

Can orbital solar power get off the ground?

US bonds face an unpredictable journey

MOHAMED EL-ERIAN, PAGE 12

Mutual goals Xi welcomes **Putin to China**

Vladimir Putin and Xi Jinping meet on the sidelines of the Belt and Road Forum hosted by the Chinese president in Beijing yesterday.

The Russian president's two-day trip is his first to China since he ordered the invasion of Ukraine last year. The Kremlin said Putin was the "main guest" at the event, with China regarding Russia as a bulwark against US attempts to counter its international influence.
Putin's defiance of attempts to isolate

him over the war in Ukraine was bolstered when Viktor Orbán became the first western leader to meet the Russian president since the International Criminal Court indicted him for alleged war crimes.

The pro-Moscow Hungarian prime minister cast the meeting as a bid to "save everything that is possible from Orbán's drive page 4



Gaza health ministry says hundreds killed in Israeli air strike on hospital

• Claim by Hamas-run agency • IDF investigating • WHO condemns attack • Biden arrives today

Gaza's health ministry said hundreds of people had been killed after an Israeli air strike hit an outdoor area attached to a hospital in the besieged Palestinian territory.

The Palestinian health ministry, which is run by the Islamist militant group Hamas, said late yesterday that at least 200 people had been killed in the strike at Al Ahli hospital in Gaza City. The number could not be independently verified.

The Palestine Red Crescent said "hundreds" of people had been killed in the

The Israeli military said it was investigating the source of the explosion.

The director-general of the World

Health Organization Tedros Adhanom Ghebreyesus said: "[The] WHO strongly condemns the attack on Al Ahli Arab Hospital in north Gaza.

"Early reports indicate hundreds of deaths and injuries. We call for the immediate protection of civilians and healthcare [facilities].

The president of the Palestinian Authority, Mahmoud Abbas, decreed

Inside

- Wars test US arms industry Page 2
- A utopian dream shattered Page 3 ■ Bid to block Hamas funding Page 11

three days of mourning for the victims, according to the official Palestinian news agency.

Ghassan Abu Sitta, a Palestinian-British surgeon, posted on social media: "I moved to Al Ahli hospital to help out. The Israelis have just hit Al Ahli

Thousands of Palestinians have taken refuge in hospitals believing they would be safe from Israel's bombardment.

The apparent strike came hours before US president Joe Biden was due to arrive in Israel in a bid to show solidarity and influence the conduct of the war against Hamas.

Gaza has been targeted by intense Israeli bombardment for more than a week. Dozens were killed in air strikes in the southern towns of Rafah and Khan Younis yesterday and scores more injured, Palestinian officials said.

Hundreds of thousands of Palestinians have fled to the south of the enclave after Israel ordered them to leave the north, including Gaza City.

The Israeli military maintains that it is targeting Hamas militants, whom it accuses of hiding around hospitals and using civilians as "human shields". The bombardment began after

Hamas's assault on Israel on October 7, which killed more than 1,400 Israelis, according to Israeli officials, while nearly 200 hostages were taken.

The Israeli bombardment has since killed more than 3,000 people in Gaza, according to Palestinian officials.

The UN said at least six people had been killed when one of its schools in the

middle of the territory sheltering 4,000 displaced Palestinians was hit during Israeli air strikes. It added that dozens more were injured, including some staff in the school in al-Maghazi refugee camp. "This is outrageous and it again shows a flagrant disregard for the lives of civilians," said Philippe Lazzarini, commissioner-general for UNRWA, the UN relief agency for Palestinian refugees. "No place is safe in Gaza anymore, not even UNRWA facilities."

The UN has warned of an unfolding humanitarian catastrophe in Gaza. Drinking water is scarce, mains power is not available and supplies of fuel, medicines and food are running out. UNRWA said "people will start dying" because of the water shortages

Additional reporting by Donato Mancini

Briefing

▶ Debt interest narrows scope for Hunt to cut taxes Sluggish growth combined with surging interest payments have left chancellor Jeremy Hunt with little scope for pre-election tax $\,$ cuts, according to the latest analysis from the Institute for Fiscal Studies think-tank. -- PAGE 5

▶ News Corp break-up bid Hedge fund Starboard Value has built a stake in the media group and is pushing for owner Rupert Murdoch to break it up. The fund says that would unlock \$7bn for News Corp investors. - PAGE 8

▶ Rolls-Royce job cuts

The FTSE 100 aerospace group has announced that it will axe up to 2,500 roles as part of a global restructuring by new chief Tufan Erginbilgic aimed at streamlining its operations.- PAGE 9; LEX, PAGE 22

Sales data fuels bond rout Strong consumer spending data in the US has breathed new life into a global bond rout, pushing Treasury yields higher and fanning investor fears of a further rise in interest rates.- PAGE 11

▶ St James's Place fees shift The biggest UK wealth manager has announced the largest fees overhaul in its 31-year history, as it bowed to regulators' pressure to ensure that it complies with rules protecting consumers.- PAGE 10

▶ UK fund targets Japan rail Palliser Capital has pushed Keisei Electric Railway to cut its \$12bn interest in the owner of Tokyo Disneyland, as part of investor efforts to release value trapped in corporate Japan.— PAGE 8

▶ EU electricity shake-up Berlin has given leeway for Paris to use state subsidies to fund its nuclear plants, paving the way for reform of the bloc's power market in the face of government support in China and the US.- PAGE 4

▶ Netflix rivals stream back Competitors including Warner Bros Discovery's HBO network have licensed old shows to the streaming platform, reversing a strategy of confining content to their own services.- PAGE 7



Poles go the extra mile to put Tusk in reach of power

Many Poles travelled and gueued for hours to cast their vote in Sunday's election, overwhelming some polling the ruling Law and Justice party and secure a stunning win for opposition groups led by Donald Tusk, who portrayed the vote as a last chance to halt the slide towards authoritarianism. Many of those voting strategically were women, spurred on by a pledge to restore their reproductive rights. Opposition success > PAGE 4

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Solomon pulls plug on DJ side hustle to focus on tough gig as Goldman chief

JOSHUA FRANKLIN — NEW YORK HARRIET AGNEW — LONDON

David Solomon has stopped DJing at big events amid criticism that his hobby was a distraction from his work leading Goldman Sachs, people with knowledge of the decision have said.

What started as a side hustle that softened the chief executive's image had become a lightning rod for criticism over strategic errors and lower pay.

The past year or so has marked the most challenging period for Goldman since Solomon took over in 2018, characterised by a fall in earnings, highprofile departures and articles that questioned his running of the bank.

Goldman yesterday reported net income for the third quarter of \$1.88bn. down 36 per cent year on year, after losses from its pullback in retail banking and writedowns on property.

In a bright spot for Goldman, it eked out an increase in investment banking revenues for the first time in almost two vears, a sign that the dealmaking drought might be coming to an end.

The bank also announced it had raised the amount set aside for pay in an effort to retain talent in investment banking, trading, asset management te hanking bedrocks of our business . . . and we think it's important that we continue to recognise and retain the talent associated with those businesses," chief financial officer Denis Coleman said.

Solomon made the decision to pull back from DJing about a year ago because of the unwanted media attention it generated, the people familiar with his thinking said. His last notable event was in July 2022 at Lollapalooza, a

music festival in Chicago. "This is not news. David hasn't publicly DJed an event in well over a year, which we have confirmed multiple times in the past," Goldman spokesman Tony Fratto said. "Music was not a distraction from David's work. The media attention became a distraction."

Solomon's interest in DJing started more than a decade ago when he was orking on a financing deal for a Las Vegas casino. He has said that proceeds from his performances have gone towards charities combating addiction.

While few colleagues remarked on Solomon's hobby before he became chief, his choice to keep it up after taking over was unpopular with some who felt it brought unwelcome attention. Goldman profits drop page 7 Lex page 22

World Markets

STOCK MARKETS				CURRENC	CIES					GOVERNMENT	BONDS		
	Oct 17	Prev	%chg	Pair	Oct 17	Prev	Pair	Oct 17	Prev	Yield (%)	Oct 17	Prev	Chg
S&P 500	4385.05	4373.63	0.26	\$/€	1.058	1.055	€/\$	0.946	0.948	US 2 yr	5.19	5.08	0.11
Nasdaq Composite	13568.26	13567.98	0.00	\$/£	1.218	1.219	£/\$	0.821	0.820	US 10 yr	4.81	4.71	0.10
Dow Jones Ind	34088.24	33984.54	0.31	£/€	0.868	0.866	€/£	1.152	1.156	US 30 yr	4.92	4.87	0.05
FTSEurofirst 300	1787.14	1789.11	-0.11	¥/\$	149.710	149.645	¥/€	158.341	157.868	UK 2 yr	4.65	4.69	-0.05
Euro Stoxx 50	4150.50	4149.86	0.02	¥/£	182.362	182.409	£ inde	x 80.629	80.524	UK 10 yr	4.65	4.63	0.02
FTSE 100	7675.21	7630.63	0.58	SFr/€	0.952	0.951	SFr/£	1.097	1.099	UK 30 yr	4.90	4.89	0.01
FTSE All-Share	4137.26	4111.24	0.63	CRYPTO						JPN 2 yr	0.06	0.04	0.02
CAC 40	7029.70	7022.19	0.11	CRYPIO		Oct	17	Prev	%cha	JPN 10 yr	0.78	0.75	0.03
Xetra Dax	15251.69	15237.99	0.09	Bitcoin (\$)		28533	_	28520.23	0.05	JPN 30 yr	1.74	1.70	0.04
Nikkei	32040.29	31659.03	1.20			1579		1600.01	-1.30	GER 2 yr	3.24	3.15	0.08
Hang Seng	17773.34	17640.36	0.75	Ethereum		15/9	.21	1000.01	-1.30	GER 10 yr	2.88	2.78	0.10
MSCI World \$	2885.35	2862.14	0.81	COMMOD	ITIES					GER 30 yr	3.05	2.99	0.06
MSCI EM \$	946.21	951.31	-0.54			Oct	17	Prev	%chg				
MSCI ACWI \$	662.94	658.54	0.67	0il WTI \$		86	.35	86.66	-0.36				
FT Wilshire 2500	5643.67	5580.34	1.13	Oil Brent \$;	89	.45	89.65	-0.22			Prices are late	st for edition
FT Wilshire 5000	43938.20	43443.50	1.14	Gold \$		1918	.05	1909.20	0.46	-		Data provided by	Morningstar
r i wiisiiire 5000	43938.20	43443.50	1.14	G010 \$		1918	.00	1909.20	0.46	-		Data provided by	iviorningsta





ISRAEL-PALESTINIAN CONFLICT

War tests US defence sector strained by **Kyiv demands**

Biden insists both Israel and Ukraine can be supplied with weapons

STEFF CHÁVEZ — CHICAGO FELICIA SCHWARTZ — WASHINGTON

US arms manufacturers are preparing to accelerate weapons supplies to Israel at a time when they are already under pressure to arm Ukraine and replenish depleted Pentagon stocks, a challenge analysts say will add strain to a $stretched\, defence\, industrial\, base.$

Unlike Ukraine, which has been the recipient of hundreds of tanks and armoured vehicles, Israel is primarily seeking munitions, with interceptors for its Iron Dome missile air defence shield at the top of its wish list. Precision air-toground munitions and 120mm calibre tank rounds are also among its needs.

But as the conflict goes on, analysts say Israel's defence forces could need the same kind of guided missile systems $now\, running\, short\, in\, Ukraine, including$ armed drones, as well as 155mm artil-

President Joe Biden, who has vowed to supply Israel and Ukraine with all the weaponry they need to advance their

'If we send these weapons to Israel, we'll definitely have to kick-start another part of the industrial base'

campaigns against Hamas and Russia respectively, has insisted the US can meet the demands and keep the Pentagon stocked for other contingencies, such as a war over Taiwan

"We're the United States of America for God's sake, the most powerful nation in the history, not in the world, in the history of the world," Biden told a 60 Minutes interview on Sunday. "We can take care of both of these and still maintain our overall international defence.'

Still, analysts say the Ukraine war has provided something of a wake-up call for the US defence industry, which had been de-emphasising production of weaponry needed in traditional land wars and focusing more on technologically advanced surveillance and reconnaissance systems needed for counterterrorism missions and deterring China

The need to quickly shift to increasing more traditional weaponry has been hampered by post-pandemic shortages in supplies and labour.

"The goal of supporting industry sug-gests that if we send these weapons to Israel, we'll definitely have to kick-start another part of the industrial base, perhaps faster than we thought," said Cynthia Cook at the Center for Strategic and International Studies, a think-tank.

Unlike Ukraine, Israel has its own defence industry and advanced weaponry, none of which has been targeted by an invading superpower. It also receives significant assistance from the US, which gives it almost \$4bn in military aid annually, including about \$500mn for air and missile defences.

Israel also spends heavily on US weapons, having purchased roughly \$53.5bn worth over the past seven decades, according to the Defense Security Cooperation Agency, including \$6.5bn in the five years to 2022.

More US weaponry is coming. One US defence official said the US was "swiftly providing" Israel's military with additional resources including munitions and equipment. The first two shipments of accelerated military assistance arrived in Israel last week, including small diameter bombs and other munitions.

The US said it would increase ship-

ments of interceptor missiles for Israel's Iron Dome, designed to protect against rockets and artillery shells of the kind fired from Gaza

Some Iron Dome interceptors have come out of stocks the US had in [the] country and have gone over to the Israelis in short order," the US defence official said.

US officials expect Israel will require additional interceptors beyond those already included in the US's lethal aid package for the country.

Biden is expected to make an additional request for Israel and Ukraine to Congress soon, although Republican infighting in the House of Representa-tives has left that chamber without a Speaker and unable to legislate or approve requests from the White House. Ukraine aid has been held up during the Speaker impasse.

The interceptors, also known as Tamir missiles, are co-produced by US defence contractor RTX, formerly Raytheon Technologies, and Israeli group Rafael Advanced Defense Systems and assembled in Israel. RTX declined to comment on the current state of Tamir production.

Other weapons sought by Israel, including air-to-ground systems such as joint direct attack munitions (JDAMs), Hellfire missiles and small diameter bombs (SDBs), could be easier for the US to supply, thanks to heavy investment in production. The jump in demand will be a boon to the manufac-

Hellfire missiles are made by Lockheed Martin, while Boeing produces JDAMs and SDBs. It would be easy to increase production of JDAMs in particular, analysts said, and there is excess capacity for Hellfire missiles as the US government has slowed its own purchases in recent years. Israel will also need 120mm-calibre tank rounds, made by General Dynamics.

The bigger questions for weapons supplies remain around the shape of the war, and whether Israel's expected ground offensive in Gaza will draw in other armed groups, including Iran-linked Hizbollah, which has engaged Israeli forces across the Lebanese border to the north sporadically in recent days.

See Opinion and Markets

Rafah crossing. Sinai peninsula



Egypt holds out against pressure to accept flood of Gazan refugees

Cairo fears influx into a region

lacking infrastructure and

with a history of instability

HEBA SALEH — CAIRO HENRY FOY — BRUSSELS GUY CHAZAN — BERLIN

As hundreds of thousands of Palestinians abandon their homes in northern Gaza and flee to the coastal strip's south, alarm is mounting in Egypt that the deepening humanitarian crisis will be thrust across its borders.

Egypt, the only country other than Israel to share a frontier with besieged Gaza, is being urged by the US and other western states to allow Palestinians holding foreign passports to exit through its Rafah crossing

But Cairo's main fear is that the longer Israel's offensive on Gaza continues, the more Egypt will face pressure to accept a flood of refugees into Sinai, a sparsely populated peninsula with a history of instability.

Egypt's message to western diplomats has been clear: it will deliver aid to Gaza but will resist any push for it to accept large numbers of Palestinians. Sameh Shoukry, foreign minister, on Monday warned that "forced displacement" was no solution to the crisis. $In \,more \,stark \,language, a \,senior \,Egyp-$

tian official told a European counterpart: "You want us to take 1mn people? Well, I am going to send them to Europe. You care about human rights so much,

"The Egyptians are really, really angry" at the pressure on them to take refugees, the European official said.

But that pressure is only likely to mount the longer the Israeli offensive lasts, with the Jewish state widely expected to launch a ground incursion into Gaza, whose 2.3mn population is almost four times that of the Sinai.

Israel has also cut off supplies of electricity, water, fuel and goods to the Hamas-controlled strip and ordered almost half of Gazans to move south

from the heavily populated north. UN agencies are talking of a catastrophic humanitarian crisis.

Israeli prime minister Benjamin Netanyahu's warning at the start of the crisis that Gazans should "leave" has deepened suspicions that he wants to evict them to Egypt, despite denials.

Some European nations have publicly called for the opening of the Rafah border crossing to allow Palestinian civilians to flee, with one Italian minister calling on Egypt to "demonstrate its $leadership \, of \, the \, Arab \, world ".$

But Egyptian state media have said emptying Gaza of its people would "end the dream of a Palestinian state". It

would also absolve Israel of its legal responsibilities as an "occupier". For Cairo, an exodus of Palestinians into northern Sinai is a nightmare scenario. The region, previously a base of Isis militants, lacks the infrastructure to cope with huge numbers and Egypt is in the grip of an economic crisis.

Michael Wahid Hanna, analyst at the International Crisis Group, said there were unanswered questions about what would be considered a suitable number

of Palestinians for Egypt to take. "How many and for how long? And even if it is for temporary humanitarian protection, after the Israeli offensive maybe there will be nothing for the Palestinians to go back to. Or maybe Israel won't let them return."

Hanna noted that previous Palestin-

ian displacements had become permanent. Palestinian refugees in Lebanon and Jordan have spent decades in those countries without prospect of returning.

Palestinians, and more broadly Arabs, are haunted by memories of the – "catastrophe" in Arabic – the mass displacement and dispossession of Palestinians during the 1948 Arab-Israeli war. More than half the Palestinian population was displaced.

There are 5mn Palestinian refugees scattered throughout the Middle East, according to the UN. The right of return was a main sticking point in past negotiations with Israel about settling the Palestinian issue

Hanna said security factors were likely to be on the Egyptians' minds "Egypt fought an Isis insurgency in the northern Sinai and interlinkages with extremists in Gaza were a key issue then," he said. Cairo would not want to police an exiled community that could include militants who want to fight Israel from its territory. Hamas began as a Palestinian faction

inspired by the Muslim Brotherhood, the Islamist group ousted by Egyptian president Abdel Fattah al-Sisi in a 2013 coup backed by popular support.

While negotiations continue over the Rafah crossing, Egypt is allowing trucks loaded with humanitarian aid to mass on the road to the border in the northern Sinai. But nothing has moved according to senior Egyptian officials, $because \, Is rael \, has \, refused \, them \, entry.$

Martin Griffiths, UN humanitarian chief, said Egypt had been "constructive right from the get-go" over aid. But Cairo had drawn the line at allowing an influx of Palestinians through the crossing.

"The Egyptians say: 'We would be prepared under certain circumstances to let humanitarian aid into Gaza but under no circumstances will we let any people without dual citizenship from Gaza into Egypt'," said a western



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Iran rallies militant groups but steps back from direct action

NAJMEH BOZORGMEHR AND BITA GHAFFARI — TEHRAN

As Israeli forces pound Gaza, Iran has been pursuing its own diplomatic mission: rallying the region behind the Palestinians and the Hamas militant group responsible for the October 7 deadly assault.

With stops in Beirut, Damascus and Baghdad, Iran foreign minister Hossein Amirabdollahian spent the past week locked in talks with the powerful Shia militant forces his regime backs with arms, training and money.

Amirabdollahian also met the Hamas leader in the Qatari capital, Doha, greeting the militant whose group masterminded the single most deadly attack on the Jewish state with a warm embrace.

The tour underscored Iran's muscular influence - and why Israel and western states believe the Islamic republic's role could be crucial amid fears Israel's war with Hamas could escalate into a broader regional conflict. Fearful of what is at stake, the US has

already used a back-channel with

Tehran to emphasise the risks of the

Islamic republic or its armed proxies

escalating the conflict. Washington's announcement at the weekend that it was sending a second aircraft carrier to the eastern Mediterranean was intended as a message of deterrence to Iran and Hizbollah, the powerful Lebanese militant group that Tehran backs.

What remains unclear to western capitals are Iran's true calculations about the crisis. During his trip, Amirabdollahian underlined Iran's public stance: Tehran wants Israel to halt its campaign in Gaza, where about 3,000 people have been killed so far by air strikes and artillery, according to Palestinian health

An Arab official and western diplomats in Tehran said they believed Iran did not want the Israel-Hamas war to escalate into a regional conflict. But they added that it was unclear how the Islamic republic and its regional proxies would react if Israel pursued a massive military offensive on Gaza.

