. When served at "cellar temperature", the fruit notes are thrilling and fresh enough to drink with fish, charcuterie and lighter chicken dishes. Allow it to warm up and this is a house red for all dishes. I would venture that white wine lovers would adore this style of generous and refreshing red, too.

CASE PRICE: £112.80

2018 Menetou-Salon, Domaine Jean Teiller, Loire, France

This is another estate which I know very well indeed, but it's the whites that I normally go for, so this Pinot Noir was a revelation! On the nose, the fruit looks ripe and sonorous and the palate is sleek and buoyant, too. Strangely though, after a short period breathing, this wine opens up in the glass and the palate olympics really start. Packed with wild berry fruit notes and hints of forest spice, this is a remarkable Loire Pinot Noir and it is supreme value for money, too.

CASE PRICE: £189

2015 Rasteau, Ilex, Domaine Saint Gayan, Southern Rhône, France

The big red on this page is this classic, meaty, swarthy Rasteau. Made from a time-honoured recipe of Grenache, Syrah, Cinsault and Mourvèdre there is no mystery here at all. At five years old, this powerful fellow is into its stride and it looks stunning. The value here is amazing, given that there are so many Châteauneuf-du-Papes out there that easily cost a tenner more, yet they don't come close to the energy and authenticity of this wonderful wine.

CASE PRICE: £162

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The surprising joys of a Club Med holiday

It's fun and everything is taken care of for you. What's not to like? wonders Merryn Somerset Webb

When I told my sister I was going on an all-inclusive skiing holiday and that what's more I was doing it with Club Med, she was horrified. That was last year. We liked it so much we went again this year. Club Med offered its first all-inclusive holiday in 1950 – in tents by the beach. The philosophy of its founder was simple and rather lovely: "The aim in life is to be happy. The place to be happy is here. And the time to be happy is now". The idea that you could join a group of people in a money-free environment jammed with good will and sunshine took off. That first summer 10,000 requests to join the first camp in the Balearics had to be refused and within a few decades there were clubs everywhere.

The original ethos of Club Med is alive and well at the Grand Massif Samoëns resort

Today Club Med is owned by Chinese private-equity firm Fosun and it has moved firmly upmarket. But somehow the original ethos remains. You will feel your first and only twinge of concern on your arrival at the Grand Massif Samoëns as your luggage is labelled and removed from you. In peak season 1,000 people check out and 1,000 people check in every Sunday. Somehow all suitcases make it from the vast lobby to the correct rooms: think of it like a luggage version of Mumbai's Dabbawala system. It shouldn't work. But it does.

Intensely organised skiing

While you wait for this to happen you take yourself to the ski room. And here, any doubters among you will suddenly get the point of intensely organised skiing. The joy of finding that you have been pre-allocated a (heated) locker that opens with your bracelet (there's still no money at Club Med – your coloured bracelet does everything for you) and that, crucially, the locker already has your skis and boots in it, is quite something. It is soon matched by the discovery that the locker room opens, via vast glass sliding doors, directly onto the piste. A short ski down and you are at the bottom of the Chariande Express chair lift – the key to accessing the 265km of runs in the Grand Massif area.

This brings us to who you will be accessing those runs with. My family contains a variety of different attitudes to skiing. Some of us like to be always black or off-piste. Some (the more sensible ones to my mind) simply can't see why anyone would ever advance above red. Club Med solves this problem by including group skiing in the deal. Join a group of your ability and you are off – guided skill-appropriate skiing and usually a few nice new friends to boot. You can choose your groups in advance or sign up on the first day. I put myself in a calm middling group, the kids with other kids and my husband in the French-speaking off-piste group. I think he enjoyed the avalanche training.

Now imagine the joy of the all-inclusive extended to eating. No need to queue with your kids for substandard, overpriced chips half way up the mountain. Ski in to Club Med and lunch is all laid out. Ski out again afterward… and then in again for drinks and snacks (oysters or barbecued steak on good days, cheese and salami every day) in the snow outside the locker room on the terrace of the Skyline Gourmet Lounge if the sun is out (good views), or inside if not. Then there is swimming, saunas and meandering about before a mass drift towards the restaurants at 7pm.

> *"The food is fantastic – memories of the brilliance of the buffet prompted our second visit"*

The food is fantastic – if I am honest, memories of the brilliance of the buffet might even have been the final prompt for our second visit. Have the raclette, the fondue and maybe everything else on offer from the many chef stations too. After supper there are some unique cultural experiences on offer. Your teens are invited to Password, an adult-free club where they can slump around in video-game heaven, or club in a contained environment with other teenagers. But come 9pm the fun really starts: the long-suffering GOs (*gentils organisateurs*) who will have spent the day until then working as baggage handlers, mini club managers, reception staff and ski-boot fitters suddenly become singers, dancers and trapeze artists. Some good, some awful. All ridiculously enthusiastic and good natured – and enhanced in the eyes of much of the audience by the constantly flowing, all-inclusive cocktails.

There are runs for all abilities

Each to their own

You might think this sounds awful (my sister does). It's actually rather fun. And here's another thought for you. I bet you want your older children to learn the virtues of hard work, patience, the basics of a few languages and perhaps a little trapeze in their year off. You do? Club Med is always hiring (at least until the coronavirus appeared). I have one word of caution. This place is perfect for kids. So it is overrun with kids. OVERRUN. If you have children under 12, that's going to suit you very well indeed. If you do not, steer clear of the main bar. Or maybe try the Club Med Val Thorens Sensations resort instead (no kids' club here!).

Merryn was a guest of Club Med. From £1,328 per person (clubmed.co.uk)

This week: properties for around £800,000 – from a 1920s, Mock-Tudor style house in Weston Favell, Northampto

Newbold Farmhouse, Duntisbourne Abbotts, Cirencester, Gloucestershire. This Grade II-listed village house has been extended to include an additional reception room. It has wood floors, exposed beams, an inglenook fireplace and a fitted kitchen with an Aga. 5 beds, 3 baths, 3 receps, garden. £825,000 Strutt & Parker 01285-653101.

The Old Dower House, Newton St. Cyres, Exeter, Devon. A 16th-century, Grade II-listed house overlooking the Exe Valley. It has French picture windows, oak beams, wood floors and a self-contained, two-bedroom annexe. 4 beds, 2 baths, 3 receps, kitchen, workshop, gardens, 3 acres. £850,000 Knight Frank 01392-248697.

Garratt Lane, Earlsfield, London SW17. This house is set at the end of a terrace in the centre of Earlsfield and is just a short walk from a mainline train station. It has a decorative brick façade and a contemporary, open-plan living area with a high ceiling and a fitted kitchen with floor-to-ceiling bifold doors that open onto a south-facing, walled garden. 3 beds, 2 baths, eaves storage. £825,000 Savills 020-8877 1222.

nshire, to a substantial property overlooking St. Margaret's Bay in Nova Scotia, Canada

◀ **The Dell, Higher Muddiford, Barnstaple, Devon.** This Grade II-listed house is set on the outskirts of a village and has far-reaching views across the surrounding countryside. It dates from the 1700s, with an addition added in the 1830s and has Gothic-style windows, exposed beams, a large inglenook fireplace with exposed stonework and a kitchen that opens onto a double-height garden room. 6 beds, 3 baths, 3 receps, study, workshop, gardens, 3.3 acres. £750,000. Jackson-Stops 01271-325153.

▶ **Beech Bank, Longburgh, Carlisle, Cumbria.** A renovated village house with marble fireplaces and a contemporary kitchen. It comes with a range of outbuildings set around a courtyard. 5 beds, 3 baths, 2 receps, stable, tack room, barn, paddock, orchard. £799,999 Hayward Tod 01228-810300.

◀ **Trewallter Fawr, Walterston, Llancarfan, Vale of Glamorgan, Wales.** A Grade II-listed house in mature gardens that include a stable block and a two-storey, Grade II-listed barn. The house has beamed ceilings, open fireplaces, an inglenook fireplace with an original bread oven in the sitting room and a country kitchen with an oil-fired Rayburn. 5 beds, bath, 2 receps, garden room, attics, outbuildings. 1.4 acres. £795,000 Watts Morgan 01446-773500.

▲ **Oak Gates, Weston Favell, Northampton.** A mock-Tudor style property built in 1923 and surrounded by mature gardens that include a timber summer house. The house retains its original oak floors, panelling and staircase, and has an open fireplace with an oak surround and a wood-burning stove in the living room. 5 beds, 2 baths, 3 receps, kitchen, 0.24 acres. £795,000 Jackson-Stops 01604-632991.

▶ **Boutiliers Point, St. Margaret's Bay, Nova Scotia, Canada.** A substantial property with terraces and balconies overlooking St. Margaret's Bay. The house has an open-plan living/kitchen area with Carrara marble worktops and a granite fireplace, and there is a large reception room on the ground floor with a snooker table and a bar. 4 beds, 4 baths, 2 receps, office, garage with boat storage, boat dock, waterfront, garden, grounds, 1.43 acres. C$1.35m Tradewinds +1 902 222 1508.

The family motor that goes 250mph

Koenigsegg's latest creation is "mind-blowingly nuts". Chris Carter reports

"The mad Swedish supercar scientists at Koenigsegg are known for making ludicrous, limited-run, high-performance vehicles such as the absurd 1,500-horsepower Regera… or last year's 300mph missile, the Jesko," says Sean O'Kane on The Verge. But their latest creation, the 2021 Gemera, "takes the absurdity to another level". It packs 1,700bhp, 2,580lb ft of torque and the ability to go from 0-62mph in 1.9 seconds and on to a top speed of a record-matching 250mph. Weirdly, it is also a "family car". It has four seats, cup holders, and enough room to store "carry-on luggage". In other words, it is "absolutely mind-blowingly nuts", says Vijay Pattni for Top Gear. But "what else would you expect from Koenigsegg"?