And Amirabdollahian's travels show cased Iran's significant influence over the region's most powerful militant groups. To varying degrees Iran backs Hizbollah, Shia militant groups in Iraq and Syria, and Houthi rebels fighting in Yemen, Alongside Hamas and Palestinian Islamic Jihad, Iran has styled the groups as an "axis of resistance" against Israel.

Amirabdollahian warned that those forces had "their fingers on the trigger", and their involvement could "change the current map of occupied lands", a reference to Palestinian territories. Iran

'Popular outrage in the region has become like a fireball that could explode and turn out of control'

has made enmity towards Israel and the US the centrepiece of its ideology since the 1979 Islamic revolution. Iranian analysts say that while the

Islamic republic had sought to position itself as a champion of Palestinian rights, it does not stand to benefit from a widespread regional conflict, which is one reason Tehran has been quick to deny any involvement in the Hamas attacks. Tehran supports Hamas, but the Sunni organisation has ideological differences with Shia Iran.

this war," said Mohammad-Ali Abtahi, a former reformist Iranian vice-president. Even if Israel launched a full-scale ground invasion of Gaza, as expected in Israel, and Hizbollah decided to open a new front, "Iran will still not directly intervene", he added. It came as a relief in Iran's political cir-

"Iran has no intention to enter into

cles when US officials said last week there was no evidence to suggest the Islamic republic had a direct role in the assault.

Yet western diplomats fear the longer any more destructive Israeli campaign in Gaza goes on - the military's aim is to "destroy Hamas" — the more risk Iran's proxies will feel compelled to enter the conflict. That is a step Israel and its allies might blame on Tehran.

Ahmad Dastmalchian, Iran's former ambassador to Lebanon, said the involvement of anti-Israel militant groups would depend on "how far and on what scale the Israeli regime will continue its crimes".

He added: "The popular outrage in the region has become like a fireball that could explode and turn out of control

Survivors of assault on kibbutz weigh the destruction of their utopian dream

Refugees are tormented by fears for their safety in socialist idyll that became a killing ground

MEHUL SRIVASTAVA AND NERI ZILBER SHEFAYIM

Asked why he moved to Kfar Aza, a kibbutz so poor in the 1960s that when the food wagon arrived each evening, he had to choose between half a boiled egg or a slice of cheese, Shai Hermesh, 79 answered with one word: "Zionism."

For the next six decades, his life traced the contours of the Zionist enterprise in Israel, both idyllic and martial. He fought as a paratrooper in the 1967 and 1973 wars, served two terms in parliament, and helped build the kibbutz from an aspiring socialist utopia to a thriving, middle-class village.
On the morning of October 7, every-

thing he had built was destroyed by the violent adherents of an Islamist ideology dedicated to destroying Zionism. Hamas sent fighters into Kfar Aza, where some houses sit close to the border fence with the blockaded Gaza Strip. They killed at least 100 people and dragged as many hostages into the teeming enclave. Hermesh's son was

Across southern Israel, in an area known as the Gaza envelope, at least 1,400 Israelis were killed — both soldiers and civilians, including many women, children and elderly, according to Israeli officials. As Israel prepares a ground offensive to root out Hamas, it has pounded Gaza from the air for more than a week, killing about 3,000 people, according to Palestinian officials.

Tens of thousands of Israelis have fled

the fighting, with the government evacuating cities as large as Sderot, with a population of 31,000. A region larger than the Gaza Strip itself is now bereft of civilians, replaced by hundreds of thousands of Israeli troops.

"The first phase was a victory for Hamas. They managed to create in southern Israel a *Judenrein*," said Eitan Shamir, who helped shape Israel's national security doctrine at the strategic affairs ministry. That is the word Nazis used for a region free of Jews.

Now, as Hamas prepares to battle the most powerful military in the Middle East, the militant group's total annihilation was the only way to make Jews in Israel feel safe again, Shamir said.

"If Hamas can absorb the Israeli retaliation, then this is a major, major strategic defeat, because no Israeli will ever go back to live there," said Shamir, now director of the BESA Center, a thinktank at Bar-Ilan University.

The use of fear dates back as long as this conflict, as Jews and Arabs have fought over the land. In one infamous case, Irgun, the Zionist paramilitary group, massacred at least 100 Arabs in the village of Deir Yassin in 1948. Armed Arabs slaughtered Jews in the far-flung early settlements around the same time.

In 1956, Palestinian militants breached a rudimentary fence around the Gaza Strip, into which refugees fled after the founding of Israel in 1948, and killed a security guard at the nearby kibbutz of Nahal Oz. It was one of many such cross-border raids from Gaza in the $early\,years\,of\,the\,Jewish\,state.$

At the security guard's funeral, Moshe Dayan, a one-eyed Israeli general, foretold the violence to come. "For years they have been sitting in the refugee camps in Gaza, and before their eyes we have been transforming the lands and



After the ordeal: Israeli soldiers patrol amid the wreckage in Kfar Aza. Below, families await buses to evacuate them from Sderot, near the border

with Gaza

the villages, where they and their

fathers dwelt, into our estate," he said.
"Beyond the furrow of the border, a sea of hatred and desire for revenge is swelling, awaiting the day when serenity will dull our path."

Nearly 70 years later, that sea breached the high-tech fence Israel had constructed to contain the 2.3mn people of Gaza, as militants with knives, guns and grenades burst into their neighbours' homes and lives.

Half the survivors of Kfar Aza, 350 or so, are in a kind of purgatory, evacuated to Shefayim, a kibbutz north of Tel Aviv. They have yet to bury all their dead, Hamas still holds their hostages, and their homes have become a war zone.

They have decided to stay together as a community as much as possible, transported by tragedy to a surreal reality in which children play on the lawns of a resort to which the families have been evacuated, while their parents are



glued to their phones, some in a medicated haze to cling to their humanity.

The apparent normality was deceptive, said Nama. "All you see is shells," said the medical student, her eyes dark from sleepless days as she was haunted by the sound of gunshots killing her friends. "There's nothing left inside us."

Batia Holin, 70, sat in a chair as she pondered the nature of home. Until the attack on Kfar Aza, she said, she believed the frontier region close to the Palestinian enclave was heaven 95 per cent of the time. "And 5 per cent of the time it's hell," she said, referring to the countless confrontations between Hamas and Israel she has lived through.

Her family was comparatively lucky: her husband, son, daughter and grandchildren survived, while Holin skipped her usual dawn walk in the fields outside the kibbutz that Sabbath morning.

Her daughter would probably not return to Kfar Aza, she said, as she could not bring herself to walk where her friends were murdered. "I have no friends left," she told her mother. For Holin, it is more complicated. "No

one will go back to the Gaza envelope if [Hamas] won't be eliminated," she said. I know that's an abstract term. What it really means is that there shouldn't be anything that can threaten Kfar Aza and all the other communities. The kibbutzniks are a rarity in right-

wing Israel - secular Zionists, fired by a socialist zeal and hopeful for a two-state solution that has been stifled under Benjamin Netanyahu, prime minister.

Their proximity with their impoverished Gazan neighbours, and the everpresent threat of infiltrations and rocket attacks, left them yearning for a lasting

'Beyond the Palestinians across the fence. furrow of Holin partnered with a Gaza-based photographer once, on a shared photo the border, exhibition, "a ray of hope in the darka sea of ness", she said. One kibbutznik, now kidnapped by Hamas, was famous for hatred and driving the rare Gazan with a medical

peace, maybe even coexistence with the

permit that allowed them to leave the

the occupied West Bank for treatment.

ockaded strip across the country to

Even now, Keren Flash, 34, and her

husband, Avidor Schwartzman, 38, see

the humanity of the Palestinians

besieged in Gaza. Her parents, Cynthia and Igal, were killed in the assault, her

"We understand that there on the

other side of the fence, they are people.

Schwartzman, a journalist turned

media consultant, said: "The kibbutz

movement is one of the main founda-

tions and pillars of Zionist soci-. Now, we don't know what

it would take to feel safe again, in this

harmonious, utopian society we had

The couple have lost faith in the

Israeli military's ability to protect them,

as well as in the government and its

intentions. Netanyahu has promised a

"crushing" victory over Hamas, a task

so bloody and complex that the Israeli

establishment is unsure how to accom-

to convince Flash to return to the land.

She wants something more, something

neither Palestinians nor Israelis know

"That's when I will return to Kfar Aza."

"I want complete peace," she said.

Complete victory will not be enough

father yet to be formally identified.

They are also suffering," she said.

revenge is swelling, awaiting the day when serenity will dull

our path' Moshe Dayan

desire for

King's warning

Jordan fears Middle East

is 'on brink

of falling

into abyss'

is on the edge of an "abyss", as the death toll rises in the Israel-Hamas war and diplomatic activity intensifies to stop it from spiralling into a regional conflict. King Abdullah of Jordan delivered his

Jordan has warned that the Middle East

warning — together with a call for humanitarian assistance for the Gaza Strip and a refusal to take in Palestinian refugees - before a planned summit $today\,with\,US\,President\,Joe\,Biden.$ "The whole region is on the brink of

falling into the abyss," the king said in Berlin yesterday, alongside German leader Olaf Scholz. "The threat that this conflict spreads is real; the costs are too high for everyone."

Meanwhile, Israel accused Iran of

"escalating the situation" in its northern border region with Lebanon, a day after Tehran warned that the Islamist militants it backs might resort to "pre-emptive" attacks. On a trip to Tel Aviv later in the day

Scholz said: "We have to stop a regional conflagration," adding that he was talk-ing to the leaders of Israel and Egypt about getting aid into Gaza.

"No actor should think it a good idea to intervene in this conflict from outside. It would be a grave, unforgivable mistake. In the past few days we have passed on this message through the most diverse channels to those it is directed at," Scholz said.

But as tensions rose in Gaza, which Israel is bombarding in response to Hamas's deadly attack this month, exchanges of fire intensified between the IDF and Tehran's ally, Hizbollah, the south Lebanon-based militia.

The IDF said that it would hold "the

sovereign state of Lebanon . . . responsible for the terrorism from within its territory".

Four people were killed in shelling on southern Lebanon, according to the Lebanese Red Cross. Hizbollah later said that four of its fighters had been killed.

An IDF spokesman warned Hizbollah and Lebanon itself "to look very carefully [at] how we are dismantling Hamas in the Gaza Strip, leader by leader, terrorist by terrorist and indeed infrastructure by infrastructure. We will exert a serious price.

The US has already deployed two aircraft carrier strike groups to the region to deter Iran and Hizbollah and the Pentagon said yesterday it had put a further 2,000 troops on a "prepare to deploy order".

Today's summit in Amman was set to include Egyptian president Abdel Fattah al-Sisi and Mahmoud Abbas, the president of the Palestinian Authority, while Biden will first travel to Israel to show solidarity and try to influence the

US secretary of state Antony Blinken has said that, at Washington's request, the US and Israel had agreed to "develop a plan" to deliver aid to Gaza residents and potentially create "areas to help keep civilians out of harm's way". Additional reporting by Neri Zilbe

Donato Paolo Mancini, Raya Jalabi and

Diplomacy

Western rush to back Israel scuppers support for Ukraine

HENRY FOY — BRUSSELS

Western support for Israel's assault on Gaza has poisoned efforts to build consensus with major developing countries on condemning Russia's war against Ukraine, officials and diplomats have warned.

The reaction to the October 7 attack on Israel by Islamist militant group Hamas and to Israel's vow to hit back against Gaza has undone months of work to paint Moscow as a global pariah for breaching international law, they said, exposing the US, EU and their allies to charges of hypocrisy.

In the flurry of emergency diplomatic visits, video conferences and calls, western officials have been accused of failing to defend the interests of 2.3mn Pales tinians in their rush to condemn the $Hamas\,attack\,and\,support\,Israel.$

In the first days after Hamas's assault. some western diplomats worried that the US was giving carte blanche to Israel to attack Gaza with full force.

That has eroded efforts since Russia's 2022 invasion of Ukraine to build consensus with key states in the so-called $\dot{\text{global}}$ south $-\dot{\text{such}}$ as India, Brazil and South Africa - on the need to uphold a global rules-based order, said more than a dozen western officials.

The backlash has solidified entrenched positions in the developing world on the Israeli-Palestinian conflict, officials said. They warned this could derail future diplomatic efforts on Ukraine.

"We have definitely lost the battle in the global south," said one senior G7 diplomat. "All the work we have done with the global south [over Ukraine] has been lost . . . Forget about rules, forget about world order. They won't ever listen to us again."

Many developing countries have traditionally supported the Palestinian cause, seeing it through the prism of self-determination and a push against the global dominance of the US, Israel's most important backer.

Some US diplomats are privately concerned that the Biden administration's response has failed to acknowledge how its broad support of Israel can alienate much of the global south.

In the Middle East, many Arabs feel that the US and other western powers have never held Israel to account over its treatment of Palestinians, or paid enough attention to brutal conflicts in Syria, Yemen and Libya.

Russia and China have cultivated warm ties with the Palestinians, Russia's president, Vladimir Putin, yesterday met Chinese leader Xi Jinping in Beijing.

"What we said about Ukraine has to apply to Gaza. Otherwise we lose all our credibility," the senior G7 diplomat added, "The Brazilians, the South Africans, the Indonesians: why should they

'What we said about Ukraine has to apply to Gaza. Otherwise we lose all our credibility'

ever believe what we say about human

Four weeks before the Hamas assault on Israel, leaders from the US, EU and western allies attended the G20 summit in New Delhi and asked developing nations to condemn Russia's attacks on Ukrainian civilians to uphold respect for the UN charter and international law. Since last Sunday, many of those officials said they have had the same argument read back at them in demands for condemnation of Israel's retaliatory assault on Gaza, and of its

decision to restrict water, electricity and gas supplies there.

In recent days Russia has sought to pass a UN security council resolution condemning violence against civilians in the Israeli-Palestinian conflict, without mentioning Hamas. The council rejected its resolution on Monday.

Arab states, particularly Jordan and Egypt, have pressed western officials to harden their tone on protecting Gaza's civilians. "If you describe cutting off water, food and electricity in Ukraine as a war crime, then you should say the same thing about Gaza," said one Arab

They noted a shift in tone from some western governments in recent days. Since Sunday, both the EU and UK have announced an increase in aid shipments

In a sign of concerted efforts to maintain contact with developing countries, James Cleverly, UK foreign secretary, said yesterday he had spoken to the foreign ministers of Brazil, Indonesia, the Philippines, Morocco and Saudi Arabia

Additional reporting by Andrew England in London, Ben Hall in Paris and Felicia Schwartz in Washington

Religious tension

plish it.

how to achieve.

Jews across Europe suffer wave of antisemitic incidents

GUY CHAZAN — BERLIN LEILA ABBOUD AND ADRIENNE KLASA

Europe has seen an increase in antisemitism in the past week and a half, with Jews across the continent fearing they are becoming a convenient target of Muslim anger over Israel's military operation in Gaza.

In the German capital Berlin, Stars of David were sprayed on the front doors of apartment blocks with Jewish

Police say the number of such incidents was small. But for many, they were a painful echo of the 1930s, when Nazi stormtroopers marked out Jewishowned businesses and urged the public to shop elsewhere.

Felix Klein, government commissioner for Jewish life, said Germany's Jews had been "appalled by the antisemitism on display from Muslim groups and hard-left organisations".

Across Europe, authorities stepped up security at synagogues, Jewish schools and other institutions. Tensions

are running particularly high in France, home to a large Muslim population and the biggest Jewish community after Israel and the US. Flare-ups in the Middle East conflict have frequently triggered a rise in antisemitic incidents.

"Most of the incidents are graffiti of swastikas or slogans like death to the Jews, and calls for [Palestinian uprising]," Gérald Darmanin, French interior minister, said, "And then more serious actions, like people arrested at schools or synagogues with weapons, or a drone flown over a Jewish cultural centre."

In the UK, amid an upsurge in reports of antisemitic offences, two Jewish schools in north London were daubed with paint while others closed temporarily last week for security reasons.

Anxiety is also running high in Italy's Jewish community. Public places have been defaced by antisemitic graffiti, including swastikas and slogans praising Hamas. The words "Jewish murderers – in the oven" were scrawled on the walls of a hospital in Milan.

Additional reporting by Amy Kazmin in

INTERNATIONAL

Beijing forum

Orbán meets Putin in bilateral ties drive

Hungary premier seeks co-operation with Russia leader in coup for Kremlin

MAX SEDDON — RIGA MARTON DUNAI — BUDAPEST

Viktor Orbán has become the first western leader to meet Vladimir Putin since the International Criminal Court indicted the Russian president for alleged war crimes, in what the Hungarian prime minister said was a bid to "save everything that is possible from our bilateral contacts"

At the meeting, which took place on the sidelines of the Belt and Road forum in Beijing yesterday, Prime Minister Orbán told Putin that Hungary "never wanted to confront Russia", adding that Budapest's goal "has always been to establish and expand mutually the best contacts".

"We are interested in supporting this co-operation not only at the level of communication but also at the economic level," Orbán said.

The China visit marks the first time Putin has left Russia since the ICC issued a war crimes warrant for his arrest, and only the second trip since Moscow's full-scale invasion of Ukraine in February 2022. Hungary is party to the ICC.

The meeting with the leader of Hungary, a member of Nato and the EU, is a

major coup for the Kremlin, which is using the trip to defy western attempts to isolate Russia. Western nations have criticised Hungary's strongman leader for acting in Putin's interests, particularly by delaying sanctions, refusing to provide military help to Ukraine and

David Pressman, US ambassador to Hungary, condemned the meeting, posting on social media platform X, formerly Twitter, that Orbán "chooses to stand with a man whose forces are responsible for crimes against humanity in Ukraine, and alone among our allies"

objecting to Kyiv's accession to the EU.

Putin told Orbán that Hungary was among "many European countries

where our relations have been preserved and are developing, [which] can only be to our liking".

Orbán has insisted on maintaining ties with Moscow, especially in the field of energy where it claims that, unlike most other western nations, it cannot decouple from Russian sources.

No western leader has met Putin since Austrian chancellor Karl Nehammer made a failed attempt to convince him to end the war in April last year during a trip to Moscow. France's Emmanuel Macron and Germany's Olaf Scholz kept phone contacts with Putin last year, but no calls have been reported recently.

The leaders discussed oil and gas shipments and their co-operation in nuclear energy. Rosatom, Russia's state-owned nuclear energy company, is building its only new nuclear power plant in the EU in Paks, Hungary. The Russian business is one of the few Kremlin corporate giants not yet under significant western sanctions.

Rosatom's chief executive, Alexei Ligachev, is among a prominent group of senior Russian energy figures in Putin's delegation at the forum.

Putin's delegation at the forum.

At the meeting with Putin, Orbán reiterated his call for an end to the conflict, a step that has been rejected by Ukraine, which says a ceasefire would legitimise Russia's occupation of its territory and give the Kremlin time to prepare for a fresh assault.

Energy agreement

Germany gives ground to France on nuclear plant subsidies

ALICE HANCOCK — LUXEMBOURG

Germany has given leeway for France to use state subsidies to fund its nuclear power plants, unblocking a longstalled reform of the EU electricity market in the face of vast state aid regimes in China and the US.

The agreement reached yesterday among energy ministers in Luxembourg will mean that France could use government support to finance its largely stateowned nuclear plants, which generate about 70 per cent of its electricity.

Such a move had been heavily contested by Germany, Austria and Luxembourg, which have been historically opposed to nuclear power but also feared that allowing Paris to subsidise its nuclear plants would provide French industry with structurally lower energy prices, giving it an advantage.

As part of the new EU rules for the bloc's electricity market, France will be allowed to use funding structures known as contracts for difference. These set a minimum price guarantee for power providers, and a ceiling above which the state can recover revenue.

But Paris did not obtain a further concession, for the EU to allow revenues from those schemes applied to existing power plants to be refunded to industrial consumers. Yesterday's agreement also gives greater power to the European Commission to assess state aid benefits.

Commission to assess state aid benefits.
Agnès Pannier-Runacher, French
energy minister, said the pact was "a
compromise which sets out a balance"
that "allows member states to have
room for manoeuvre and take action on
the basis of their own energy mix".

German vice-chancellor Robert Habeck said the reform would give "access for consumers and industry to low electricity prices across Europe".

EU ministers have been negotiating for months on reform to the bloc's electricity market intended to provide better investment signals to renewable power developers and secure electricity supply to prevent price spikes.

The proposed overhaul was prompted by the bloc weaning itself off Russian gas after Moscow's full-scale invasion of Ukraine and after last year's record high energy prices across the EU. Investors and policymakers have said it is crucial to lower prices to keep European indus-

try competitive globally.
Several ministers yesterday framed
the reform as crucial to the bloc's
response to vast state subsidies for clean
power available in the US and China.

The agreement will become law after negotiations with the European parliament, due to start tomorrow. It also includes allowances for countries that rely on coal power, such as Poland, which will be able to subsidise those plants until 2028 despite the bloc's

efforts to cut greenhouse gas emissions. Bram Claeys, senior adviser at the Regulatory Assistance Project, an energy NGO, said the "prolonged discussions" of member states had already been detrimental to new investments in clean energy. "That is a big problem, because those investments can't stall but instead need to urgently speed up to tackle the root causes of the energy crisis and the impact that had on the European people and businesses."

Poland. Opposition success

Strategic voting pushes Tusk towards power

Many cast ballots legally outside their constituencies

in effort to end PiS rule

RAPHAEL MINDER AND BARBARA ERLING WARSAW

Kasia Czarska drove 45 minutes on Sunday to vote in the town of Sulejówek on the eastern outskirts of Warsaw.

The 39-year-old public relations manager planned her trip three weeks in advance of the fiercely contested election, studying Poland's electoral map to work out in which constituency her vote could be of most help in ousting the ruling Law and Justice (PiS) party.

It was voters like her, casting their bal-

It was voters like her, casting their ballot strategically and showing up in unprecedented numbers, who secured the stunning victory of opposition parties led by Donald Tusk. The former president of the European Council is now on course to return as prime minister after eight years of PiS rule after his Civic Platform party alongside two smaller partners won a combined 248 of the 460 seats in the next parliament.

Like many of the smaller towns around Warsaw, Sulejówek was won by PiS in the last election, in 2019. In contrast, the capital city, where Czarska lives, was among the opposition's strongholds even under PiS rule.

Czarska convinced about 20 friends and relatives to follow her example and also vote in Sulejówek. Under Polish electoral rules, citizens are allowed to cast their ballots in a different place to their official residence. When she arrived with her three children, she found that others had had the same thought: the line to get to the voting booth lasted three hours.

"The locals had mixed feelings about having to waste so much more time to vote than usual because of all the people who had travelled but really the atmosphere was very good," she said. "There was a lot of hope in the crowd and my children really felt they were taking part in something special."

This "something special" was both a victory for the opposition and the highest turnout since Poland's return to democracy. Participation was 74.4 per cent, higher even than in 1989, when Poles ousted the Communists



High turnout: a polling station in Warsaw on Sunday. Below, Donald Tusk Wojtek Radwanski/AFP/ from power just months before the fall

The grassroots mobilisation was a new phenomenon, however, underlining the high stakes of an election set to redefine the country's role within the EU after years of feuding with Brussels and Berlin and, more recently, Kyiv.

The high turnout for the opposition stood in contrast with the PiS government's attempt to rally support by also holding a referendum on Sunday.

The referendum turnout was only about 40 per cent, failing to reach the threshold to become binding, after Tusk urged voters to boycott the fourquestion poll, which touched on border security, illegal migra-

tion, the retirement age and foreign ownership of state companies, issues at the heart of the PiS campaign. Tusk, who served as

prime minister from 2007 to 2014, presented the election as a last chance to salvage Polish democracy and stop the slide towards authoritarianism. He claimed his longtime nemesis, PiS leader Jarosław Kaczyński,

was modelling a future regime on that of the Kremlin. As part of his final push to win re-election, Tusk urged women to mobilise and pledged to restore reproductive rights curtailed by PiS.

Among the female voters who had been put off by politics but went out to vote on Sunday was Dominika, a 37-year-old painter from Warsaw, who had skipped four parliamentary elections. "I now realised there were some things in this country that I really didn't like," she said, declining to give her surname. "I wanted to have the feeling that I had done something about this."

The huge turnout overwhelmed many polling stations, with people queueing into the early hours of Monday to vote. The polls closed at 9pm on Sunday but Polish law allowed people who were queueing at a station before that deadline to still take part.

Natalia Skupień, 28, waited for almost six hours in the longest line in Poland, on the outskirts of the south-western city of Wrocław. She managed to get to the voting booth at about 1am and found "a sense of solidarity" among fellow voters waiting for so many hours.

'My children really felt they were taking part in something children really felt they taken to too be also between taking to too be also between taking to the between the texture to the

special'

"Many motivated women" had the same desire for change as her, she said, while neighbours brought blankets and hot drinks for people in the queue and a local restaurant distributed 300 pizzas.

Abroad, 600,000 Poles registered to vote, almost double the number four years ago. Paulina Niewiadomska, 29, had not voted in the most recent elections but travelled one-and-a-half hours to the Polish consulate in The Hague and waited more than four hours to cast her

One of the motivating factors, she said, was a constitutional court ruling supported by PiS that limited abortion only to women whose life or health is in danger and to victims of sexual crimes.

"Women have been fighting for their rights for a very long time, so I wouldn't want all these years of struggle to be wasted by not voting," Niewiadomska said

International poll observers with the OSCE-led mission said the poll had been "democratic" but highlighted problems, from Pis's misuse of state media to the "intolerant, misogynistic and discriminatory language" of candidates.

Container traffic

Mexico upgrades railway in \$2.8bn bid to rival Panama Canal

CHRISTINE MURRAY — MEXICO CITY
OLIVER TELLING — LONDON

Mexico's government is reviving a railway between the Gulf of Mexico and the Pacific Ocean that had been in decline for more than a century, in a bold bid to steal container traffic away from the Panama Canal.

The project seeks to capitalise on multinational companies' desire for easy access to the US and the canal's periods of low water levels as the region suffers increasingly frequent droughts.

increasingly frequent droughts.

For populist president Andrés Manuel López Obrador the scheme forms part of a gambit to draw investment to the poorer south — albeit one that industry figures are sceptical can succeed.

The \$2.8bn Tehuantepec isthmus corridor will feature a 308km railway between renovated ports at Salina Cruz in Oaxaca state and Coatzacoalcos in Veracruz, and industrial parks close to transport hubs, including airports, along the route. Trains have already traversed the route on test runs ahead of its opening in December.

Mexico's government is bullish about prospects for the rail crossing, which

will offer proximity to the US and a transit time of six-and-a-half hours excluding loading time — less than the eight to 10 hours it takes on the 80km canal.

"Mexico right now is one of the most attractive countries, among the top five most attractive in the world," economy minister Raquel Buenrostro said in an interview. "There's no way that this doesn't develop."

But experts said it could take years to build enough infrastructure and create the underlying industries to woo global logistics operators, if that proved possible at all. And the added cost, time and insecurity in unloading containers on to a train with a fraction of a ship's capacity, then back on to a vessel at Coatzacoalcos on the Gulf of Mexico, made it a tough sell, said logistics industry figures.

International shipping companies, freight groups and port terminal operators were yet to show interest in the route, they said, while the first round of industrial parks is set to attract mainly Mexican investment, according to the government. The corridor's success would hinge on creating sustainable industries in the south of the country, added the figures.

Mexico had spent some 50bn pesos

(\$2.8bn) on the project, Buenrostro said, including on upgrading the railway, buying land for industrial parks and acquiring machinery and new rolling stock. Twelve, mainly Mexican companies participated in the industrial park auctions, with 30 bids across five sites. Building could begin next year

'Mexico right now is one of the most attractive countries. There's no way that this doesn't develop'

and create 10,000 direct jobs, she said. This year one of the worst droughts on record has hit the Panama Canal, which relies on huge freshwater volumes for its operation. Its operators have restricted weight on crossings and for the first time reduced how many ships can pass through each day to 31, from an average of 36.

Average waiting times for larger tankers carrying liquefied natural gas north through the canal rose as high as 20 days in August, up from a low of eight days during the same month in 2022, according to shipping agency Norton Lilly.

Regular container traffic, which Mexico is trying to attract, has been less affected because its slots are booked further in advance.

Mexico's government thinks the problems at the canal, which made \$4.65bn in revenue last year, present an opportunity. In its initial phase, the single-track rail line will run passenger and cargo trains simultaneously. The six cargo trains are capable of moving 260 TEUs — or 20-foot equivalent units, a measure of cargo capacity — on two journeys each a day, according to a government presentation.

That gives a maximum annual capacity of 1.14mn TEUs, which falls well short of the 10.9mn TEUs carried on container ships through the Panama Canal in 2022, according to data provider MDS Transmodal.

"A train isn't the same as a ship. You have to consider the proportions. But given the changes we are seeing with climate change it's a real and increasingly important alternative," Buenrostro said of the Tehuantepec railway.

A September presentation projected that 304,688 TEUs would move through the isthmus corridor in 2028 and 1.3mn TEUs by 2036.

Transit fees

Bulgaria steps up tax pressure on Russian energy operations

MARTON DUNAI — SOFIA

Bulgaria has imposed punitive taxes on Russian-owned oil and gas operations, in an effort to make them less profitable and force them and their European buyers to look for other options, according to government officials.

Sofia introduced a Lv20 (€10) excise tax per megawatt-hour of transiting Russian gas on Friday, days after it hit the Russian-owned Lukoil refinery on its Black Sea shore with a 60 per cent tax on profits. The main goal of both measures was to squeeze the Russians out of the European market, officials said.

An EU and Nato member, Bulgaria has performed a drastic turnaround since a pro-European government came into power in May. Until recently the country was closely aligned with Moscow and had been reluctant to shed its dependence on Russian hydrocarbons.

The new transit fee amounts to about a fifth of the current TTF benchmark gas price (£50p/MWh). Transit fees are normally low single-digit percentages of the actual gas cost.

"The calculation is that while we're not consuming any more Russian gas, we're still basically culprits [for other countries] in Europe continuing to consume Russian gas," said a person familiar with Sofia's decision. "The entire goal was to make that slightly less profitable and force Serbia and Hungary to look elsewhere."

Bulgaria was cut off from Gazprom

shipments soon after the start of Russia's invasion of Ukraine, but it allowed the use of its gas pipeline network to supply Serbia and Hungary, two of Europe's most pro-Russian governments, with gas supplies.

Hungarian foreign minister Péter Szijjártó called the gas transit tax increase an "unacceptable . . . law with an unclear background".

The Bulgarian finance minister, Asen Vassilev, said the goal was not to make gas more expensive for consumers in Hungary and Serbia, but to make it less profitable for Gazprom to ship gas via Bulgaria. "The new tax is . . . fully in line with EU goals of reducing EU reliance on Russian fossil fuels," he added.

NATIONAL

Debt interest limits Hunt's options

IFS warns 'horrible fiscal bind' signals protracted period of high taxes

SAM FLEMING AND DELPHINE STRAUSS

Surging debt interest payments and sluggish growth have left the chancellor with little scope for pre-election tax cuts, the latest analysis suggests.

Jeremy Hunt warned last week of "difficult decisions" for the public finances in his Autumn Statement on November 22, as the government faces a difficult economic backdrop.

The analysis by the Institute for Fiscal Studies think-tank, released yesterday, underscored the pressure facing Hunt as he grapples with calls from the right of the Conservative party to push through tax giveaways before the next general election.

Public borrowing is forecast to reach

£112bn this year, or 4.2 per cent of gross domestic product, said the IFS. The figure is below March predictions but well above its long-run average — and £60bn more than forecast in the 2022 spring Budget. As a result, national debt will remain stuck at close to 100 per cent of national income, even with tight public spending settlements and further increases in taxes lying ahead.

"We are in a horrible fiscal bind," said Paul Johnson, director of the IFS. "The price of our high levels of indebtedness, failure to stimulate growth, and high borrowing costs is likely to be a protracted period of high taxes and tight spending."

The IFS said that, whether or not the

The IFS said that, whether or not the chancellor met his self-imposed fiscal rule – requiring debt to fall as a share of national income between years four and five of the forecast period – made little difference. The rule was too easy to game by pencilling in future spending

cuts that carried little credibility, the think-tank noted.

Like other governments, the UK is under pressure to show it is gaining control of its outsized public deficits amid flighty bond markets and elevated levels of inflation. That challenge has been made harder in Britain by the rising share of public spending being consumed by debt interest payments.

Debt interest spending reached 4.4 per cent of national income in the most recent fiscal year — compared with an average of 2 per cent over the first two decades of the century. It will stay at or above 3 per cent of GDP over the medium term, £26bn a year higher than previous levels, the IFS said.

Based on current market rate forecasts, the government will spend £20bn more on debt interest in 2026-27 than was forecast by the Office for Budget Responsibility in March, pushing the outlay to £108bn, according to the IFS. Even if the Bank of England cuts interest rates more sharply than expected, as predicted by analysts at Citi, which worked with the IFS on the outlook, public spending on debt interest would remain higher than predictions made as recently as the March 2022 Budget.

Stripping out the soaring debt interest payments, the UK public finances will look better in next month's updated forecasts than the OBR predicted in March, the IFS acknowledged in its "Green Budget". Though the think-tank found Hunt is on course to register the biggest primary surplus in a generation by 2027-28, it warned that the surplus did not create space for giveaways.

Hunt's headroom against his own fis-

Hunt's headroom against his own fiscal targets relies on tax and spending plans whose credibility is "questionable", Johnson said. The plans include a six-year freeze in personal tax allowances and thresholds that amounted to a "colossal" £52bn tax increase, he said. Middle East. Backlash

Labour Muslims and left demand Starmer change course on Israel

Party officials expect revolt

to grow if assault on crowded

Palestinian enclave intensifies

LUCY FISHER AND WILLIAM WALLIS

Sir Keir Starmer is facing a growing mutiny from Labour councillors who have demanded the party change its position to condemn Israel over the deepening humanitarian crisis in Gaza.

The Labour leader is under pressure from council leaders, influential Muslim party members and sections of the left over his initially unqualified support for Israel's right to defend itself after Hamas's attack this month.

Starmer provoked anger among some in his party after he said Israel had the right to withhold power and water from Gaza, even as he said international law had to be respected.

The Israel-Gaza conflict has caused sharp divisions within Labour, with some quarters incensed by the leadership's decision not to strongly criticise Israel's siege and bombardment of Gaza.

Others say Starmer has been right to support Israel in the wake of the atrocities by Hamas, linking the position to his campaign to stamp out antisemitism in

Labour after the Jeremy Corbyn era.
Labour officials predict the divisions will deepen as the crisis facing civilians in Gaza worsens, or if Israel presses ahead with a ground offensive that would increase the civilian death toll.

On Monday night David Lammy, the shadow foreign secretary, and Sue Gray, Starmer's chief of staff, were warned by councillors who want Labour to criticise Israel's actions that the party had "a day or two" left to alter course before the internal situation became "unmanageable", according to one person present.

Labour declined to comment on a private meeting but a party official said the leadership was "sensitive to all sides". Starmer, Lammy and shadow cabinet colleagues had been "talking to communities of different faiths" and liaising with humanitarian groups seeking to help Gazans.

Starmer has faced calls to apologise for and retract remarks he made on LBC last week saying Israel had "the right" to withhold water and electricity from Gaza. He added that "everything should be done within international law".

In a Commons debate on Monday, Starmer reiterated that "Labour stands with Israel", but stressed the need for all sides to abide by international law and to protect civilian lives.

He acknowledged that the people grieving for their relatives spanned "Israeli, Palestinian, Muslim, Jew", and made clear Hamas was not the same as the Palestinian people.

Shortly before he made his remarks, Amna Abdullatif, the first Arab Muslim woman elected to Manchester city council, quit Labour. She said she was "appalled by the lack of humanity being shown to Palestinians by the party".

Her exit followed

Keir Starmer: said Israel had the right to withhold power and water that of two Muslim Labour councillors in Oxfordshire last week. Jessie Hoskin, a Labour councillor in Stroud, stood down saying she was unhappy at Starmer's comments "supporting war crimes against Palestinian people".

One influential Muslim member of the party said he had spoken directly to Starmer at Labour's conference in Manchester last week about the need for him to balance his response to events.

"I warned him at conference that anything you say now, that's what will be remembered when Gaza has been levelled and the death toll is going up," the person said.

Labour MPs are expected to come under greater scrutiny of their position on the unfolding conflict today.

Momentum, the leftwing campaign group within Labour, will publish an online database identifying party MPs who are yet to call for a ceasefire in the region, along with a tool helping activists lobby them by email.

It will highlight how some leftwing MPs have diverged from the party leadership, among them Richard Burgon, who in parliament on Monday accused Israel of inflicting "collective punishment" on civilians in Gaza.

Labour party officials were in discussions yesterday to prevent further coun-

'We have humanity. We are talking about showing a little empathy with Palestinians'

cillor resignations as the party was at immediate risk of losing control of two councils where elected Muslims hold the balance of power, according to people involved in the talks. They declined to name the areas concerned.

"We have had a barrage of councillors fuming, either on the verge of resigning or fearful they could be expelled for one misplaced word," said one person involved in the talks, adding that Starmer's remarks in parliament on Monday had gone only so far in repair-

ing the damage.
Some Muslim Labour members said their concerns over the party's position on the conflict had been exacerbated by a warning from the party over showing solidarity with Palestinians.

David Evans, Labour's general secretary, told councillors in a recent message seen by the Financial Times that they should not attend demonstrations in support of the Palestinian cause or "risk putting yourself in a position where you share a platform with, or are close to, people that would undermine

the Labour party in any way".

"We have had no problems with condemning Hamas and showing solidarity with Israelis. We have humanity. We are talking about showing a little empathy with Palestinians. You can do both at same time," the influential Muslim party member

said.

Some figures in the party were now intent on organising collectively against Starmer and Lammy in their London constituencies, both of which have significant numbers of Muslim resi-

"I have never seen anger this level," he added.

Thunberg arrested Climate activists disrupt energy summit



Environmental activist Greta Thunberg is arrested after linking arms with protesters to block access to the InterContinental hotel in London's Park Lane, where oil and gas chiefs were gathering for an energy forum. The 'Oily Money Out' demonstration, organised by Fossil Free London, led to 21 arrests in total

International obligations

Lawyers flag 'significant concern' over threat to Gaza

JANE CROFT

A former president of the UK Supreme Court and seven other eminent lawyers have urged Israel to remember its international law obligations, warning they had "significant concern" about aspects of its actions in Gaza.

The leading legal figures, who include Lord David Neuberger, president of the UK's highest court from 2012 to 2017, and Philippe Sands KC, said they were peoplying both as lawy and as lawyers.

speaking both as Jews and as lawyers.
In a letter to the Financial Times, they wrote that although the "vile crimes by Hamas in Israel have shaken us to our core", the laws of war "apply irrespective of the level of outrageous conduct of

an enemy". They noted Gaza was home to 2mn, almost half of whom are children: "It would be a grave violation of international law to hold them under siege and doing so, deprive them of basic necessities such as food and water."

The lawyers added that "collective punishment is prohibited by the laws of war". They said it was unlawful to intentionally cause "indiscriminate damage" and "politicians and commanders" should not use language that implies the laws of war can be disregarded or "whose effect is to dehumanise a civilian population".

"In these times of pain and terror the notion that there are laws that we must all live by is challenging but essential.

Jewish history teaches us that we cannot give up on them," they wrote.

Their intervention came amid diplomatic efforts involving US President Joe Biden to prevent wider conflict in the Middle East. King Abdullah of Jordan warned yesterday that the region was at the edge of an "abyss".

The UN has warned a humanitarian

International efforts to open the Rafah crossing from southern Gaza to Egypt to humanitarian aid have not yet had success and Israel has cut supplies to the territory, including fuel for electricity.

The lawyers strongly condemned the "despicable actions" of Hamas, which killed more than 1.400 Israelis on Octo-

ber 7, describing them as an "egregious violation of all norms of international law" and "crimes against humanity" that amounted to the "most grave" breaches of the Geneva Conventions.

They said there was "no room for legal, let alone moral, equivocation when it comes to (for example) the slaughter of hundreds of young people enjoying a party", adding that Israel has a "clear right" in international law to respond in self-defence. But such law also provided a "framework" for governing how Israel must respond, they said, and it was not "insensitive or inappropriate" to remind Israel of its obligations even though "emotions are so understandably raw".

Regulation

Watchdog backs ruling to cut Heathrow fees

PHILIP GEORGIADIS

The competition regulator has given its qualified backing to a ruling forcing London's Heathrow airport to cut its landing fees, following a long-running row between the UK's main hub and its biggest airline customers.

The Competition and Markets Authority yesterday found that a decision by the Civil Aviation Authority to force Heathrow to lower its landing fees was "not wrong on most of the issues".

The CAA ruled in March that Heathrow should cut its charges to airlines by almost a fifth from £31.57 per passenger to £25.43 from next year.

But both sides lodged appeals with the CMA against the decision, with Heathrow arguing it should be allowed to increase its fees or risk investment at the airport, and airlines wanting a fur-

Heathrow had long argued it should be able to charge as much as £40 per passenger, warning that investment in the airport was otherwise at risk, particularly following the financial hit from the pandemic.

In an increasingly acrimonious dispute, the airlines, including Virgin Atlantic and British Airways, argued that the airport was in effect trying to price-gouge customers and that Heath-

'We would like to work with the CAA to improve the regulatory framework for the future'

row's owners should not be allowed to jack up charges to try to claw back losses suffered during the pandemic.