Lean, mean and green too

If you find all that hard to countenance, prepare "to have thine puny brains fried and served with a side of disbelief", says Pattni. The new Gemera also has an "environmental consciousness". It features three electric motors – one on each rear wheel, and one on the crankshaft – that alone deliver 1,100bhp simultaneously. In electric-vehicle, rear-drive mode, the Gemera can reach 186mph, and its 800V battery lasts for up to 31 miles. Koenigsegg has then added its "tiny friendly giant" – a three-cylinder, twin-turbo, 2.0-litre "Freevalve" internal combustion engine that drives the front wheels – which means it is able to run on ethanol or carbon-neutral methanol. With the combustion engine in play, the Gemera's range is extended to 620 miles between fill-ups.

Why such massive doors?

It looks good, too. Being a Koenigsegg, it still has doors that pop out and then rotate upwards around a single axis. "Except that in the Gemera's case, they're absolutely enormous, because they also serve as access to the rear seats as well," as CJ Hubbard points out for Car magazine. "As the crazy Swedes cooly point out, this means there's no B-pillar, making getting in and out of the back a little more graceful than in most hyper-GTs." That said, you "still have to deal with those heavily sculpted bucket seats". Koenigsegg plans to build 300 of these cars. If you want to get your hands on one, expect to pay in the region of €1.7m.

"The car has three electric motors and a 2.0-litre twin-turbo engine that can run on ethanol or methanol"

Wine of the week: the most memorable gig in the wine world

2018 Saint-Joseph Blanc, Lieu-Dit, E. Guigal, Northern Rhône, France
£39, noblegreenwines.co.uk; £35.95, farehamwinecellar.co.uk; £39.50, Fenwick Newcastle, 0800-783 1783.

Matthew Jukes
Wine columnist

Every so often a bottle of white Rhône sneaks up on my palate and completely blows me away. While white Graves always loiters with intent, never really hitting the high notes cleanly, and top Alsatians impress once every blue moon, it is the Rhônes that stick in my mind and make me wish I had bought a case and not a bottle.

I am not sure why marsanne and roussanne, in the right hands, have the ability to confound the senses. I handed a 19/20 score the other day to my featured wine. I had just tasted the always excellent 2017 Guigal Côtes-du-Rhône Blanc (£13.50, noblegreenwines.co.uk; £12, selected Tesco), which, on reflection, is the finest possible support act to my hero headliner. I once saw The Pogues support Manic Street Preachers at the Clapham Grand,and I reflect about this gig more than any other. These two wines are the vinous equivalent of that gig – they are that good!

The delicate, relatively inexpensive blend of 60% viognier, 15% roussanne, 10% marsanne, 8% clairette, 5% bourboulenc and 2% grenache blanc readied my senses for the main act. There is no oak involved in the CdR and so when Lieu-Dit careened into my taste buds, wearing 50% new barrels (drums in my laboured analogy) and sporting a massive riff of 95% marsanne on lead guitar and 5% roussanne on bass, I found myself in a cacophony of awesome flavour. This wine is a genuine "design for life".

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

Stocks get a handbagging

A surprising collectable has been trouncing other asset classes. Chris Carter reports

No longer mere fashion accessories and Margaret Thatcher's weapon of choice, handbags are this year's darlings of the collecting world. So says the oft-quoted 2020 Wealth Report from Knight Frank. The value of handbags rose by 13% last year, the most of any collectable asset class (see box on the right for the others). That was also slightly better than the 12% the FTSE 100 managed for 2019 – remember those days?

Of course, expensive handbags have been around for at least as long as there have been chihuahuas to put in them. But as a collectable, they're relatively new to the scene. And, until very recently, there hasn't existed any index to track prices. So Art Market Research (AMR), the company that supplies Knight Frank with data for its Knight Frank Luxury Investment Index (KFLII), made one.

"It's only been possible to create an index on handbags now because of the frequency with which many iconic pieces are coming to auction today," says AMR's Sebastian Duthy. That has left some auction houses scrambling to catch up. Bonhams, a major auction house founded in 1793, only opened its handbags and fashion department in January, having pinched a couple of staff members from Chiswick Auctions, according to the Antiques Trade Gazette. The west London auctioneer is big in the way of selling handbags. Last March it launched its free The Handbag Report email newsletter, offering tips and auction news.