In its ruling, the CMA asked the CAA to reconsider three relatively small aspects of its calculations, including the calculation it made for an allowance for exceptional events that might reduce passenger numbers.

"We would expect any such changes

to have only a small impact" on overall landing charges, the CMA said. The original CAA decision covers charges the airport can levy until 2026.

Airlines expressed unhappiness at the CMA ruling and called for changes to the regulatory landscape.

Luis Gallego, the chief executive of British Airways owner IAG, said Heathrow's charges "remain among the highest in the world and are not competitive"

"We would like to work with the CAA to improve the regulatory framework for the future." he added.

Virgin Atlantic said recent changes in leadership at both the CAA and Heathrow offered a chance "for a fundamental review of how these charges are set".

Heathrow indicated it would look to put the matter behind it under new chief executive Thomas Woldbye, the former boss of Copenhagen airport, who joins today.

"We're naturally disappointed but it's time to move on," the airport said.

Supreme Court names second female justice

SUZI RING j The UK Supreme Court has appointed

a female judge to the top bench, a move that doubles the number of women on the panel and highlights how maledominated the institution remains. Lady Justice Simler will join the top

court on November 14 following the retirement of Lord Kitchin, the Supreme Court said yesterday. Along with Lady Rose, Simler will be one of two women on the 12-strong bench.

Simler was made a High Court judge

in 2013 and appointed to the Court of

Appeal six years later. She has experience in employment law, tax, public law and criminal law, and was president of the Employment Appeal Tribunal.

The Supreme Court acknowledged criticisms over the judiciary's record on diversity as it announced the appoint-

ment. Simler is only the fifth female justice appointed since the top court was set up in its current form in 2009.

There has never been a non-white

judge at the Supreme Court. Before 2009, the UK's highest court was part of the House of Lords. "We know that people, including women, black, Asian, and other ethnic minority groups, and disabled lawyers continue to be under-represented in the judiciary," the Supreme Court said. "Progress is being made but more needs to be done to increase the pace of change," it added.

Women make up 42 per cent of

Women make up 42 per cent of judges, according to the latest statistics



Lady Justice Simler: one of only two women on the 12-strong bench

Non-white judges have risen from 7 per cent to 11 per cent over the past decade, the report said. The figure is lower than the proportion of ethnic minority barristers and solicitors in the industry, 16 per cent and 19 per cent respectively.

The appointment comes after Dame

on judicial diversity published in July.

Sue Carr was sworn in as lady chief justice this month, the first woman to take up the role in its 750-year history. The chief justice is head of the judiciary and president of the courts of England and Wales. Sir Geoffrey Vos, Master of the Rolls, described Carr's appointment as a "landmark in our national life" at the swearing-in ceremony on October 2.

He cautioned: "Work remains for us

all to make our judiciary as diverse and as inclusive as it should be." Simler became chair of the diversity

committee of the Judges' Council in 2019. One of the roles of the council is to advise the Lord or Lady Chief Justice on issues related to the judiciary.

NATIONAL

By-election battle gives Tories hope as Lib Dems slug it out with Labour

Conservatives could scrape home in former safe seat of Mid Bedfordshire if opposition vote is split

GEORGE PARKER — MID BEDFORDSHIRE

In normal circumstances, the Conservative party should easily win tomorrow's by-election in Mid Bedfordshire, a wellheeled rural seat that delivered it a majority of almost 25,000 at the last general election.

Instead the Tories, trailing badly in national opinion polls, are locked in an occasionally acrimonious three-way by-election fight; Prime Minister Rishi Sunak's party is also defending a majority of almost 20,000 in Tamworth on the same day.

But it is Mid Beds that has captured the political imagination. The vote is shaping up to be a rare fight between the Conservatives and both Labour and the Liberal Democrats in a crucial test of political opinion.

The Lib Dems started the campaign as the bookmakers' favourities but were supplanted by Labour. The odds now narrowly favour the Tories. Tory officials claim that Labour

Tory officials claim that Labour leader Sir Keir Starmer's recent promise to "bulldoze" planning rules has helped to swing votes in the final days of the campaign in an area where development is a hot political issue.

Labour's campaign chief Peter Kyle, shadow science minister, was sent to Mid Bedfordshire four months ago by Starmer to sniff the air and see if there was any prospect that the party might win. He is still there.

Sitting in the the Albion pub in the

Sitting in the the Albion pub in the town of Ampthill, a weary Kyle said months of door-knocking was paying off: "Winning here was always a moonshot," he said. "So far we've got everything right. We've just got to land."

That will be the tricky bit. Because

That will be the tricky bit. Because Mid Beds, a seat abandoned by former Tory minister Nadine Dorries, has turned into a highly unpredictable scrap to the finish

The area of countryside 50 miles north of London, comprising several small towns and dozens of villages, previously would have been a banker for Sunak. But opinion polls earlier in the campaign suggested the Conservative vote had collapsed. An internal party memo, obtained by Sky News, suggested yesterday that the party's vote share in Mid Beds and Tamworth could approximately halve compared with the 2019 election.

But unusually, in Mid Beds, Labour and the Lib Dems are both vying to defeat the Tories. The opposition vote could split and help Sunak come through the middle with a morale-boosting victory.

Kyle admitted he had been driven "spare" by Lib Dem leaflets, claiming to show the centre party's arrowing upwards, overtaking the Tories and leaving Labour trailing.

The bookmakers' odds, however,

have suggested the Tories are edging ahead of Labour, with Lib Dem support fading. All sides admit it is too close to call

Kyle was first sent to Mid Beds by Starmer in June when Dorries, a former Tory minister, announced her "immediate" plan to quit parliament after failing to secure a peerage in former prime



Campaign trail: Labour party hopeful Alistair Strathern with partner Megan Corton-Scott. Below, Tory candidate Festus Akinbusoye

minister Boris Johnson's resignation list. But Dorries delayed her formal resignation until August, forcing the contest to rage on for months.

Alistair Strathern, the Labour candidate, said his party had fought a positive campaign, refraining from personal attacks. But, he admitted: "This seat has never been Labour before."

The Lib Dems argue that given the rural nature of the seat, Labour can never win in Mid Beds, and have engaged in what Kyle called an "aggressive and disingenuous" campaign against Strathern.



Labour threatened to go to the police if the Lib Dems carried on claiming that Strathern, raised locally but until recently a local councillor in London, did not live in the constituency. He recently moved back to the area.

Emma Holland-Lindsay, the Lib Dem candidate, insisted she is the true local candidate, with ancestors going back generations. "People like the fact that I'm Bedfordshire through and through," she pointed out.

Labour and the Lib Dems agree that being "local" has become a hot issue, partly because Dorries effectively became an absentee MP in the latter stages of her parliamentary career.

Holland-Lindsay said Lib Dem charts, which claim the party is ahead, are based on canvass returns, adding that Labour has made questionable claims, including that the Lib Dems would arm nuclear submarines with "fake missiles"

The bickering has been seized upon by the Conservative candidate Festus Akinbusoye, who said that while the two opposition parties fight each other, he was "focused on campaigning for people on the doorstep".

Akinbusoye, a local police and crime commissioner, is also playing what he hopes is another trump card: Starmer's recent promise to rewrite planning 'Winning here was always a moonshot. So far we've got everything right. We've just got to land'

Peter Kyle

rules, including allowing homes to be built on unsightly parts of the greenbelt. Akinbusoye said: "Keir Starmer has been talking about building on the 'grey belt'. What the hell is that? People are so fed up with top-down housing targets."

Kyle said the planning issue, in an area where many homes have been built without accompanying schools, GP surgeries or transport, could swing votes for the Tories but sees little sign of that happening.

"The Tories think this is their Ulez,"

he said, referring to the successful Conservative campaign against a tax on highly polluting cars in July's Uxbridge by-election.

"But people here aren't anti-develop-

ment per se. They just object to diggers turning up at the end of their street when they haven't been consulted." The result of the Mid Beds by-election

is not expected until the early hours of Friday, with all sides admitting that it might be so tight that a recount may be required. Akinbusoye said his fate could be

determined by how many Tory voters stay at home. However, Kyle believes the outcome is more complicated than that.

"The Tories have never campaigned here; they have never needed to," he says. "There is no reference point."

Pay trends

Wage growth edges down amid cooling jobs market

DELPHINE STRAUSS

Wage growth slowed marginally in the three months to August, according to official data that will offer the Bank of England limited reassurance that pressures in the labour market are easing.

The Office for National Statistics said yesterday that average total pay was 8.1 per cent higher over the three-month period than a year earlier, down from a growth rate of 8.5 per cent the previous month, but still close to record highs. Regular pay growth, excluding bonuses, slowed from 7.9 per cent to 7.8 per cent.

With inflation at 6.7 per cent in August, pay has been growing faster than prices for months, helping to bolster household finances against the impact of higher interest rates. "Pay packets have staged a mini

"Pay packets have staged a mini recovery this year," said Hannah Slaughter, senior economist at the Resolution Foundation think-tank, but added: "With the labour market continuing to cool, the big question . . . is how long this will last."

The ONS has delayed the release of key data on employment and labour force participation, which are usually published with the wage figures, because of data collection problems.

However, the agency did publish fig-

However, the agency did publish figures for payrolled employment, drawn from HM Revenue & Customs records, as well as data on vacancies. These suggested hiring has continued to slow while the number of payrolled employees fell slightly over the summer.

"Wage growth has passed its peak, but we suspect it will fall only gradually from here," said Ashley Webb, economist at the Capital Economics consultancy, which expected the BoE to hold rates at 5.25 per cent for most of 2024.

Policymakers are likely to want to see more convincing signs that the labour market has turned, and pay pressures eased, before they contemplate any easing in monetary policy.

Huw Pill, BoE chief economist, said on Monday that wage growth as measured by a range of indicators was running at a pace that was "not consistent with price stability". But he said the ONS data looked increasingly like an "outlier" with other measures pointing to slower wage growth.

Thomas Pugh, economist at RSM UK, the audit firm, said slowing pay growth would allow the BoE to keep rates unchanged next month but added that a Monetary Policy Committee "which is less confident in the data may decide to err on the side of caution"

err on the side of caution".

The MPC still had "work to do" to bring inflation sustainably back to its 2 per cent target, Pill said, but if policy-makers waited to see "the decline in inflation itself or the decline in wage growth itself", they risked doing unnecessary damage to the economy.

Pill was not convinced that recent wage growth was supported by gains in productivity. "Would I be happier if wage growth was 5 per cent rather than 8 per cent on the official measure? Yes, I would be happier. Would I be happier if wage growth was going down from 5 per cent? Yes, I probably would be because I am not an optimist about productivity at that horizon," he added.

Housing

Heat pumps not hydrogen urged for homes

RACHEL MILLARD, GILL PLIMMER AND JIM PICKARD

The government should rule out supporting hydrogen as an alternative to natural gas-fired heating in homes and spend billions a year subsidising the installation of heat pumps, the UK's top infrastructure adviser has said.

The National Infrastructure Commission said today there was "no public policy case" for hydrogen to be used in heating individual buildings, and urged the government to focus on helping lower-income households fit heat pumps by providing more financial support.

"We do not see any role for hydrogen in the future of home heating," said Nick Winser, NIC commissioner, arguing it was "simply not ready at scale" and risked being an inefficient use of green electricity.

The intervention comes as the government grapples with the dilemma of how to reach the UK's 2050 net zero goal. Rishi Sunak, the prime minister, recently diluted targets for phasing out gas boilers, citing the high cost of replacement electric heat pumps.

The NIC urged the government to address the cost issue by giving grants to cover the entire cost of installing heat pumps for lower-income homes, equivalent to about a third of households, at

the cost of £1.3bn a year until 2035. Other properties should be offered support up to £7,000, equivalent to up to £1.9bn annually, over the same period.

The government currently offers grants of £7,500 under a three-year scheme with an annual budget of £150mn until March 2025.

The commission also called for a separate £3.2bn programme to install heat

'We do not see any role for hydrogen in the future of home heating'

Nick Winser, NIC commissioner

pumps and improve energy efficiency across the public sector estate and all social housing.

The rollout of heat pumps in the UK has been sluggish so far, in part due to the costs of buying and installing the devices, estimated at £7,000 to £10,000 per household or higher.

The government has previously said it planned to make a decision on hydrogen's role in home heating in 2026, following trials.

The recommendations were part of the second national infrastructure assessment by the NIC since it was established as an executive agency of the Treasury in 2017. Its recommendations are not binding on the government, but ministers are required to respond within 12 months.

The commission recommends the government establish a "strategic energy reserve" to protect the UK from

energy shortages.

The report warned that the recent decision to cancel northern parts of the HS2 rail line had left a "major gap in the UK's rail strategy".

It called for better maintenance of existing roads, more devolution and bigger local transport budgets as well as £22bn of investment in mass transit schemes in cities such as Birmingham, Leeds, Bristol and Manchester.

The NIC criticised the low levels of infrastructure investment in the UK economy compared with international peers, which it said had been the lowest in the G7 in 40 years to 2019.

It called on the government to ensure there was a sharp increase from around £55bn a year over the past decade to as much as £80bn a year in the 2030s. It said more than half of that should come from the private sector.

The government said it would respond "in due course" but it would continue to work with industry to explore the feasibility of hydrogen in heating as it "could play an important role".

High Court

Curbs-hit Russian applies to pay mansion fees

JANE CROFT

Mikhail Fridman, the sanctions-hit Russian businessman, has asked London's High Court to allow him to make payments, including a £30,000 monthly fee for the running costs of his London mansion plus payments to cover a driver.

Fridman, who is now in Moscow, is challenging the Treasury, which oversees the UK sanctions regime, to grant a licence authorising payment of a £30,000 monthly management fee to a company which maintains Athlone House, the Victorian mansion in Highgate, north London, which he bought for £65mn in 2016.

He also wants another £1,850 monthly payment to be made for utilities including television equipment, lighting, heating and security, including for his art collection at Athlone House, the High Court heard yesterday.

Fridman is also asking the High Court to order the Office of Financial Sanctions Implementation (OFSI), which is part of the Treasury, to grant a licence to pay wages and salaries dating to December 2022 for all non-security staff, including his driver.

The Treasury is opposing any changes to the existing licences.

The High Court heard yesterday that House, I

OFSI's refusal to allow licence payments for a driver was "on the basis that the defendant is able to travel by public transport (notwithstanding the defendant had previously accepted that the claimant had particular security needs)".

Fridman, who was hit with sanctions by the UK, EU and US, returned to Moscow this month for the first time since Russia's invasion of Ukraine last year. The Ukraine-born businessman is among the few oligarchs to have offered guarded criticism of Putin's invasion.

Rachel Barnes KC, for Fridman, told the High Court that the UK government was now saying the businessman was "not an oligarch" or "associated with President [Vladimir] Putin" and his sanctions designation was based on his



Mikhail Fridman bought Athlone at House, London, for £65mn in 2016 former significant stake in Russia's Alfa-Bank. She told the court that "for many years he has made his home in London and lives here with his family", adding that he hoped to return.

The court heard that Athlone House was "a heritage property of historical value". Barnes said: "The licence application in relation to that property is not about the maintenance of the oligarch lifestyle, but the maintenance upkeep of that heritage asset."

Malcolm Birdling, barrister for the Treasury, said in written arguments that the government opposed the changes to sanctions and contended the applications for the additional payments were "decided lawfully" and "rightly rejected".

OFSI rejected a licence for payments to "numerous staff", including an estate director/manager, six housekeeping assistants, two handymen and one individual providing ad hoc services which would "enable Mr Fridman to continue enjoying the lifestyle he had prior to being designated", Birdling claimed.

He said in written arguments that Fridman already had the benefit of a licence for several payments relating to security, including for continuing monthly payments of £1,974 for CCTV maintenance.

The hearing continues

Companies&Markets

Profits fall 36% at Goldman after retail bank retreat

• Earnings down for eighth quarter Share buybacks to be 'moderated'

 ${\bf JOSHUA\;FRANKLIN}-{\sf NEW\;YORK}$

Goldman Sachs has reported a 36 per cent drop in third-quarter profits, the bank's eighth straight quarter of falling earnings, as it grappled with losses following its pullback from retail banking and writedowns on its real estate invest-

However, Goldman did manage to eke out a year-on-year increase in its invest-ment banking revenues for the first time in almost two years in a sign that the dealmaking drought could be coming to an end.

"If conditions remain conducive, I expect a continued recovery for both

The bank was hit by a loss on the sale of home improvement lending platform GreenSky

capital markets and strategic activity," Goldman chief executive David Solomon told analysts.

The bank reported to shareholders yesterday that net income for the quarter was \$1.88bn, down from \$2.96bn a year earlier and just shy of analysts' estimates for about \$1.92bn, according to data compiled by Bloomberg.

Goldman's earnings were hit during the quarter by a loss on the sale of home improvement lending platform Green-Sky to a private equity-led consortium, and the sale of what the bank called "substantially all" of its Marcus loan portfolio, as it nears an exit from its retail lending business.

Goldman also took a \$358mn impairment on its real estate investments in its asset and wealth management division.

The bank also warned that it would "moderate" the pace of share buybacks in the final three months of this year because of the uncertainty around their current form would increase the amount of capital big banks like Goldman would need to hold

"Frankly speaking, the rules, as proposed, go way too far and do not account for the vast array of improvements made by the largest banks as a result of Dodd-Frank and other reforms," Solo-

Revenues from fixed income, currencies and commodities trading were \$3.4bn, down 6 per cent from a year earlier but ahead of analysts' forecasts for

Unlike peers JPMorgan Chase and Morgan Stanley, Goldman Sachs lacks the same diversification in other businesses that would compensate for a period of weaker performance in its core investment banking and trading

Solomon, who has come under criticism from some employees over his running of the bank, has outlined a strategy of diversification into asset and wealth management.

Those activities still make up a relatively modest part of Goldman's profits. In the third quarter, the bank's asset and wealth management division reported revenue of \$3.2bn. That was down 20 per cent from the same period last year due in part to losses on investments made by the bank, including in real

Goldman also increased the share of its revenues it sets aside to pay its bankers - 34.5 per cent so far in 2023, up from 34 per cent in the first half of the year — in what the Wall Street firm said was a necessary move to reward its top

Solomon has faced grumbling all year from employees who felt that the bank cut pay too far in 2022, even for top performers.

Bank of America page 8

Rerun returns 'Netflix effect' boosts audiences as studios license old shows to streaming rival



Sarah Rafferty and Meghan Markle in 'Suits', which has been licensed to Netflix

CHRISTOPHER GRIMES — LOS ANGELES

Some of Netflix's competitors are reversing a streaming war tactic by licensing their old TV shows and movies to the streamer - boosting its offerings but also potentially squeezing its profit margins, analysts say.

Netflix relied heavily on licensed programming when it launched in 2007. But after Walt Disney, NBCUniversal, Paramount and the then Time Warner launched their own streaming services, they pulled many of their shows from Netflix.

But with legacy media groups under pressure to produce streaming profits, licensing revenue is looking attractive again — even if it comes from Netflix. This summer, Warner Bros Discovery's HBO network began licensing a handful of older shows to Netflix, including Insecure, Six Feet

Under, Ballers and Band of Brothers.

years was that you keep everything inhouse," said Casey Bloys, HBO's chief executive, at the recent Code conference. "But in the history of television, syndication - selling a show somewhere else — was the brass ring. It meant the show was successful and would have a life elsewhere."

Analysts at Morgan Stanley said the return of licensing deals was a "longterm positive" for Netflix and would "pad" its lead over competitors in streaming. But the bank added that the cost of licensing could add pressure to its profit margins in 2024. The analysts raised their outlook for Netflix's overall cash spending next year by \$500mn to \$17.7bn.

Netflix will report results today, with investors expected to focus on whether it plans to increase subscription prices and signs of progress on its new advertising tier. The latest data on its password sharing crackdown

The return of licensing deals has coincided with strikes in Hollywood, which halted production of new shows. Despite the gloom around the strikes, the studios' experiments with licensing deals appear to have given some old shows new life.

After NBCUniversal licensed its show Suits - which aired in 2011-19 and starred Meghan Markle – to Netflix in June, the show experienced a revival. The legal drama was in the top spot on the Nielsen Streaming top 10 for three months, an example of the "Netflix effect" on older shows.

Bloys said licensing shows to Netflix had also boosted traffic for the programmes on Warner Discovery's Max streaming platform, home to HBO programming including Ballers, a sports drama that ran from 2015 to 2019. Ballers entered the Nielsen top 10 after it went to Netflix, and Insecure, a comedy starring Issa Rae that aired 2016-21, had a similar boost.

Choice goes hostile with \$10bn bid for Wyndham

Choice Hotels International has gone public with a nearly \$10bn hostile bid for rival Wyndham Hotels and Resorts after six months of takeover talks to create one of the biggest US budget hotel operators collapsed.

The decision to make a hostile bid came after Wyndham walked away from latestage talks in September after receiving three separate offers from its smaller rival, Choice said yesterday.

Wyndham's board said it had "unani-mously rejected" Choice's stock-andcash offer, labelling it "highly conditional" and noting that it was subject to "significant" regulatory risk.

Choice, which owns brands including Radisson and Econo Lodge, offered Wyndham shareholders \$90 a share, which includes \$49.50 in cash and the remainder in stock, valuing the equity at \$7.8bn. Choice would take on Wyndham's \$2bn debt. The offer was 30 per cent above Wyndham's share price on Monday after markets closed.

Patrick Pacious, Choice chief executive, said in recent weeks that both companies were "in a negotiable range on price and consideration . . . We were therefore surprised and disappointed that Wyndham decided to disengage". He had decided to go public with the offer after talks had ended because "we feel there is too much value for both companies' franchisees, shareholders, associates and guests to not continue pursuing this transaction".

A deal would create one of the largest US budget hotel owners, with operations overseas. Choice has 7,500 hotels with 630,000 rooms, about four-fifths of which are in the US, and Wyndham has 9,100 sites with 845,000 rooms. Both companies run a franchised model.

Choice had a market capitalisation of around \$6bn as of yesterday afternoon, while that for Wyndham, which owns the La Quinta and Ramada brands, was about \$6.3bn. Choice's share price was down nearly 5 per cent, while Wyndham's rose about 7 per cent.

Stephen Holmes, Wyndham's chair. called the offer "underwhelming" and accused Choice of "disingenuously" suggesting that the pair "were in alignment

Choice did not respond to a request for comment.

Japanese consumption still suffering post-pandemic hangover



lates and bowls of yakitori, sushi and tempura; queues of people waiting for a table under skyscrapers in Otemachi; ranks of salarymen heading to the myriad izakayas

and karaoke bars of Shinbashi. It is all part of the tapestry of office life in Tokyo where to the eye of a newcomer like myself, everything is thriving and busier than in many other capital cities. But if you take a step back, the picture shifts a little. And for those waiting for the Bank of Japan to finally end its era of ultra-loose monetary policy, it becomes potentially more interesting.

According to research from Goldman Sachs, Japan's strong post-Covid recovery in consumption has "slowed considerably so far in 2023" to levels that are still 4 per cent below the pre-pandemic average.

The problem is partly down to the effects of long-awaited higher inflation, with real incomes falling 3 to 4 per cent since 2022. But the more significant issue might involve changes to how people live and work brought about by the pandemic, says Goldman Sachs' senior Japan economist, Tomohiro Ota.

By that he means the kind of things such as fitness clubs and pachinko game parlours, as well as the after-work restaurants and bars crowding the city where consumption remains

"stagnant", or at least 10 per cent below 2018 levels on average this year.

Pubs and izakayas have seen spend ing fall 39 per cent in the first half compared with 2018, even as lockdownfriendly pursuits stayed buoyant and other sectors that had suffered - such as travel - bounced back.

"The changes in the consumption patterns . . . make it feel like this time is actually different," said Ota. "There has huge drop in group dinners including for business, and that means a huge drop in drinking with clients. Group dinners in Japan usually include alcohol and this has just massively slowed down."

Also watching the data closely are companies, including those in the beer business, that have not seen sales recover or food groups that are struggling with con-

Reservations for group

down 50% this year, and

extends to the weekends

the fall in restaurant traffic

meals for business are

sumption being too weak for price increases. Retailers Lawson and Aeon started cutting prices on some products from last month, raising

concerns over whether the trend for increases in product prices and wages will continue.

Entrenched working-from-home practices might not be the only reason for the slump. Ota thinks that the way Japanese people socialise might have structurally shifted since the pandemic, pointing to the fact that while reservations for group meals for business purposes are down 50 per cent this year, the fall in restaurant traffic also extends into the weekend and holidays.

The first-order effect of these changes might seem prosaic; restaurants do fail. often at a higher rate than other businesses. A reordering of demand is not necessarily a bad thing for the economy if people decide they would prefer to spend their money at home on takeaways and Netflix, instead of out at restaurants and theatres.

But if Goldman's parsing of the data is correct and this slowdown in demand presages lower consumption for a longer period than expected, the ramifications could be wider.

The bank estimates that everyday ervices spending is about of total consumption. If that is indeed running significantly below its 2018 level, other sectors that have bounced after the pandemic will not be able to fully compensate.

The bank says that it "strongly suggests that consumption may not return to pre-pandemic levels" even long after the Covid era. That could make the difficult monetary policy decision for the Bank of Japan even more complicated.

Stefan Angrick, an economist at Moody's Analytics, says the BoJ is trying to talk down the yen because it does not want to hike rates until the domestic economy is in full health. This is some thing Angrick says will be "a very difficult line to walk".

Even if the regime of cheap money has obvious advantages, many chief executives think higher interest rates are a price worth paying if it means a thriving economy.

Atsushi Katsuki, chief executive of beer group Asahi, said: "I think there'll be a lot more benefits and merit, and that comes from a better economy which will more than offset the rising cost of our debt.

"I really hope that the economy will get to that point that the BoJ will raise interest rates.'

david.keohane@ft.com

guardtime **≅**

AAAAAA-DFFMVY-AALPQV-XZ3OT6 OUNI63-T53UHA-LN2S5J-30XP2F O2NAFK-2V4ODM-T2ZKTG-WHCUGB



To vote by proxy, use the proxy form at https://am.jpmorgan.com/lu/en/asset-management/sites/extra/.

Your form must arrive at the registered office, via email, post, by 1800 CET on Wednesday, 08 November 2023 using the contact details below:

Email: fundinfo@jpmorgan.com Post: 6 Route de Trèves, L-2633 Senningerberg, Luxembourg

Voting Agenda items will be resolved by a simple majority

Auditors PricewaterhouseCoopers Société coopérative

Registration number (RCS Luxembourg) B 8478

To vote in person, attend the meeting in person.

Legal form SICAV - Fund type UCITS

Registered office 6 route de Trèves, L-2633 Senningerberg, Luxembourg

Location Registered office of the Fund (see below)

THE MEETING

THE FUND

Quorum None required

J.P.Morgan

Notice of Annual General Meeting

JPMorgan Funds

The meeting will be held at the location and time stated in the right-hand column. Agenda for Meeting and Shareholder Vote Presentation of the report from Auditors and Board for the past accounting year.

- 2 Should shareholders adopt the Audited Annual Report for the past accounting year?
- 3 Should shareholders agree to discharge the Board for the performance of its duties for the past accounting year?
- 4 Should shareholders approve the Directors' fees for the accounting year ending 30 June 2024? These are € 88,000 for
- the Chairman and € 70,000 for each non-executive Director. 5 Should John Li, Martin Porter and Daniel Watkins be reappointed to the Board for 3 years?
- 6 Should shareholders re-appoint PricewaterhouseCoopers Société coopérative as Auditors of the Fund and authorise the Board to agree on their terms of appointment?
- 7 Should shareholders approve the payment of any distributions shown in the Audited Annual Report for the past accounting year?

Imagine your advert here

Past accounting year 12 months ended 30 June 2023

Notice of Appointment of Joint Official Liquidators (O. S. r. 3)
THE COMPANIES ACT (2023 Revision)
NOTICE OF APPOINTMENT IS
NOTICE OF APPOINTMENT IS
KUWANT LOS OF LOND LOS (IN GRIGH Liquidators) (the "Fund")
TAKE NOTICE that by order of the Grand Court of the Cyman Islands made on Sociober 2023, Shorest EOF and Liquidators) (registration), regeration of the Companies of the Com

Activist seeks \$7bn in News Corp split

Starboard builds stake in Murdoch group and calls for sale of real estate unit

PATRICK TEMPLE-WEST AND ANNA NICOLAOU — NEW YOR ORTENCA ALIAJ — LONDON

Starboard Value has built a stake in News Corp and is pushing for billionaire owner Rupert Murdoch to break up the company, as legacy media groups face mounting pressure from shareholders to improve performance.

The activist hedge fund run by Jeff Smith announced the position at a conference yesterday, arguing that News Corp's stock market valuation "does not make sense" and calling for a spin-off of

'If News Corp separates the digital real estate assets through a tax-free spin[-off] . . . shareholders will see significant appreciation in the company's share price," Smith said. Starboard estimates that a spin-off of the real estate business would unlock more than \$7bn

News Corp shares are up 20 per cent this year, outperforming the broader US market and giving the group a valuation of \$12.6bn. Its shares have risen 5 per cent since Friday when Reuters reported that Starboard was taking on the Murdochs. The hedge fund has not

shareholder value. "We remain focused on executing our strategic plan, which has helped us set records in profitability over the past three years," it said.

Investors have long complained that the stock market values News Corp at less than the sum of its parts which include newspapers on three continents, financial information group Dow Jones, book publisher HarperCollins and a majority stake in Australian property listings group REA.

Murdoch and his family trust control

Jones, owner of the Wall Street Journal.

down from his role as co-chair of News

Starboard's incursion comes after the Murdochs in 2021 tried to combine News Corp with Fox, a deal that would have reunited their media empire. But, after a pushback from independent shareholders, the Murdochs in January

The following month, News Corp

revealed that a planned sale of one of its real estate assets – an opportunity for shareholders to unlock \$3bn of this

value – had fallen apart. News Corp chief executive Robert Thomson has announced plans to cut staff by about 5 per cent this year because of the hit from challenges such as inflation and rising interest rates.

For the year to June, News Corp's revenue fell 5 per cent to \$9.9bn and net income dropped to \$187mn, a 75 per cent decline from the previous year.

Starboard is known for pushing for changes at software groups such as Salesforce and GoDaddy. It also enjoyed success with a bet on Splunk, which last month agreed a sale to Cisco for \$28bn.

BofA profits beat forecasts on back of rate rises and strong trading

STEPHEN GANDEL — NEW YORK

Bank of America reported an increase in third-quarter profits as the country's traders delivered their best perform-

Profits climbed 10 per cent to \$7.8bn in the quarter from a year ago, the bank said yesterday, as its revenues edged up 3 per cent. Cost-cutting also helped boost the bank's results. BofA has eliminated more than 4,000 positions in the past six months, bringing its total head-count down to just under 213,000 at the

The bank's Wall Street businesses, notably its fixed income and equities \$4.4bn, including a 10 per cent jump in revenue from its equities business,

BofA's results also showed that it has not had to raise payouts as much as rivals to keep deposits. BofA's average interest-bearing deposit account pays 2.1 per cent in annual interest. That is up from 0.35 per cent a year ago, but lower than JPMorgan at 2.53 per cent, and Citi-group at 3.4 per cent.

Despite those lower rates, BofA's total deposits rose slightly over the past three months. The bank linked that jump in

BofA said it expects to make more money if interest rates stay higher for

to fully capitalise on high interest rates as well as some of its rivals in large part high prices and with low yields.

That decision has been a problem for

The bank's net interest yield, or what it makes in interest from its loans and investment and what it has to pay out to depositors and borrowers, shrank to 2.6 $\,$ per cent from a high of 2.9 per cent six

Third-quarter results from the biggest US banks have proved more resilient than expected given fears the US economy may be facing a downturn as

tomers rose 3 per cent in the quarter compared with a year ago. Lending also increased, but only by 1 per cent.

In a sign that the bank is braced for some stress among its customers, BofA set aside \$1.2bn for potential loan losses, up more than 20 per cent from the same

period a year ago "Loan growth has been slower this quarter," BofA's chief financial officer Alastair Borthwick told analysts on a call following the earnings. "But at some point you are going to return to a more

BofA shares were up more than 2 per nt in afternoon trading vesterd:

Industrials

Ambani son not ready to join Reliance board, proxy advisers say

CHLOE CORNISH — MUMBA

Shareholders in Reliance Industries should reject the appointment of tycoon Mukesh Ambani's youngest son to the oil-to-data conglomerate's board, two proxy advisers have said.

Institutional Shareholder Services and Mumbai-based Institutional Investor Advisor Services have argued that the youngest of Ambani's three children, 28-year-old Anant, is too inexperienced to be a non-executive non-independent director on the board of India's biggest company by market capitalisation. They backed the appointments of 31year-old twins Akash and Isha.

Given that the Ambani family and other insiders have 49 per cent voting rights, Anant is likely to be appointed to Reliance's board despite shareholder objections. But the dissent over Anant's experience points to scepticism his father could face as he seeks to convince investors over his succession plan.

Ambani aims to carve Reliance Industries into three interconnected business verticals that can be listed separately digital business Jio, shopping arm Reliance Retail and a core energy business expanding into renewables - to be Anant is involved in the energy unit.

Ambani, 66, is tackling his succession

ISS said Anant's eight years of experience at the group raised 'concerns on his potential contribution'

to avoid repeating the power struggle that broke out between him and his brother Anil after their father Dhirubhai died in 2002 without leaving a will.

While Mumbai bankers expect professionals to continue managing Reliance's businesses, Ambani said in this year's annual meeting in August that his focus has turned to bringing up the company's next generation of leaders - and "I shall especially mentor Akash, Isha and Anant so that they can provide collective leadership," he said.

He added that they would be appointed to Reliance's board by the nd of the year. Shareholders are voting on the appointment by postal ballot, concluding on October 26.

In his AGM speech, Ambani emphasised that his father, the company founder, had appointed him to the board when he was 20.

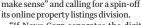
ISS said that while it acknowledged Anant's "appointment is part of the succession plan," his experience in the company of eight years and leadership experience of six years raised "concerns on his potential contribution to the board".

Anant's age "does not align with our voting guidelines", IIAS said. Bloomberg first reported ISS's recommendation.

Reliance told the proxy advisers that Anant had been "part of the Reliance group since 2015", when he would have been 20, and that he has been on the boards of subsidiaries Reliance New Energy Limited and Reliance New Solar Energy Limited since 2021, where he participated in "decision making" for

large strategic investments. Anant's career history, Reliance said, along with "having been groomed by the senior leadership over the years has given him the relevant experience and maturity to add value to the board deliberations."

InGovern Research Services, a Bengaluru-based proxy adviser, endorsed Anant's appointment. Bloomberg reported that US proxy adviser Glass Lewis also endorsed it.



in value for News Corp shareholders.

disclosed the size of its News Corp stake.

News Corp said it was engaged with investors and committed to driving

about 40 per cent of the voting shares in News Corp, a source of concern for some shareholders who complain a "Murdoch discount" keeps the valuation of companies controlled by the billionaire depressed compared with peers. Starboard pointed to the valuation of the New York Times, which trades at a higher multiple of earnings than Dow Murdoch, 92, last month stepped

Corp, handing power to his son Lachlan.

called off the proposed merger.

Pointing the way Palliser wants Japan rail group to raise its game



Keisei Electric Railway, in which UK-based fund Palliser Capital has a 1.6% stake, holds 22% of property business Oriental Land, owner of Tokyo Disneyland

A Japanese rail operator holding a nearly \$12bn stake in the owner of Tokyo Disneyland is being targeted by a UK-based fund, as part of intensifying efforts by shareholders to release value

trapped in corporate Japan. Palliser Capital's campaign comes at a time when Japanese groups are under intensifying pressure to raise value, increase their price-to-book ratios, and improve governance.

Investors have sharpened their focus on large crossholdings of shares between groups in Japan and other non-core holdings that could unlock value if sold.

Palliser, a company led by former employees of Elliott Management, holds a 1.6 per cent stake in Keisei Electric Railway, which runs trains around Tokyo and includes one of the main lines from Narita airport into the city centre. Keisei has a 22 per cent stake in Oriental Land, the ¥8.58tn (\$57bn) listed property group that owns Tokyo Disneyland.

Keisei's stake in Oriental was valued at roughly \$1.3bn on its balance sheet for the full year that ended in April due to accounting conventions in Japan,

even though its current market value is close to \$12bn, an amount twice the current market capitalisation of the railway company itself.

The fund is pushing for the railway company to reduce its stake in Oriental Land and use the sale proceeds to focus modernising its railway, according to people with knowledge of the situation.

Shareholders have been stepping up efforts to release value trapped in the country's businesses

The fund was yesterday set to deliver a presentation on its plans for a Keisei campaign at the 13D Monitor Active Passive Investor Summit, a hedge fund activism conference in New York.

Tokyo is trying to push companies to improve governance standards and lift corporate values. The chief executive of the Japan Exchange Group, which controls the Tokyo Stock Exchange, said last week that it would be setting up a "name and shame" regime

designed to improve companies capital efficiency.

Palliser's presentation said that the distortion caused by the accounting treatment made it impossible for Keisei's management to allocate capital properly. Keisei did not respond to a request for comment.

As Keisei's eighth-largest shareholder, Palliser has been engaged in what it describes in the presentation as "patient, respectful and collaborative engagement" with Keisei's management. Palliser's stake in Keisei allows it to make a shareholder proposal at the next

annual meeting in June. Yet the rail company has been reluctant to reduce its stake in Oriental Land, which it has told Palliser is not non-core and which it holds because the businesses are complementary, according to sources close to Palliser.

John Seagrim, a Japan equities broker at CLSA, said the Keisei stake in Oriental Land was one of the biggest valuation anomalies in corporate Japan. Leo Lewis in Tokyo

second-largest bank continued to benefit from higher interest rates, and its ance in a decade.

trading, proved a bright spot in a quarter marked by volatility across bond markets. Revenues at its sales and trading business climbed 8 per cent to which hit \$1.7bn.

deposits to new accounts, and said it signed up 200,000 additional customers in the quarter.

longer than is currently expected.

Nonetheless, BofA has not been able because of a decision made three years ago to pump \$625bn in pandemic-era deposit inflows into the debt markets at a time when bonds traded at historically

BofA, not only because of the portfolio's unrealised losses - which rose again this quarter to \$131bn, up from \$105bn three months ago – but because it has prevented the bank from reinvesting the cash locked up in those bonds into higher yielding investments.

interest rates stay higher for longer. Spending by BofA's credit card cus-

normal economy and that's what we are seeing in the back half of the year.

Financials

Private credit spree prompts Flowers warning of rude awakening for investors

ANTOINE GARA — NEW YORK

J. Christopher Flowers, the US private equity investor, has warned that a rise in private credit investments by life insurers is creating systemic risk for

Flowers, who attempted a rescue of AIG during the 2008 financial crisis, said investors were underestimating the risks resulting from a flood of money into private credit loans and a push by insurers into these assets in search of higher investment yields.

"Too many people have piled into private credit and it has a special feature that a chunk of it is funded with life insurance assets." Flowers said. "One of these days, some life insurance company is going to get whacked on their private credit . . . You can have a run on a life insurance company."

Assets managed by private credit investment funds have grown to a record \$1.5tn, with annual growth more than doubling to 23 per cent between

2020 and 2022, according to JPMorgan. Fuelling the industry's rise has been a push by private equity groups to manage insurance assets.

Over the past decade, many of the largest private equity groups, such as Blackstone, Apollo, Brookfield, KKR and Carlyle, have acquired or partnered with life insurers as a means to invest broader portfolios of credit-orientated assets. These private-equity-backed insurers have increased investment into private credit assets such as securitised products, private debts, and lowerrated loans

Moody's recently found that privateequity-owned insurers have invested \$102bn into asset-backed securities. nearly a third of their bond investments and about triple the exposure held by the broader insurance industry.

Flowers said he was concerned about the overall growth of private credit assets, which are mostly managed in private and public investment funds, but thought a "systemic" issue or company blow-up would probably come from an insurer holding too much of this

Policyholders of life insurance products could withdraw their assets, creating the conditions for a "run on the bank" if loss rates were to rise in private credit portfolios and scare investors, Flowers pointed out.

"It is where private credit growth and

US investor J. Christophe Flowers says insurers are at risk from their bets on private credit



a run with other people's money could actually happen. No one's really paying attention to it," he said, "Somebody is going to get zapped . . . probably more than one firm, and it will be a rude awakening for investors."

Earlier this year, Eurovita, a private equity-backed insurer based in Italy,

was placed into special administration after it was stung by heavy withdrawals from policyholders seeking higher interest rates. Its failure has led to concern over the health of other private equity-backed insurers after a swift rise in interest rates.

Flowers in 2013 acquired a majority stake in Eurovita before selling it four years later to UK private equity group Cinven. When interest rates rose sharply last year, Eurovita's investments fell in value, hitting its solvency and causing a flood of withdrawals.

Flowers' investment firm, IC Flowers & Co, is known for buying troubled banks and pools of distressed loans. A former Goldman Sachs partner who left the investment bank before its 1999 flotation, Flowers founded the group 25 vears ago and has since invested more than \$17bn in the sector.

He is best known for turning around Long-Term Credit Bank of Japan in the early 2000s and for making a wave of distressed investments after the financial crisis. However, some of Flowers investments suffered losses during that time. His most recent fund, raised in 2022, was less than half the size of a similar fund raised in 2009.