What to buy

Collectable handbags should be kept in tip-top condition. "The only person who has got away with mistreating theirs was Jane Birkin," says Carol Lewis in The Times. Then again, the actress did lend her name to one of the most sought-after of all handbags – the Hermès Birkin (so much so, in fact, that its rising value has been termed "Birkinomics"). She sold one of her beaten-up bags on auction site eBay in 2011 for £100,100 for charity. And the most expensive bag ever sold at auction was a Birkin. Made from crocodile skin, with gold and diamonds, it fetched HK$2.9m (£293,000) in Hong Kong with Christie's. And last June, a Himalaya niloticus crocodile Birkin 35 sold for £162,500 in London, also with Christie's.

Hermès is arguably the most prestigious of marques and custom-made bags, known as Hermès Horseshoe Stamp (HSS) bags, featuring the stamp inside the bag, are the "ultimate status symbol", says Chiswick Auctions' Winnie McGee. Chanel bags also carry status. Bags made from ethically sourced exotic skins, such as crocodile, fetch high prices, as do limited editions.

Coming up...

If you're quick, you can still get in a bid for a "rare" Hermès Ombre Birkin handbag, made from Varanus salvator lizard with "palladium hardware" (pictured). It takes pride of place at Sotheby's online auction, with bidding set to end at 4pm today (Friday). It is expected to fetch up to $120,000. Bonhams, Chiswick Auctions and Christie's are holding sales in London in April, May and June.

Auctions

Going...

A rare stone lithography film poster for *The Invisible Man* from 1933 is to be sold with Texas-based Heritage Auctions as part of its Movie Poster online sale, taking place this Saturday and Sunday. "This beautiful poster is an outstanding example of the horror artwork by artist Karoly Grosz, which made the Universal monster genre such a success," says Grey Smith, director of posters at Heritage Auctions. It is expected to sell for up to $125,000. A "front-of-house card" (a smaller film poster, known as a "lobby card" in the US) for the 1931 horror classic *Frankenstein* is expected to fetch between $50,000 and $100,000.

Gone...

Hand-painted artwork for the 1954 monster movie *Creature from the Black Lagoon* sold for £22,000 before fees with Ewbank's Auctions in Surrey late last month. It had been expected to sell for up to £4,000. It was one of a collection of film and circus posters produced by Bradford-based W E Berry for Disney, Rank, Universal, Columbia Pictures, Paramount and Ealing Studios from the 1920s, says the BBC. In total, the collection brought in £165,000 – three times the estimated asking price of £55,000. Artwork for Ealing comedy *The Ladykillers* fetched five times its asking price – it sold for £8,000.

©Ewank's Auctions; Getty Images;Sotheby's

Good news for stamp lovers

Good news at last for philatelists – stamps were the second-highest-rising collectable asset of 2019, rising by 6%. That market has been in a slump for the past few years, so 2019 might just have heralded a turnaround for these once-popular collectables. We'll have to wait and see.

Over ten years, the market has only grown by 64% – not much compared with other collectable assets, such as whisky and classic cars. That said, classic cars (and jewellery) were last year's biggest losers, both down 7%.

The signs were there, particularly for cars. Values had risen by 194% over ten years (again, according to Knight Frank), but the demand failed to turn up at the calendar highlight that is Monterey Car Week, in California, last August.

Surprisingly, whisky "only" grew by 5% (imagine if you could get that kind of return on your cash Isa), but that market has done superbly well over the past decade, increasing by 564%. Andy Simpson of Rare Whisky 101 blames oversupply and a "softening of values for the market leader, The Macallan".

Still, with investors fleeing stocks and whisky being an easily storable, tax-efficient (if you store it "in-bond") and relatively liquid asset, I doubt we've reached the dregs of the whisky market just yet.

An outlandish and elaborate fraud

Scams are becoming ever more sophisticated, as this latest high-profile case in France shows

After contemplating my latest tax bill I consider that I give quite enough of my fortune to pay for the follies of real-life politicians, so I have no great desire to give any more of it to fake ones. Some people are evidently more generous, as the latest high-profile criminal case in France illustrates. Gilbert Chikli and Anthony Lasarevitsch have been sentenced to jail for their role in a scam in which they swindled money from politicians and business leaders by impersonating Jean-Yves Le Drian, the then French defence minister, says Charles Bremner in The Times. The duo, along with a team of accomplices, approached heads of state, business figures and other luminaries, claiming they were working with the French government to free French citizens kidnapped in the Middle East, reports Tamer El-Ghobashy in The Washington Post. Because France, as a matter of policy, does not pay ransoms, the scammers claimed that, in order to keep the payments quiet, the money must be sent to bank accounts in Hong Kong on France's behalf. The crooks promised that once the payments were made the French government would then discreetly repay them "off the books".