Flowers said that he was surprised by the US regional banking crisis that erupted in March. He declined to participate in a last-ditch \$500mn equity infusion into regional lender Silicon Valley Bank before its quick collapse, but was part of a private equity consortium that tried unsuccessfully to buy the lender from the Federal Deposit Insurance Corporation.

Flowers in recent years has found success backing UK financial groups such as online brokerage Interactive Investor, which was recently sold to Abrdn, and challenger lender OneSavings Bank.

He described the UK as a good investment opportunity. "People are so negative about the UK now, so things are cheap . . . It might be a great time

China EV industry's sales woes fuel expectations of consolidation wave

Many carmakers that flourished during a decade-long investment boom face an uncertain outlook

The future appeared bright for Shanghai electric vehicle start-up Aiways when it was founded in 2017.

Led by former Volvo and state car executives, the company had government backing and counted technology business Tencent, ride-hailing group Didi and battery champion CATL among its investors.

But six years on, and Aiways has never been profitable, has suspended production at a key factory, and is struggling to pay staff and sell its vehicles.

"We have been pushed into a dead end, only hoping the government can return justice to us," employees wrote in an August letter shared with the Financial Times, asking officials to start bankruptcy proceedings and for the company to pay them outstanding wages.

A collapse in sales among scores of

auto groups in China is fuelling expectations for a wave of consolidation that will leave only a handful of companies in the largest car market.

While some of China's carmakers are becoming household names, such as Warren Buffett-backed BYD, hundreds of others that proliferated during an investment boom over the past decade now face an uncertain future

There are approximately 50 domestic EV brands in China which produce pure-electric cars and plug-in hybrids, according to information compiled by research company MarkLines.

But by 2030, "there will be between 10 and 12 major Chinese automakers operating on a large scale", said UBS analyst Paul Gong.

Since Tesla sparked a price war in China late last year, the pace of industry consolidation has picked up. WM Motor, another EV start-up based in Shanghai founded by a former chair of Volvo China, told creditors last week that it had started restructuring proceedings in early October.

Other Chinese companies Singulato Motors and Levdeo became involved in bankruptcy proceedings in recent months, while Shanghai-based EV start-up Enovate suspended production in April.

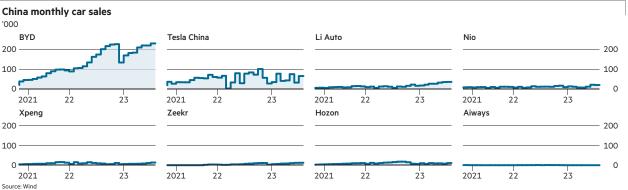
"Price cuts are the new normal in China's car market, which will keep going on until smaller car companies are eliminated," said Zhang Xiang, visiting professor at the engineering department of Huanghe Science and Technology University.

Exporting is widely regarded as one of the solutions to overcapacity in China's EV sector. However, Joe Biden's Inflation Reduction Act, which is aimed at undermining China's dominance in critical sectors, and the EU's newly launched anti-subsidy investigation into Chinese EVs, have added to uncer $tainty \, over \, the \, viability \, of \, the \, strategy.$

Beijing has also tightened issuance of EV production licences in an attempt to tackle growing overcapacity. Annual utilisation rates at EV factories across the country would only be 33 per cent in 2023, Citigroup analysts projected in a May note.

"After those smaller carmakers are knocked out, only a small portion of their production capability will be acquired and reused by other car com-





Aiways, Nio, BYD and Xpeng are leading participants in the China EV space. Pictured **Gumpert Aiways** Ideenion

panies, while most will go to complete waste," said Zhang.

Aiways distinguished itself from peers borne of China's subsidy-driven EV boom with an early and successful focus on overseas markets. But its recent difficulty has put the spotlight on weak sales and funding challenges across the industry.

The business, led by Volvo's former China sales chief Fu Qiang and a former executive of state-owned carmaker SAIC, Gu Feng, established a European R&D and sales headquarters in Munich only five months after its inception.

Data from Aiqicha, a Chinese corporate information provider, showed that Aiways has raised more than Rmb33bn (\$4.5bn) since its founding. As of the end of 2022, Aiways exported 6,259 cars to more than 15 countries including Germany, France, Costa Rica and the UAE. That was more than domestic rivals Xpeng and Nio, according to data from the company and the China Passenger Car Association.

But Aiways has struggled to gain trac-

tion in China. The company's sales increased from 2,698 in 2021, a year after it launched its first EV, to 4,626 cars in 2022, according to data from Wind. That compares with more than 151,000 battery-powered cars sold in September by BYD, the country's top car producer.

In January 2022, Zhang Yang, a former vice-president at rival Nio, was appointed chief executive, replacing cofounder Gu Feng in a management shake-up to boost sales.

However, in July control of the company was handed over to a "temporary governance" working group, led by cofounder Fu and former Chinese central banker Zhu Xiaohua.

In a last-ditch attempt at turning profitable, Zhu and Fu were drawing up plans to restructure and sell vehicles overseas under a new entity and brand

name, said employees. Aiways said that the company had started paying employees in China a few

"Aiways has halted its production and

'We have been pushed into a dead end, only hoping the government can return justice to us' Staff at Aiways

is in process of getting new funding and direction for a restructured company . . . Mr Zhu and Mr Fu took over and the strategy is to sell cars to the overseas market," it said, adding that the company's China and Europe teams were working on the plan.

Industry insiders are not optimistic that the changes will be successful.

They were the first to go to Europe but they were never really well capitalised and hoped to generate revenues from vehicle sales that never materialised," said Tu Le of Sino Auto Insights,

an advisory company.

Aiways' investors were wary of "throwing good money after bad", said Le.

The question remains of what the state of other carmakers will be as a price war continues, and how much money will have been spent before the shake-out. Zhang said: "Technology is advancing fast \dots Car production lines built four or five years ago don't carry much utility value."

Industrials

Umicore rallies after Canada offers battery plant subsidy

HARRY DEMPSEY

Shares in European battery materials specialist Umicore rose 14 per cent yes terday after Canada granted huge subsidies for its planned plant in Ontario.

The stock price rise for the Belgian group, which added almost €1bn to its market capitalisation, highlights how a subsidy race triggered by the US Inflation Reduction Act is benefiting certain parts of the battery supply chain.

The Canadian and Ontario governments pledged late on Monday to provide up to C\$975mn (\$715mn) of support for a cathode materials factory that will cost up to C\$2.7bn and will eventually supply enough material for 800,000 electric vehicles produced by manufacturers including BMW.

As a result of what Umicore called "higher than expected" subsidies, the company cut its capital expenditure forecast from 2022-26 to €3.8bn from more than €5bn previously.

After yesterday's news, Umicore shares staged their second-biggest one-day rally for three decades, having been at a seven-year low earlier this month. The business, which has historically

'Investment in Canada represents the final step in creating a truly global production presence'

made the bulk of its revenues from making catalytic converterss, is one of a few western suppliers that produces the highly specialised materials used in the costliest part of an EV battery, the cathode. Chief executive Mathias Miedreich said the "investment in Canada repre sents the final step in creating a truly global production presence".

Umicore has a joint venture with Volkswagen that has also contributed to lowering its capital spending forecasts. The unit, Ionway, announced last week that its first plant for cathode material production in Europe would be set up in Nysa, Poland.

Umicore also announced a new target for a 25 per cent margin for its earnings before interest, tax, depreciation and amortisation from 2026, up from above 20 per cent to 2030. On Monday, it signed a deal to supply the US battery plants of Chinese-owned AESC with material from its Ontario plant.

 $Meanwhile, Ford \ has \ paused \ building$ a \$3.5bn EV battery plant in Michigan using technology from another Chinese company, CATL, amid Republican criticism and a carworkers' strike

Canada has been a big beneficiary of US president Joe Biden's \$369bn act as raw materials sourced from the country count towards tax credits, while its clean power is a draw for materials production, which is energy intensive. But the US has also offered subsidies

for the battery supply chain, including \$2.8bn from the Department of Energy pushing Canada to respond.

Canada's mining minister Jonathan Wilkinson said last month the government had increased subsidies to persuade companies from moving investments to the US and that the IRA "at times went beyond from a financial perspective where it needed to".

Aerospace & defence

Rolls-Royce to axe almost 6% of workforce in restructuring

SYLVIA PFEIFER

Rolls-Royce will cut up to 2,500 jobs as part of a global restructuring by its new chief executive to streamline its operations and boost returns.

The FTSE 100 company, whose engines power large civil aircraft as well as submarines and military iets, said that the revamp would lead to between 2,000 and 2,500 roles being lost from its workforce of 42,000, a cut of almost 6 per cent.

The plan will create a new procurement organisation in a bid to leverage the engineering group's scale and reduce costs. Back-office functions such as human resources and finance will be brought together.

Rolls-Royce is also centralising its activities focused on engineering technology and safety into a single new division. As part of the overhaul, Grazia Vittadini, chief technology officer who joined from Airbus in November 2021, will leave the group in April.

"This is another step on our multiyear transformation journey to build a highperforming, competitive, resilient and growing Rolls-Royce," said chief execu-

tive Tufan Erginbilgic. Vittadini is the highest-profile casualty of the rejig. Erginbilgic told staff in a memo yesterday that Vittadini had decided to "explore new opportunities" outside the group. He credited her for being a "leading voice in the importance of the energy transition to our business and our customers, while bringing a crucial reality check to the technical challenges that come with that".

The restructuring has been widely expected after Erginbilgic, who became chief executive in January, promised to tackle years of underperformance at the company, which has been through multiple restructurings under successive leaders over the past decade.

A previous revamp under former chief executive Warren East, when the Covid pandemic severely hit Rolls-Royce's civil aerospace business that makes large passenger jet engines, set out to shed 9,000 frontline jobs.

This time, however, the job losses will affect the non-engineering workforce. McKinsey, the consultancy, was brought in this year to advise Rolls-Royce on the revamp. About half of Rolls-Royce's workforce is in the UK. The group employs 10,800 in Germany and 5,400 in the US.

Unite, the union, called on the company to provide more clarity about the job losses and where they might fall.

"Rolls-Royce has provided no justification why it believes these job losses are necessary," said Sharon Graham,

> The engine maker says its latest overhaul will lead to between 2,000 and 2,500 roles being lost from its staff of **42,000** — Omer

Unite general secretary, adding that the announcement "appears to be about appeasing the markets and its shareholders while ignoring its workers".

The company is expected to provide

more details and undate investors on the results of a separate strategic review next month. Erginbilgic has moved quickly to

make his mark on the 117-year-old company, which he described as a "burning platform" in an address to staff in January.

He has also been highly critical of the way in which Rolls-Royce's power systems business, which makes diesel and gas engines for ships and trains, has been run. He told the Financial Times in May that this business had been "grossly mismanaged", with costs not kept under control.

The oil industry veteran has shaken up Rolls-Royce's senior management, including the heads of its civil aerospace and defence businesses, cut spending on non-core projects, and is renegotiating some of its sales and maintenance contracts with customers. Shares have staged a recovery since

the start of the year and closed up nearly 1 per cent yesterday.

In re: Chapter 11
PARTY CITY HOLDCO INC., et al., Ocase No. 23-90005 (DRJ)
Debtors. (Jointly Administered) Debtors.) (Jointly Administered)
NOTICE OF (I) ENTRY OF ORDER APPROVING THE
DEBTORS' DISCLOSURE STATEMENT AND DISCLOSURE
STATEMENT SUPPLEMENT AND CONFIRMING THE FOURTH
AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION
OF PARTY CITY HOLDCO INC. AND ITS DEBTOR AFFILIATES

Businesses face greater scrutiny over greenwashing



increasingly involved in green financial products from carbon offsets to green bonds - the threats they face from greenwashing allegations are increasing as well.

Through August, green and sustainable bond funds recorded \$24.5bn of inflows globally, beating the \$22bn for all of 2022, according to a report from Bank of America.

This demand came amid higher borrowing costs globally and a slowdown in inflows for conventional funds, BofA said. Green and sustainable bond funds now comprise 12 per cent of the wider fund market, up from 10.6 per cent at the end of 2022, the bank said.

Financials

As investors gobble up green debt, companies and their underwriters are under scrutiny. The latest investigation into questionable green debt comes from Unearthed, Greenpeace UK's investigative journalism division, which shone a light on an obscure corner of the green debt market in Brazil.

The Brazilian government has popularised Agribusiness Receivables Certificates (CRA), which are debt securities issued by a securitisation company backed by agribusiness credit rights, according to a definition by the IMF.

But there is little public information available about them.

Greenpeace's Unearthed investigation found that funds raised by CRAs were financing controversial compa-nies, including deforesters and ranchers accused of slave labour in Brazil.

In October 2021 Caramuru, a Brazilian processing company for soy, corn, sunflowers and canola, issued £56.4mn in a green deal structured as a CRA. And the CRA issuing document lists 310 suppliers that Caramuru said it would work

with. Unearthed investigated those suppliers and found some controversial people and organisations involved,

some listed as potential suppliers.

Caramuru said none of its sustainability commitments was violated by the deal and that none of the green CRA funds was bought from suppliers linked to the Unearthed allegations.

"The producers who supplied Caramuru complied with [its] sustainability policy [and] did not put the credibility of the green CRA's operations at risk," the company said in a statement.

Not all of the suppliers listed in the offering documents ended up working with the company, Caramuru said. "It is possible that soy was not acquired from places with issues of illegal deforestation or land grabbing, nor from farms with work similar to slavery."

The CRA deal was underwritten by UBS. The Swiss bank said it did not comment on client relationships.

Unearthed also investigated green CRAs issued by other Brazilian compa-

Sustainability-linked bonds have provisions that increase borrowing costs for companies if they fail to hit specified green targets. SLBs have not achieved widespread use by impact bond fund managers, Morningstar said this year.

SLB issuance has dropped 44 per cent to \$12bn this year, according to Morgan Stanley. "We think investors want SLBs

Unearthed found that funds raised by CRAs were financing companies including deforesters

to work but challenges with the structure amidst high greenwashing risk are deterring [companies]," the Wall Street bank said in August.

are not the only ones investigating green bonds. Regulators are on the hunt, too.

In May, the UK's Financial Conduct Authority launched a probe of the market for sustainable loans. And this month, the European parliament approved new standards to fight greenwashing in the bond market. All compa nies that choose a green label for debt will be required to disclose more information about their proceeds.

The greenwashing challenges with green bonds fall primarily on banks, which underwrite the debt, but are also big issuers themselves

"From the banks' perspective, they can just view [green bonds] as fee collecting activities," said Aaron Yoon, a professor at Northwestern University in Chicago who researches green bonds. "However, we have to note that they are also signatories of all sorts of ESGrelated initiatives."

Banks would be wise to start following up with companies about the sustainability of the proceeds from green bonds, Yoon said. "Sooner or later, the banks will also be scrutinised."

A version of this article first appeared in the Moral Money newsletter, available on

Governance

Boards switch priority back from diversity to experience, says report

The proportion of first-time, female minority ethnic candidates appointed as non-executive directors by the UK's largest listed companies dropped sharply last year, according to

Boards prioritised candidates with experience running publicly listed companies as they contended with destabilising events such as the Russia-Ukraine war and high inflation, according to headhunter Spencer Stuart, which carried out the research on the UK's 150 biggest listed companies.

Thirty-one per cent of newly appointed non-executives in the 12 months to April 30 were first-time directors, down from 44 per cent a year

minority candidates Ethnic accounted for 15 per cent, the lowest proportion since 2020. The figure had jumped to 27 per cent last year as companies raced to meet an official target to have at least one ethnic minority board member.

Chris Gaunt, head of Spencer Stuart's board practice, said there had been "a huge push" to hit the government-commissioned Parker review's target of appointing at least one minority ethnic director by the end of 2021 for the FTSE . 100 and the end of 2024 for the FTSE

"We've seen in the past few years companies rightly focused on achieving that target. And then [by] last year, almost every company had achieved

Targets 'have worked to the extent that they have [made companies] serious about achieving them'

that target and therefore maybe the foot has been taken off the pedal," he said.

The target had been met by 96 per cent of the FTSE 100 and 67 per cent of the FTSE 250 by the end of last year.

The proportion of non-executive vacancies filled by women fell to 51 per cent from 60 per cent a year earlier, according to Spencer Stuart's UK board index due to be published today.

Women now hold 40 per cent of all board roles at the 150 largest listed companies, a slight increase from a year earlier, while minority ethnic directors hold 13 per cent of positions, up from 12 $\,$ per cent last year. The census in 2021 recorded that 81.7 per cent of the population of England and Wales was white.

Targets to increase female and ethnic minority representation on boards "have worked to the extent that they have gotten the PLC community serious about achieving them", said Gaunt.

But there was a question as to whether some companies were yet moving beyond treating board diversity merely as "a compliance exercise".

Of 20 chief executive appointed in the 12 months to April, only three were

women, with four out of 22 chair roles. However, Spencer Stuart said there

had been an increase in women becoming senior independent directors, a role that is often "a good stepping stone" to being appointed as a chair. "We're slightly comforted but not complacent about the fact that now so many new SIDs are women," said Gaunt.

St James's Place bows to FCA and overhauls fees

Wealth manager to create new charging structure after regulatory pressure

HARRIET AGNEW AND OLIVER RALPH

St James's Place yesterday announced the largest overhaul of its fees in its 31-year history, as the UK's biggest wealth manager bowed to pressure from regulators to ensure that it complies with new rules protecting consumers.

The FTSE 100 group has long faced scrutiny over what critics say are opaque and expensive charges for financial advice and stiff penalties for early withdrawals.

In changes announced yesterday, SJP said it would create a new charging

Analysts at Jefferies said the changes would result in a 'material reduction' in SJP's profitability

structure for most new investment bonds and pensions sold to clients. These will operate without early withdrawal penalties, depriving the wealth manager of a chunk of fees. About £47bn - roughly 30 per cent - of SJP's assets under management were subject to exit penalties as of June this year.

Based in Gloucestershire, SJP said it also planned to improve disclosure on its fees by "unbundling" them in a move that would separate charges for initial and ongoing advice, investment management and product administration.

SJP currently discloses fees primarily on an all-inclusive basis, making it difficult for its 900,000 clients to know what they are paying for. The changes will come into effect in the second half of 2025, the company said. "We're making our charging structure more transparent, we're making it more comparable, we're making it simpler," said Andrew Croft, SJP's outgoing chief executive.

SJP has become a powerhouse over the past 30 years as its partnership of 4,800 financial advisers offer clients everything from retirement planning to wealth management. But SJP shares have fallen 40 per cent this year amid fears that the Financial Conduct Authority's new Consumer Duty rules will damage its business.

Shares in SJP fell 21 per cent on Friday after the Financial Times revealed the group faced pressure from regulators to embark on a more radical overhaul of its fees, having made changes in July. Yesterday, the stock slipped 0.5 per cent.

We believe that with these bold changes, St James's Place materially improves transparency and should put an end to concerns around its fee structure," analysts at JPMorgan noted, adding that peers such as Quilter and Hargreaves Lansdown may face pressure to follow suit. Analysts at Jefferies said the changes would result in a "material reduction" in SJP's profitability.

Craig Gentle, SJP's chief financial officer, told analysts that implementing the overhaul would cost between £140mn and £160mn over 2023-25.

'The cash result will be lower in the short term as we transition to the new structure but is likely to be higher in the medium to long term as we begin to generate income from the outset across all of our product wrappers," said Gentle.

The Consumer Duty rules, introduced by the FCA in July, are designed to force companies to show they are acting in customers' best interests. "This is very much Consumer Duty in action," said Mark Polson, principal of The Lang Cat, a financial services consultancy, "At first glance it looks like good news for clients until you read that it won't come into effect until 2025, and won't come in for existing clients at all," he added.



Deal deficit Fresh KPMG job cuts target advisory team

KPMG will launch fresh job cuts and a subdued mergers and acquisitions market and difficult economic

backdrop hit demand for its services. The cuts will affect about 110 people, close to 7 per cent of the nearly 1,700strong UK deals business, say people familiar with the matter. KPMG had previously targeted job

cuts aimed at 2.3 per cent of its UK consultants - 125 positions. The firm, where partners earned an average of £717,000 last year, employs about 17,000 people across its audit, consulting, tax and deals practices

Staff were also set to be told yesterday that deal advisory teams would not receive pay rises this year. They had already been warned that this year's bonus pool would be smaller than 12 months ago. Rising costs and a

dearth of dealmaking have put pressure on large advisory firms. KPMG's rival Deloitte is cutting 800 jobs in the UK, and EY 150 jobs in its business

The Big Four firms' US businesses have run redundancy processes with several thousand staff affected. KPMG said: "A challenging

economic environment has driven a softening in a number of markets . . . We have therefore taken the difficult decision to put forward proposals to reduce our headcount.