Trickster Gilbert Chikli with his wife, Shirly: now he has lost his swagger

©Shutterstock

> *"Why break in when you can trick someone into opening the door?"*

What made the scheme "as outlandish as it was elaborate" was that, as part of the deception, one of the crooks would "don a custom-made silicone mask" of the minister and conduct a video chat with the target. With the help of a room "decorated to look like a ministerial office", this worked well enough to persuade victims to hand over $90m ($55m of which is still missing). Turkish businessman Inan Kiraç and the Aga Khan are the two big losers. The con men overreached when they tried the trick on Senegal's president, Macky Sall, a long-standing friend of Le Drian – Sall became suspicious when the impersonator addressed him with the formal "vous".

Personalised deception

This isn't the first time the "swaggering" Chikli has been in trouble with the law, says Aurelien Breeden in The New York Times. In 2015 he was sentenced to seven years in prison and fined €1m for impersonating company chief executives and persuading unsuspecting employees to send money for "bogus, top-secret operations". That previous fraud made Chikli notorious enough to make him the subject of a film starring Julie Gayet, the partner of former French president François Hollande – a film that his victims might have done well to watch before sending any money.

Chikli's victims may look foolish, but this latest case shows that fraudsters are becoming ever more sophisticated, says Eleanor Cummins in Popular Science. In the past, con men generally tried to play the "numbers game", targeting as many people as possible in the hope that the more people they approached, the more likely they were to find a victim. By contrast, today's scams are so personalised that "even the most careful or sceptical employees are at risk". It also shows that technological fraud is still no match for old-fashioned "social engineering" that "preys primarily on human weakness". As fraudsters themselves like to say, "why break in when you can trick someone into opening the door"?

Quintus Slide

Tabloid money… shaken, stirred up, and my knees are killing me

● Sean Connery never complained about being cast as James Bond, says Jan Moir in the Daily Mail. "Timothy Dalton and George Lazenby were just grateful for their five minutes of fame." Roger Moore was too much of a gent to whine. And Pierce Brosnan would be "the last man on earth" to do it. Yet the current incumbent, Daniel Craig (pictured), "never stops moaning". Honestly. You pay a bloke £39m to play Bond, you expect him "to get on and take his top off without complaint". "Last time around Dour Daniel said he would 'rather slash his wrists' than do another Bond film. This time he has been complaining that it is all getting too much and whining on about his knees, like some boring old geezer." But the franchise should stick with this old chap if for nothing else than diversity. It would be a blow against ageism.

● "Who cares about a killer virus running amok when you can use panic buying as a way of getting one up on the neighbours?" asks Virginia Blackburn in the Daily Express. Social-media users have pointed out that pictures of people in the aisles, loaded down with loo roll, "were not, er, members of the aristocracy". It's true. "I have yet to see anyone standing in Waitrose engaging in hand-to-hand combat with their neighbour over the last packet of lemon grass." It's a class thing. "My freezer is full of wild Alaskan salmon," boasts a friend online. "'I have a cupboard full of asparagus and artichokes,' swanks another (me)." Posts are full of people buying up stock in Daylesford Organic. It's only a matter of time before we start panic buying at Fortnum & Mason.

● "My email inbox is still filled every day by people wanting me to give money to help Australia's homeless koalas," says Jeremy Clarkson in The Sun. "That's like asking for money to help save Joan of Arc's dodo… They reckon I'm going to look at the world and all the terrible problems affecting it, then think, 'Right, the thing that's most deserving of my spare cash is some lightly grilled marsupial in Wombawombaland?'" We have problems at home. Financially, many of Britain's shopkeepers will not survive the virus. Neither will a host of other professions. "Tens of thousands are going to emerge from behind their piles of stockpiled bog roll this summer with not one penny in the bank." The koalas can wait.

©Getty Images

Bridge by Andrew Robson

Little chance of a three-three split

This week's declarer may have wished to be in Five Diamonds. Such a line of thinking is naturally unproductive when at the helm in Four Spades.

Dealer South — East-West vulnerable

North
♠ 4
♥ A102
♦ AJ653
♣ KJ95

West
♠ A9
♥ KQ975
♦ 1098
♣ A43

East
♠ J1085
♥ J843
♦ 7
♣ Q1062

South
♠ KQ7632
♥ 6
♦ KQ42
♣ 87

The bidding

South	West	North	East
1♠	Double*	Redouble**	2♥***
2♠	pass	3♥§	pass
3♠§§	pass	4♠§§§	pass
pass	pass		

* Close between Double, Two Hearts and Pass. Non-vulnerable, I would opt for Two Hearts; vulnerable, there is something to be said for a quiet pass.
** Ten or more points with no good fit for partner.
*** Preferring the major to the minor.
§ More information please.
§§ Perhaps South should introduce Diamonds.
§§§ Reluctantly gives up on alternative strains.

Declarer won West's King of Hearts lead with dummy's Ace and, with the Ace of Clubs to lose (bound to be with West), needed to restrict his Spade losers to two. The obvious way to do this was to lead to an honour, drawing out the Ace (presumably with West), then to play the other honour and a third round. This approach required the suit to split three-three, but how likely is that when West's double advertised shortage in the suit opened? Surely it was more likely that West holds Ace-doubleton. Reasoning thus, declarer made no mistake. He led a Spade and ducked completely in hand. He ruffed West's Queen of Hearts continuation, then led a low Spade out of hand, seeing (with pleasure) West's Ace "beat air". He ruffed a third Heart, cashed the King-Queen of Spades, felling East's Knave-ten, then followed with his five Diamond winners. Ten tricks and game made.

For all Andrew's books and flippers – including his new hardback The Next Level – see andrewrobson.co.uk

Sudoku 991

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

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.

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

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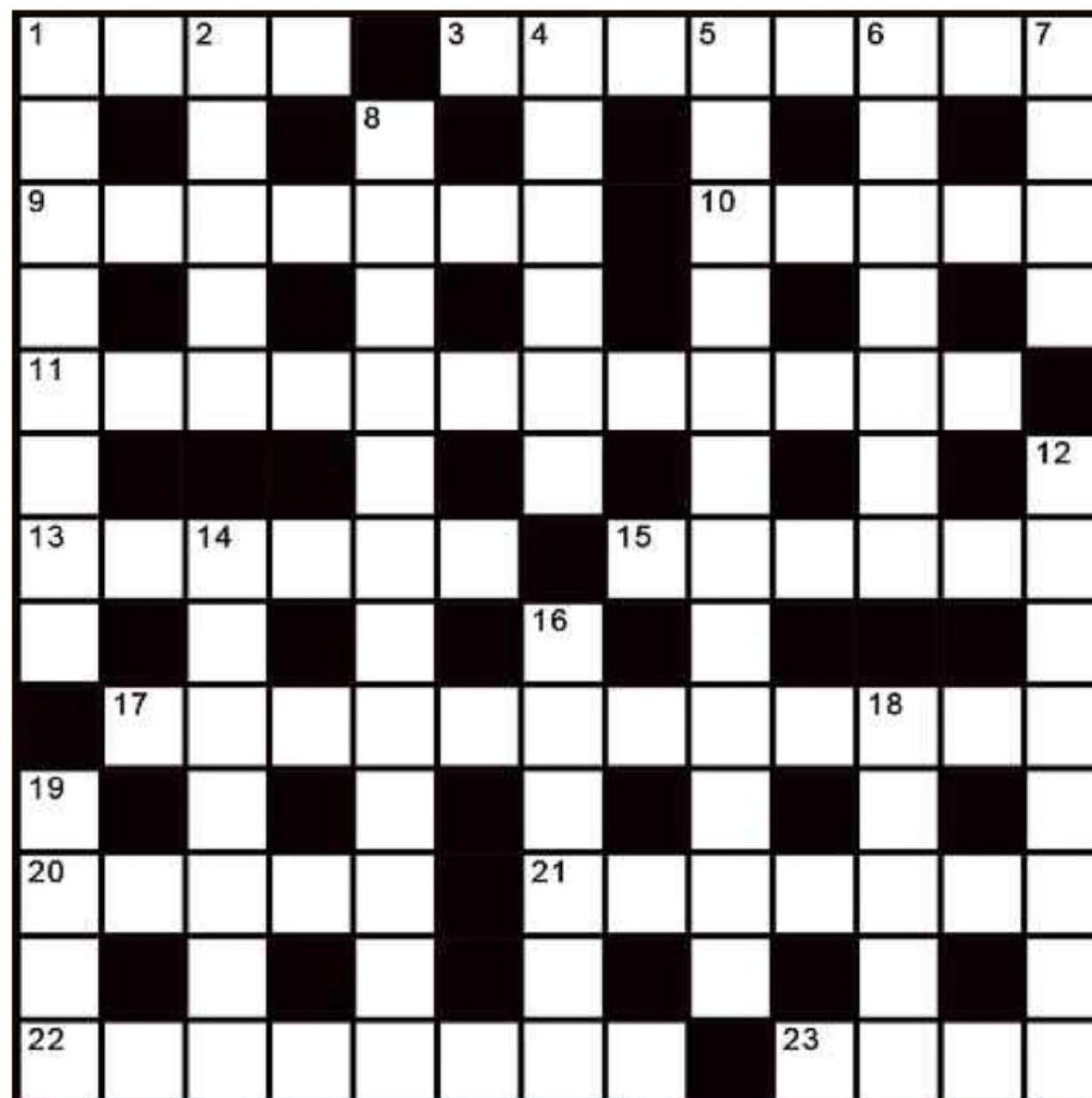
Tim Moorey's Quick Crossword No. 991

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 30 March 2020. Answers to MoneyWeek's Quick Crossword No. 991, 31-32 Alfred Place, London, WC1E 7DP.