KPMG was last week fined a record £21mn with £5.3mn costs for "textbook" failures in its auditing of Carillion, the outsourcer and construction group that failed in 2018, Michael O'Dwyer

Amigo plans move into music streaming

AKILA QUINIO AND OLIVER RALPH

Amigo Holdings, the ailing UK subprime lender winding down its business, is in talks over a move into the music and film streaming market in a bid to preserve "some small value" for shareholders.

The company said yesterday that it had entered exclusive discussions with a group led by Craven House Capital to buy Norway-based music streaming service ONE Bas.com, Swedish film streaming service TV Zinos, payments provider Payzinos, and digital magazine company Magazinos, in exchange for newly issued Amigo shares.

Amigo's shares have been suspended from trading pending more news on the deals. The company said that if the transactions went through, existing shareholders would be "significantly diluted", but would end up with more than if Amigo was fully unwound. If successful, the deal would give the Craven House Capital-backed companies access to the defunct lender's London listing through a reverse takeover.

The agreement to enter exclusive talks until December 14 comes after an 'extensive search" for financing for Amigo's lending business, a task that the company concluded was "effectively not possible".

If completed, the deals would deliver some small value to shareholders which wouldn't be possible otherwise", said chief executive Danny Malone.

The deals offer 'some small value to shareholders which wouldn't be possible otherwise'

"We have remained open to investment opportunities that would allow the business to restart, but have always said the likelihood of success to be very low," he said. "Unfortunately that has been the case."

Both ONE Bas.com and Magazinos are headed by Stockholm-based entrepreneur Catos Crogh.

The lender in March said it would halt

all lending and wind down its business after several efforts at restructuring and its failure to raise a crucial £45mn from

The UK's financial watchdog in February censured Amigo for failing to properly assess whether borrowers could afford its loans but spared it a £72.9mn fine to avoid "serious financial hardship".

Amigo's collapse as a lender came amid wider turmoil in the subprime lending market, which provides loans to borrowers who are unable to use traditional lenders due to their credit

A regulatory crackdown claimed some of the sector's biggest names, including payday lender Wonga, which collapsed in 2018 following a flurry of claims from former customers.

Malone, who resigned from the top job in May, would continue to lead Amigo past his notice period until the end of the year in an effort to help with the negotiations, the company said. Amigo would continue to wind down its lending business as planned, it added.

Automobiles

Volta Trucks bankruptcy puts roles at risk

PETER CAMPBELL

About 600 UK automotive jobs are at risk after electric lorry start-up Volta Trucks said yesterday it was planning to file for bankruptcy, becoming the latest electric vehicle entrant to falter.

The private Swedish company began production of its electric 16-tonne truck in April using contract manufacturer Stevr Automotive in Austria, but it ran into difficulties after its battery supplier, Proterra, filed for Chapter 11 Bankruptcy in the US in August.

That lowered the number of vehicles Volta could make and made it harder for the company to raise additional capital, the board said yesterday. As a result, it had taken the "difficult" decision to begin bankruptcy proceedings.
"The main trading entity of the group,

Volta Trucks Limited, will shortly file for administration in England, with insolvency practitioners from Alvarez & Marsal anticipated to take office," the company added.

Most of Volta's engineering and development work was carried out in the UK,

with about 600 of the company's 850 staff spread across sites near Reading, Nuneaton and Gaydon. It was one of dozens of EV start-ups

that emerged in the past decade, driven by the relative ease of developing a battery vehicle, compared with a traditional engine-driven vehicle, and spurred on by cheaper financing.

Many of those businesses have since

Most of the private Swedish company's engineering and development work was carried out by 600 staff in the UK



struggled to produce vehicles, while sev eral have already run out of funds, because of global market uncertainty and growing investor scepticism about the long-term prospects of further EV players.

Lordstown Motors, a business formed in order to save a defunct General Motors factory in Ohio, filed for bankruptcy over the summer, followed

Arrival, a UK business that has scaled back its once-lofty ambitions and laid off most of its staff, has also warned investors it was seeking lifeline funding to prevent its collapse.

by China's WM Motor more recently.

"Like all scale-ups in the EV manufacturing sector, Volta Trucks has faced challenges along the way," the company

The bankruptcy of its battery supplier

"had a significant impact on our manufacturing plans, reducing the volume of vehicles that we had forecast to pro duce", it added.

"The uncertainty with our battery supplier also negatively affected our ability to raise sufficient capital in an already challenging capital-raising environment for electric vehicle players.'

The business had about 5,000 preorders for vehicles, and had begun delivering finished trucks to some customers across Europe, with plans to scale up manufacturing. It had raised €300mn from investors, which included the Swedish group Byggmästaren Anders J Ahlström.

Crypto. Enforcement actions

Israel orders freeze on accounts in bid to block Hamas funding



Authorities oversee more than

100 closures on Binance as

militants appeal for donations

SCOTT CHIPOLINA

Israeli law enforcement authorities have ordered dozens of cryptocurrency accounts to be closed and seized millions of dollars' worth of crypto coins as they step up longstanding efforts to cut links between crypto markets and Hamas after its attack on

the country.

People directly familiar with Israel's enforcement actions told the Financial Times that more than 100 accounts on Binance - the world's largest crypto exchange - had been closed since $Hamas \'s \ as sault \ began \ on \ October \ 7.$

Authorities have also requested information on up to 200 additional crypto accounts, most of which are held on Binance, the people said.

Binance confirmed it had "blocked" a "small number" of accounts since the summer and added that it "follows internationally recognised sanctions rules". It declined to provide further comment.

Governments and regulators have warned for years that terrorist organisations could be using lightly regulated crypto markets to receive and transfer money. But the attack on Israel, followed by numerous crypto-based fundraising efforts by Hamas and related entities, has made those concerns more

In this period of war, cryptocurrency is a major issue for financing terror because there are no other options," said Tom Alexandrovich, executive director at the Israel National Cyber Directorate. "The amount [of crypto funds] have super-increased since the attack began, he added.

On Monday, Tether - whose digital token is widely used for crypto trading said it had frozen 32 addresses, containing more than \$873,000, that it said had been linked to "terrorism and warfare" in Israel and Ukraine.

It did not disclose when the accounts were blocked or the split in assets between Israel and Ukraine.

Multiple social media posts over the past week have sought donations in cryptocurrencies to Hamas-related organisations, according to Israeli law enforcement documents seen by the Financial Times.

People familiar with Israel's enforcement operation said roughly 150 donation initiatives affiliated with Hamas and other groups have been identified

Last week, the Israeli police force said in a social media post that it had frozen an unspecified number of accounts used by Hamas for fundraising. It declined to $\,$ comment on Binance.

US financial regulators have alleged that money held on Binance has had

links with Hamas in the past.
A Commodity Futures Trading Commission lawsuit against the exchange in March alleged that senior Binance executives had received information "regarding Hamas transactions" in

A Binance employee at the time told colleagues that terrorists usually send "small sums" because "large sums constitute money laundering", the lawsuit

Another joked that someone "can barely buy an AK-47 with 600 bucks". Binance has said it will fight the suit.

Even before the attack, Israeli law enforcement officials had been tracking crypto accounts suspected of links to terrorism financing, according to Israeli

A person with direct knowledge of Binance's sanctions and compliance procedures said information had been requested regarding "hundreds" of accounts on the exchange

"The scale is now much bigger [for Binance] than it was before [October 7]," the Binance employee said.

Every time Hamas publishes an $address\,for\,donations, the\,company\,has$ to go back and find all the Binance customers that have had exposure to this Heightened Israeli security along the border with Gaza - Atef

address," the person added. Israeli authorities are also drawing on assistance from the public to identify and track the flow of suspicious funds across crypto markets.

According to Alexandrovich, the volunteer task force is "super important" and multiplies official resources "by the

In the past two years, Israeli authorities have seized millions of shekels in crypto accounts which they suspected of having links to Hamas and other militant organisations in the Middle East.

In August, analytics firm Elliptic found that crypto wallets associated with multiple suspicious Middle East groups had at times transacted with one another and that the groups also historically relied on the same crypto exchange services in an attempt to convert their crypto into sovereign curren-

After another shutdown in June, Israeli defence minister Yoav Gallant said combating terror financing becomes "even more complex when digital currencies are involved".

Global regulators such as the Financial Stability Board are working on a framework for tackling terrorist financing in crypto assets.

I think governments need to focus on how fast the technology moves . terrorists are smart and we need to track them," said Alexandrovich.



Our global team gives you market-moving news and views 24 hours a day

Fixed income

Two-year US Treasury yields hit 17-year high on strong retail sales figures

KATE DUGUID - NEW YORK
MARY MCDOUGALL — LONDON

Short-term Treasury yields jumped to their highest level in 17 years yesterday as stronger than expected US retail sales data breathed new life into a global bond

The two-year Treasury yield, which moves with interest rates expectations rose 0.09 percentage points to 5.20 per cent, its highest level since 2006.

The sell-off came after the latest signs of American consumers' resilience fanned investors' fears that the US Federal Reserve could lift borrowing costs further in its fight against inflation.

The 10-year Treasury yield, a benchmark for financial assets around the world, climbed 0.15 percentage points

The moves took yields close to the 16-year peak of 4.89 per cent struck earlier this month as worries over "higher for $longer" interest \, rates \, rocked \, global \, debt$ markets. The renewed sell-off also ends a

period of respite for bonds over the past week as the outbreak of war between Israel and Hamas spurred demand for safe assets such as Treasuries.

"The US retail sales data was super

strong, no wonder yields have bounced

'If you're the Fed and you are truly datadependent, how are you not going to raise rates?'

back," said Peter Schaffrik, global macro strategist at RBC Capital Markets. "I guess after Israel lots of people bought the market and have again been long and wrong. It appears that in the greater scheme of things [the conflict] doesn't look that likely to really impact the US or European economy."

Tuesday's commerce department fig ures showed that US retail sales rose 0.7 per cent in September, more than analvsts had forecast, extending a recent series of strong economic data.

Swaps markets are now pricing a roughly 50 per cent chance of a further Fed rate rise by the end of the year, compared with 37 per cent on Monday. Investors are also expecting fewer rate cuts by the end of 2024 than before.

"The data between the last [Fed] meeting and now has been a blowout payrolls number, strong core CPI and strong retail sales," said Eric Winograd, senior economist for fixed income at AllianceBernstein. "If you're the Fed and you are truly data-dependent, how are you not going to raise rates?"

Fed chair Jay Powell will speak tomorrow at the Economic Club of New York, at which he may give some insight into officials' thinking ahead of the central $bank's\,next\,meeting\,in\,two\,weeks'\,time.$ Government bond yields in Europe

followed US Treasuries higher.

Transport

EU to seek more concessions for airline mergers beyond giving up airport slots

JAVIER ESPINOZA — BRUSSELS PHILIP GEORGIADIS — LONDON

Regulators in Brussels will seek tougher concessions from airlines looking to merge in order to ensure fair competition, new EU antitrust commissioner Didier Reynders has said.

Airlines typically offer to give up valuable airport take-off and landing slot concessions to rivals to clear the way for deals. But there is evidence these concessions have not always worked for past deals with some slots not taken up or not used on the routes planned.

Brussels will now ask airlines to ensure slots are allocated to rivals on routes with competition concerns. In some cases, airlines may also be asked to sell assets not core to their passenger business to gain clearance.

In his first interview since becoming commissioner for competition, Reynders told the Financial Times: "We see some remedies are not efficient. In the past, the main request [to airlines] was to ask [to offer] slots to other com-

But he added that, if it were "impossible and not enough", regulators needed to seek other concessions from airlines, such as forcing them to sell assets.

"Some years ago, we were sure the slots solution was fine. Maybe the

results are not there," added Reynders, who is caretaker commissioner while Margrethe Vestager is on unpaid leave to run for president of the European Investment Bank.

His comments coincide with a wave of consolidation in the European airline industry after the pandemic disruption.

One antitrust lawyer said the commission had changed the way that it looked at airline mergers since the pandemic because of "scepticism" over the

The commission could insist on the disposal of assets that would "directly



Scandinavian airline SAS was part of the dealmaking flurry last week

support the entry and viability" of a competitor. The assets could range from planes to cargo businesses or contracts with airport ground handlers.

Last week, Air France-KLM joined the dealmaking flurry as it agreed to take a 20 per cent stake in Scandinavian airline SAS as part of a rescue deal involve ing private equity firm Castlelake and the Danish state.

Germany's Lufthansa in May agreed a €325mn deal to buy a 41 per cent stake in ITA Airways, the successor to bankrupt Alitalia, which people familiar with the matter expect to be probed by the commission. In February, British Airways owner

International Airlines Group agreed to buy the 80 per cent of Spain's Air Europa that it does not already own for about €400mn. The EU is expected to announce a

competition investigation into the IAG deal on the grounds that it could reduce competition on Spanish domestic and international routes. Regulators have tended to require air-

lines to divest slots before approving deals. But such remedies are most effective only at the busiest airports. Barclays analysts noted that in IAG's

bid for Air Europa, "slot divestitures would not be effective" because Madrid airport is not slot-constrained.

The scale

is now

much

bigger

than it.

was before

October 7'

EQT weighs private stock sales to trim portfolio without 'dysfunction' of IPOs

ANTOINE GARA

Nordic private equity fund manager EQT Group is drawing up plans to hold private stock sales for its portfolio companies because public markets have proven unreliable to exit invest-

EQT chief executive Christian Sinding said private auctions among the fund manager's 1,100 limited partners could provide a novel way for its backers to monetise their illiquid holdings without the need to sell shares in initial public offerings.

The preliminary plans have been driven by what Sinding described as 'dysfunction" in the IPO markets, he told the Financial Times.

The comments come as the volumes of new offerings in Europe have slumped to their lowest level since the 2008 financial crisis and private equity firms have a harder time selling down their stakes in portfolio companies.

A slowdown in dealmaking and lack of IPO prospects have prompted fund managers to embrace more creative financial engineering techniques to return capital to their LPs.

In EQT's plans, the firm would hire an $\,$ investment bank to build a book of

interested buyers and sellers of a single

private investment, much like the proc-

ess of hiring underwriters for a traditional IPO.

The underwriter would lead negotiations on pricing, but instead of soliciting investment from public market inves tors such as hedge funds, mutual funds and other large institutional investors, they would focus on EQT's existing investors. The private transaction would give investors in the private company the ability to sell shares, or simply

'As long as the price is set in a fair way at a fair value, it doesn't matter that the transaction is private'

hold them. Others would get the chance to buy.

"As long as the price is set in a fair way at a fair market value, it doesn't really matter that the transaction is private," said Sinding. "Why go public if we actually don't need to?"

Sinding acknowledged that the idea was untested and could change with investor feedback. For instance, in IPOs. investors often do not wind up receiving full allocations, something that might anger some of them, while others would like to sell more stock than they can.

These deals would differ from so-

called "continuation funds," an increasingly common private equity tactic where firms solicit specialised secondaries funds to buy an individual portfolio company, or a group of companies, from a fund, said Sinding.

In these deals, exiting investors sell their investment to the secondaries buyers, who commit to a new "continuation" fund alongside the investors who choose to roll their investment into that new fund. Private IPOs may be more cost efficient, said Sinding, because secondaries funds often come with layers of

"This is not really happening yet, but it's kind of the next generation of contin-uation of vehicles," Sinding said.

EQT, which manages €224bn in assets, has been frustrated with IPO drawbacks including their access to a limited pool of potential buyers, mostly hedge funds, which may own shares for a short period of time.

Exchange traded funds often are not in a position to buy companies until they are included in main stock indices. Active investment managers, meanwhile, have struggled to maintain their assets, cutting into availability of capital for newly listed companies.

"There's dysfunction in the IPO market . . . The barriers are actually quite

Turbulence shows US bonds are losing strategic anchors

Mohamed El-Erian

Markets Insight

ast week's unusual turbulence in Treasuries points to a deeper issue than just the latest reading of the runes on inflation and the interest rate intentions of the US Federal Reserve.

The US bond market is losing its strategic footing — whether in economics, policy or technical aspects.

There are readily available short-

There are readily available shortterm explanations for the rollercoaster ride in yields that has garnered significant attention in the US and beyond.

Early in the week, dovish statements by several Fed officials influenced market sentiment by indicating the possibility of no further interest rate hikes as the market had been doing the heavy lifting for them. Geopolitical concerns reinforced the yield movements. Bonds rallied sharply with yields falling.

rallied sharply with yields falling.
Midweek, the focus shifted to inflation data — including certain measures that came in hotter than expected at both the producer and consumer levels.

On Friday, geopolitical worries resurfaced as the market feared an escalation of the tragic conflict in the Middle East. On Thursday alone, the 10-year Treasury yield swung nearly 0.2 percentage points between an intraday high and low.

But my primary concern lies elsewhere: the most influential segment of global markets is losing its longer-term strategic anchors and is at risk of losing its short-term stabiliser ones as well.

The recent consensus on economic growth for the world's largest economy has been erratic with forecasts fluctuating between a soft and a hard landing with the occasional mention of crash and no landings as well.

Expectations about the Fed's actions have similarly fluctuated from potential rate cuts in the near term to maintaining

higher rates for a longer period. Fed policy is further shrouded in uncertainty with questions over what the equilibrium level of interest rates should be, the delayed effects of a concentrated cycle of rate rises, the impact of a shrinking balance sheet and the absence of an effective monetary policy framework.

All of this occurs in a context of substantial fiscal deficits that show no signs of significant moderation, for reasons that include Congressional dysfunction and the considerable bills associated with past promises and ongoing transitions in response to critical challenges such as climate change.

The most crucial market is on an unpredictable journey with an uncertain destination

Consequently, the balance of risks suggests more significant fiscal pressures than originally anticipated.

This uncertainty also extends to longer-term supply and demand dynamics. Despite rising interest rates, there is genuine doubt about who will readily absorb the additional supply of government debt associated with high deficits.

The Fed, which was the most reliable buyer for over a decade with a seemingly limitless printing press and little price sensitivity, is now selling bonds—reversing its quantitative easing programmes since the financial crisis with quantitative tightening.

Foreign buyers seem more hesitant, including for geopolitical reasons. A significant portion of the large domestic institutional investor base, such as pen-

sion funds and insurance companies, already holds substantial quantities of bonds at large mark-to-market losses.

Additionally, concerns about the stability of regional bank deposits persist, possibly leading them to sell bonds if deposits decrease.

Fortunately, the bond market still possesses some short-term stabilisers, which have mitigated even more extreme daily fluctuations.

Sudden surges in yields attract buyers seeking greater certainty to lock in higher income for the long term while sudden yield drops translate into higher prices, allowing some overexposed investors to lighten up on any holdings where they are sitting on paper losses.

However, it's important to note that their resilience should not be taken for granted. No matter how you look at it, the world's most crucial benchmark market is on an unpredictable journey with an uncertain destination.

I recall during the transition I made

I recall during the transition I made approximately 25 years ago from the public to the private sector when I was cautioned by a bond trader that there would be moments when technical factors would override fundamentals, resulting in price volatility that could potentially destabilise both the financial markets and the broader economy.

He was applying this good old-fashioned "tail wagging the dog" phenomenon to emerging markets.

Without a more concerted effort to reestablish key anchors, it seems that this warning needs to be taken more seriously in the most systemic segment of mature markets.

Mohamed El-Erian is president of Queens' College, Cambridge, and an adviser to Allianz and Gramercy

The day in the markets

What you need to know

Wall Street rises as investors draw optimism from bank earnings
 Chipmakers slide after Washington tightens rules on exports to China
 US government debt sells off in wake of retail sales figures

US blue-chip stocks rose yesterday as investors grew more optimistic on bank earnings and US consumers' resilience to higher interest rates.

Wall Street's benchmark S&P 500 was 0.3 per cent higher by midday in New York, having earlier slumped by as much as 0.7 per cent on stronger than expected September US retail sales figures.

US banks led the way with the KBW

Banks index up 2 per cent after investors welcomed stronger third-quarter results from Bank of America.

But shares in Goldman Sachs slipped

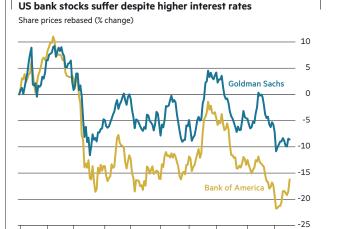
But shares in Goldman Sachs slipped after it reported an eighth straight quarter of falling earnings.

The tech-heavy Nasdaq Composite was flat, with chipmakers slumping after the Biden administration moved to tighten exports of advanced computer chips to China.

Nvidia lost ground, pulling the Philadelphia semiconductor index 0.4 per cent lower.

Some analysts argued that consumer spending was nevertheless set to slow over the coming months.