Across clues are mildly cryptic and down clues straight

ACROSS
1 A barrier made by first guy (4)
3 Person below a duke makes sense initially (8)
9 Gain one's heard for forecaster (7)
10 Good score from Gleneagles (5)
11 Letitia and Lorna could represent this (12)
13 Winter transport provided by butcher reportedly (6)
15 Endeavour perhaps alongside learner in scrap (6)
17 Not an unfashionable fellow in Hamlet! (3, 5, 4)
20 Negative-sounding noise from a colt (5)
21 What can give me awful pain? Noisy percussion (7)
22 TV programme or unbroken view – orphans have neither (8)
23 Victory by head of government for faction (4)

DOWN
1 Clapping (8)
2 String of coral islands (5)
4 Dessert course (6)
5 BBC TV programme (8, 4)
6 Punches (7)
7 Casserole dish (4)
8 Snapper (12)
12 Closing both eyes momentarily (8)
14 Jubilance (7)
16 Shakespearean character in *A Midsummer Night's Dream* (6)
18 Striped African mammal of the giraffe family (5)
19 Small cut with scissors? (4)

Name ....

Address ....

Solutions to 989
Across 4 Dane **6** Polo-neck **9** Maoist **10** Sailor **11** T-shirts **12** Bern **15** Heel **16** Bow ties **18** Strain **20** Stakes **21** Scramble **22** Cash. **Down 1** Regicide *cryptic definition* **2** Upstate *state = say* **3** Ant *hidden twice* **5** Anaesthetic *anagram* **7** List *cryptic definition* **8** Crown jewels *crown = hit* **13** Entrance *two definitions* **14** Worsted *two definitions* **17** Snub *reversal* **19** Adam *cryptic definition.*

The winner of MoneyWeek Quick Crossword No. 989 is: Jan Miles of Withycombe

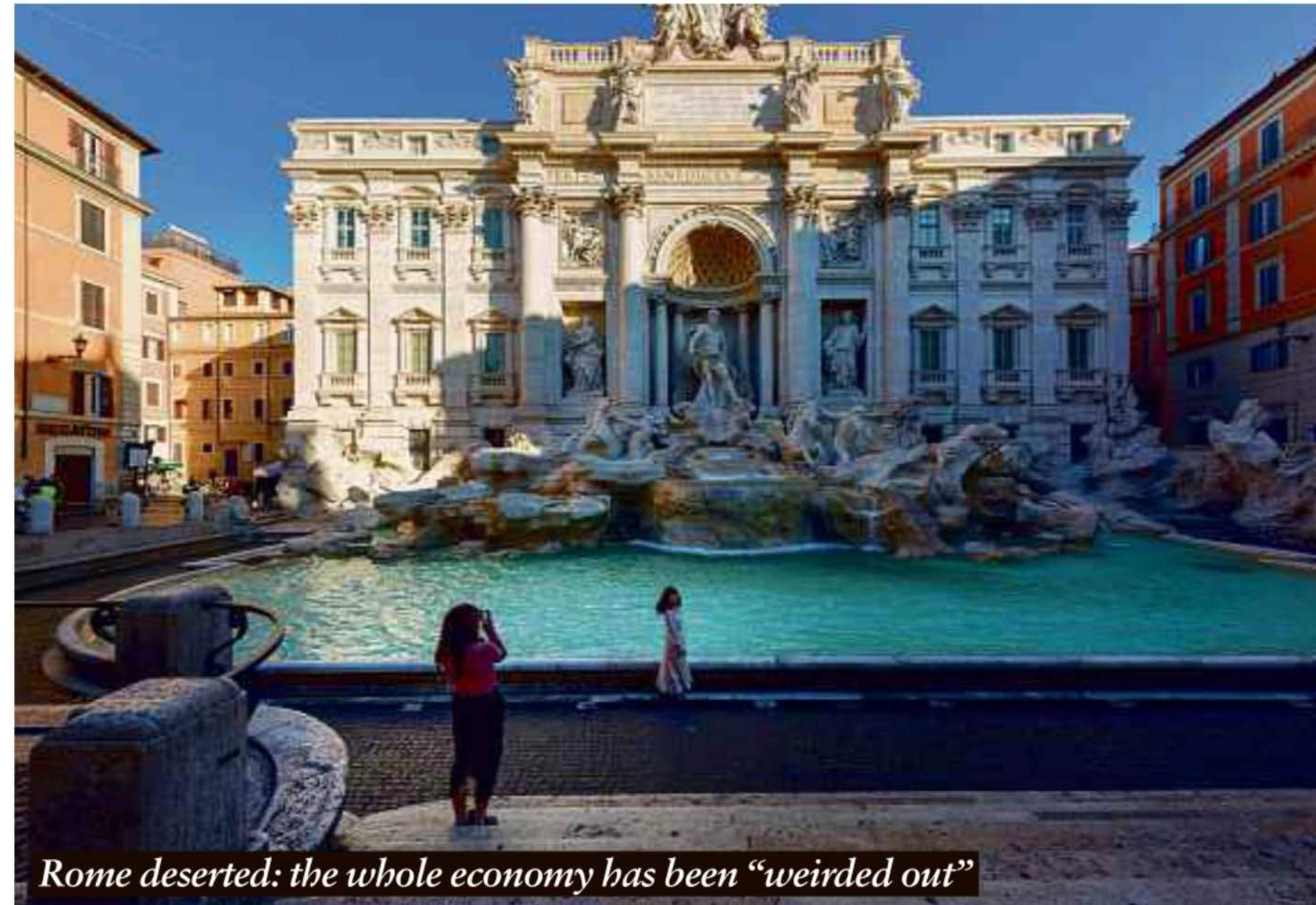
Tim Moorey is author of How To Crack Cryptic Crosswords, published by HarperCollins, and runs crossword workshops (TimMoorey.info).

Taylor's, a family firm for 325 years, is 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.

Loopy ideas get a hearing

When the world's in a panic, crazy proposals seem newly relevant

Bill Bonner
Columnist


Rome deserted: the whole economy has been "weirded out"

The coronavirus crisis continues to grip the world… the markets continue to discover and adapt. Mostly, what they are discovering is that companies are worth less and bonds more than they were a few weeks ago. The authorities continue to react, resist and panic – they might not be able to do anything to stop the virus, but they might be able to get stock prices up! And people get along as best they can. The wealthy retreat to their country houses and work online. The rest continue to show up. Bloomberg asked cart vendor Mohammed Abdrabou in Manhattan what would happen if the stockbrokers, clerks, and accountants stopped coming to the office. "I would get no business," he said. "That would be very bad. I have a wife, kids, rent."

Working from home is not an option for many. But the big problem is that the virus lays bare the fragilities in the financial system. Over the past ten years, the feds discouraged savings, pushed up asset prices, and weirded out the whole economy with fake interest rates and fake money. Now, with its immune system compromised, the economy is afraid to go out in public.

And as stocks continue to lurch regardless of central bank efforts, crazy ideas are getting an outing. Boston Federal Reserve's president Eric Rosengren thinks we should allow the central bank to purchase a broader range of securities or assets.

"With its immune system weak, the economy is afraid to go out in public"

The Wall Street Journal (WSJ) had an even dopier idea: that Congress should send you $1,000 – and another $500 for each of your children – as soon as possible. "Given the mounting economic risks posed by the spread of the novel coronavirus, Congress should act swiftly but thoughtfully to pass fiscal stimulus," reckons The WSJ. "This would be in addition to continuing to provide ample funding for medical research, testing, prevention and treatment. The stimulus's total cost would be about $350bn, but could be larger or smaller depending on how the economic situation unfolds. Congress should design it to be accelerated, big, comprehensive and dynamic."

The feds aren't backing off. They're doubling down on their mistakes. But the virus isn't backing off, either. While the death toll continued to mount, we discovered that Italy had decided to quarantine 16 million people. France is banning big gatherings. Oil is down to $30 a barrel. Typically, politicians spare themselves from the mischief they do. But the coronavirus is no respecter of the elite. Two members of Congress are self-quarantining. Will Congress close its doors? Will the next presidential election be called off? Will the president himself catch the virus? What a drama! Imagine, the commander-in-chief lying in the hospital as the whole world holds its breath – one half praying that he pulls through… the other half rooting for the bug!

The bottom line

£200bn The estimated value of unclaimed financial assets in Britain, such as forgotten shares. The government is considering extending a scheme that sees the Reclaim Fund requisition dormant bank deposits to include company share registers. A portion is given to charity.

£1trn The size of the British state following Chancellor Rishi Sunak's planned rise in public spending, announced in the Budget last week, according to the Resolution Foundation, a think tank. Spending is set to rise by £203bn, and public debt will hit £2trn by 2025.

€3m The value of *Nature Morte*, a painting by Pablo Picasso from 1921, which is the prize in a lottery in France. Each of 200,000 tickets costs €100. Assuming all tickets are sold, €1m will go to the painting's owner, billionaire collector David Nahmad, and €19m will be used by US charity Care International to fund access to water and schools in Africa.

£100,000 How much Robert Latham, a part-time property specialist court judge, has donated to Keir Starmer's bid to be elected as the leader of the Labour party. Starmer bowed to pressure to reveal who had donated to his campaign.

105,000 The jobs Britain will lose by 2040 if the country fails to build large factories for the production of electric-car batteries, according to the Faraday Institution.

49 The net increase in the number of comic-book shops in Britain over the past seven years, driven by the popularity of superhero films, such as *Wonder Woman*, starring Gal Gadot (pictured). By way of comparison, the number of book shops has fallen by 36 and secondhand book shops by 61, according to The Times, using data from the Local Data Company.

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