"With employment and wage growth slowing and the resumption of student loan repayments taking an additional bite out of disposable incomes, it is still hard to see how this [consumer] strength can last," said Andrew Hunter, deputy chief US economist at Capital Economics.



2023

Across the Atlantic, the region-wide Stoxx Europe 600 fell 0.1 per cent, led by drops for real estate and basic materials.

crops for real estate and basic materials.

London's FTSE 100 bucked the trend, rising 0.6 per cent on the back of gains

for healthcare and energy groups.

US government debt markets — which sold off heavily last month — reacted to September's solid retail figures more forcefully than stocks.

The two-year Treasury yield, which moves with interest rate expectations, rose 9 basis points to 5.20 per cent, its highest level since 2006, after the commerce department's report fanned

investor fears that the US Federal Reserve could lift borrowing costs further in its fight against inflation.

Oct

Traders in futures markets are pricing a roughly 47 per cent chance of a further Fed rate rise by the end of the year, compared with 37 per cent on Monday.

compared with 37 per cent on Monday.

Commodity markets were relatively muted as diplomats ramped up efforts to contain the Israel-Hamas war.

Prices for Brent crude, the global oil benchmark, fell 0.1 per cent to \$89.56 a barrel while European natural gas prices rose 0.5 per cent to €48.85 per megawatt hour. **George Steer**

Markets update

		0			*(*	
	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	4385.05	1787.14	32040.29	7675.21	3083.50	116822.41
% change on day	0.26	-0.11	1.20	0.58	0.32	0.25
Currency	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	106.215	1.058	149.710	1.218	7.315	5.023
% change on day	-0.026	0.284	0.043	-0.082	0.041	-0.603
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	4.813	2.879	0.780	4.654	2.705	11.337
Basis point change on day	9.970	9.500	2.950	2.300	1.200	-2.100
World index, Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LMEX)
Level	438.73	89.45	86.35	1918.05	22.60	3565.50
% change on day	0.37	-0.22	-0.76	0.46	2.77	0.12

FT LIVE



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Main equity markets

4640 4480 4320 4160 Aua 2023 Oct

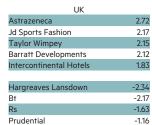
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Biggest movers

	Vf	14.18
Ups	Solaredge	4.66
	Insulet	4.62
	Dexcom	4.46
	FMC Corp	4.40
Downs	Nvidia	-3.63
	Western Digital	-2.83
	Moderna	-2.65
	Catalent	-2.28
	Bio-rad Laboratories Incclass A	-2.02

Casino Guichard	4.84
Edenred	4.60
Telecom Italia	3.69
Airbus	3.30
Hugo Boss	1.77
Kbc	-4.57
Brenntag	-3.86
Alstom	-2.39
Deutsche Boerse	-1.97



All data provided by Morningstar unless of

Wall Street

Leaping to the head of the S&P 500 index was **VF Corp**, reacting to news that Engaged Capital had built up a stake in the fashion group, although the size of the holding was not yet clear.

At an investor summit in New York, the activist investor outlined actions with the "potential to triple VF Corp's share price in less than three years".

The company behind such shoes and clothing brands as Vans and Timberland should "publicly commit to no further acquisitions" and enact cost-cutting that would result in \$300mn of savings, said Engaged in a presentation.

Activist activity was also behind a rise in **Fortrea** with a regulatory filing revealing that Starboard Value had taken an 8.7 per cent holding in the contract research organisation.

At the tail—end of the blue-chip benchmark was chipmaker **Nvidia** after the US Department of Commerce unveiled plans to curb the sale of some artificial intelligence chips to China.

The new rules were intended to close a loophole around an earlier restriction on Al chips.

Lucid retreated after its latest numbers disappointed with the luxury electric car group delivering 1,457 vehicles for the quarter ended September 30, up 3.8 per cent from the 1,404 delivered during the previous period. Ray Douglas

Europe

Chipmaker **Nordic Semiconductor** fell sharply on third-quarter revenue of \$135mn — down 33 per cent year on year and below Jefferies' \$137.3mn estimate.

Svenn-Tore Larsen, chief executive, said a "cyclical downturn" in Nordic's main markets was "deeper and more prolonged than we had expected with lower enduser demand and continued inventory adjustments".

Jefferies looked past this update, expecting the internet of things sector "to show one of the steepest and earliest rebounds", which would in turn "deliver a strong recovery in Nordic's sales and earnings" next year.

Umicore jumped on signs that the pieces were "finally coming together" for its battery materials business, said Citi.

The Belgian group, which produces materials for solar cells, rechargeable batteries and catalytic converters, announced a 10-year supply contract for EV materials in North America and its intention to begin building a battery materials plant in Canada

Swiss contract drugmaker **Lonza** tumbled after downgrading its 2024 margin guidance to "high twenties" from 31 to 33 per cent stated in July.

31 to 33 per cent stated in July.
This reflected the termination of a
Moderna agreement and "the risk of a
smaller Kodiak Sciences business", it said.

London

Topping the FTSE 250 index was **Digital 9 Infrastructure**, which raised the possibility that it may return more money to shareholders.

The investor in internet infrastructure said it was "developing a set of actions focused on maximising shareholder value", having received feedback from investors on a number of areas including D9's dividend policy and the "future direction of the company"

direction of the company".

Joining D9 near the top of the mid-cap index was Moneysupermarket.com, the price comparison website, which reported group revenue that was 7 per cent ahead of analysts' estimates, said

cent ahead of analysts' estimates, said RBC Europe. This was mainly the result of growth in its insurance channels, which benefited from "high levels of switching by

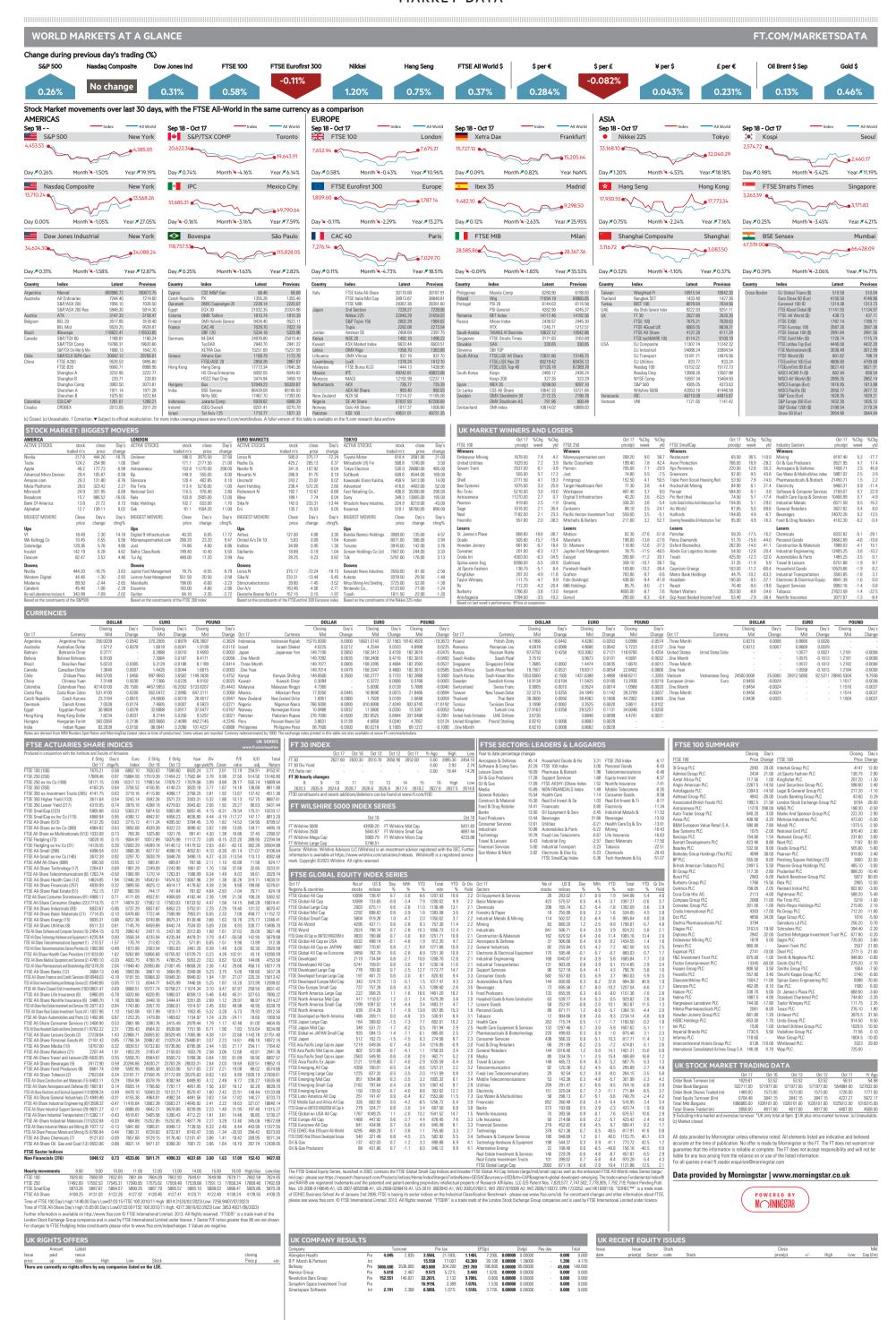
its insurance channels, which benefited from "high levels of switching by consumers in home and car" policies, said Steve Clayton, head of equity funds at Hargreaves Lansdown.

Sinking to the bottom of the FTSE 250 was fund manager **Jupiter**, which reported assets under management of £50.8bn as of September 30, falling short of the £51bn consensus estimate, noted Jefferies.

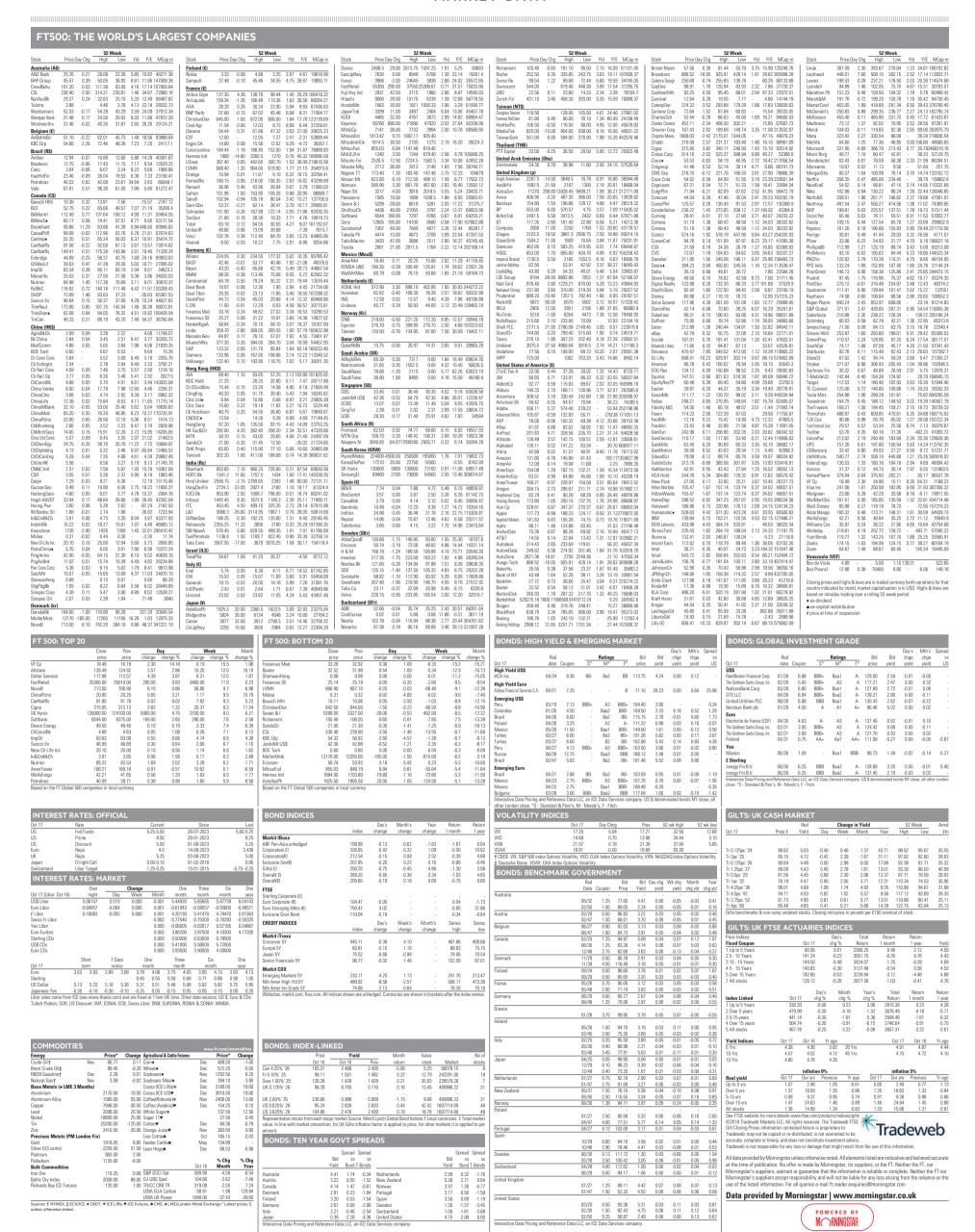
This was driven by outflows from retail and wholesale clients during the past three months, with "macroeconomic uncertainty" weighing on demand for risk assets, it said. Ray Douglas

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MARKET DATA



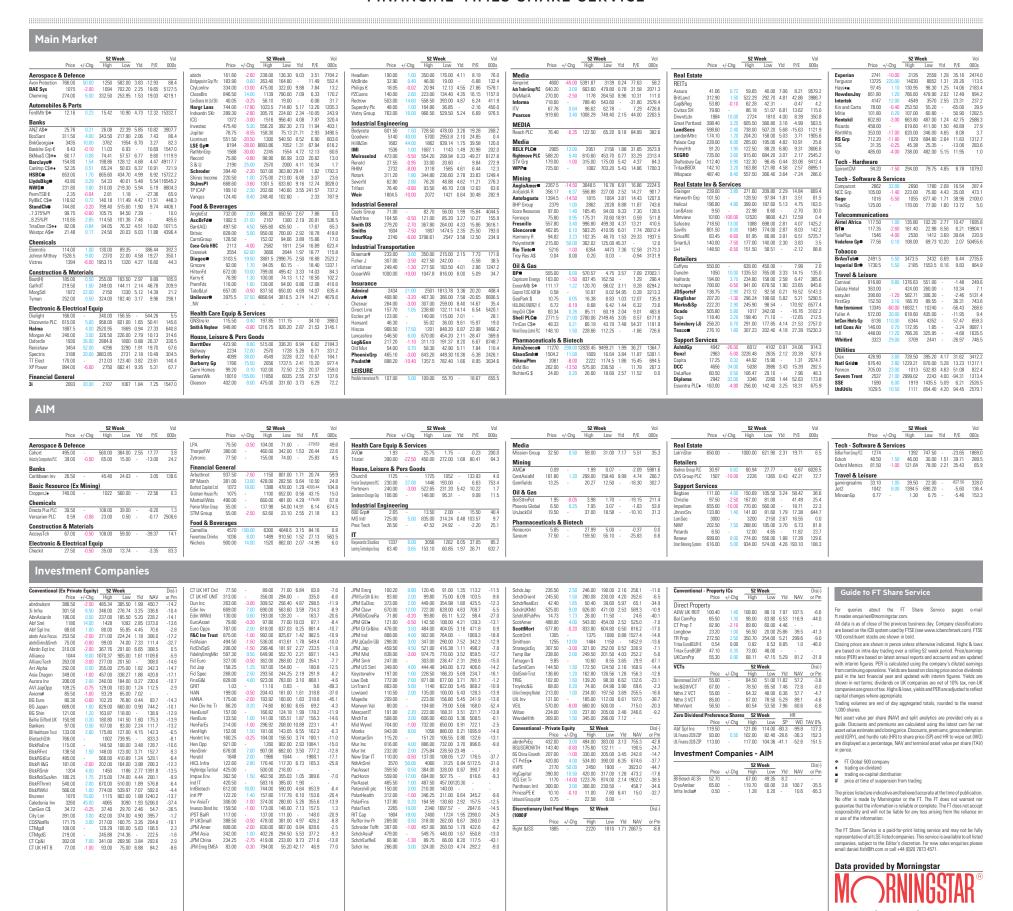
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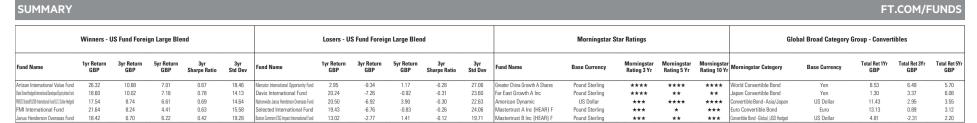
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Ashmore

US Equity Growth Fund USD B \$ 51.56 0.73 0.00 28.19 -1.08 US Flexible Equity Fund USD B \$ 26.42 US Mid-Cap Growth Fund USD C \$ 17.42 US Small Cap Blend Fund USD B \$ 21.37 0.27 0.00 30.02 8.42 0.22 0.00 18.02 -1.70 0.25 0.00 9.53 5.46 US Smaller Companies Fund USD B \$ 33.57 0.48 0.00 7.22 -0.20 US Sustainable Growth Fund USD C \$ 26.55 0.28 0.00 31.83 5.58 nable Value Fund USD C Acc \$ 10.81

Sustainable Emerg Mkts Equity Fund A-ACC Shares £ 1.52 Sustainable Emerg Mkts Equity Fund A-ACC Shares £ 1.52 -13.81 -0.91 Sustainable Funneen Fruity Fund W-ACC-GRP € 5-36 -0.01 1.04 14.89 2.17 Sustainable MoneyBuilder Income Fund W-ACC-GBP £ 12.09 **-0.02** 4.33 7.28 -5.90 Sustainable Multi Asset Balanced Fund W-ACC-GBP £ 0.93 0.00 1.57 5.27 0.00 1.71 3.41 Sustainable Multi Asset Conservative Fund W-ACC-GBP £ 0.88 0.00 1.42 5.84 Sustainable Water & Waste W-ACC-GBP £ 1.11 0.02 0.54 4.92 0.82 Sustainable Water & Waste W-INC-GRP £ 1.09 0.01 0.54 4.93 0.83 UK Opportunities Fund W-ACC-GBP 229.20 UK Select Fund W-ACC-GBP £ UK Smaller Companies W-ACC-GBP £ 3.48 0.01 2.22 11.78 14.92

6.13 6.58 -0.08 2.85 -17.54 -1.07

Janus Henderson

-INVESTORS-

Janus Henderson Investors
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-0.05 2.84 4.38 -3.11

Authorised Inv Funds
Emerging Markets Equity Fund \$117.56 0.44 0.00 15.23 -2.23 -0.39 0.00 17.23 -4.07 ng Markets Equity ESG Fund \$ 133.90 rging Markets Active Equity Fund \$117.25 0.35 0.00 10.55 -5.56 Emerging Markets Frontier Equity Fund \$ 180.83 **-0.40** 0.98 4.37 7.30 Emerging Markets Blended Debt Fund \$ 49.42 0.05 5.36 9.93 -9.52 Emerging Markets Blended Debt ESG Fund \$ 87.21
Emerging Markets Debt Fund \$ 54.25 Emerging Markets Corporate Debt Fund \$ 55.93 -0.07 7.05 6.23 -7.82 ng Markets Local Currency Bond Fund \$ 60.54 0.12 5.03 14.61 -1.98

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Capital Gearing Portfolio GBP V £175.73 176.69 -0.51 1.71 -0.26 2.15 £ 158.74 159.22 -1.46 1.28 -8.41 -2.30 Dollar Fund Cls D Inc £ 158.74 159.22 -1.46 1.28 -8.41 -2.30 £ 88.95 89.22 -0.41 1.27 -1.79 -4.76 £ 190.43 191.00 -1.26 1.78 -6.84 -2.47 Dollar Hedged GBP Inc Real Return CIs A Inc

\$780.49

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5.65 10.95 5.00 -0.80 3.10 7.86 7.26 -0.60 2.05 22.23 10.72 **-0.60** 2.69 22.96 11.34 EdenTree European Equity Cls B Inc 329.10 EdenTree Global Equity Cls A Inc 331.90 1.80 0.70 13.07 4.30 EdenTree Global Equity Cls B Inc 334.60
EdenTree Responsible and Sust S Dtd Bd B 92.67 EdenTree Sterling Bond Cls A Inc 81.44 -0.15 4.32 4.63 -4.43 EdenTree Sterling Bond Cls B Inc 92.39 -0.17 4.31 5.27 -3.84 denTree UK Equity CIs A Inc EdenTree UK Equity CIs B Inc 203.90 2.19 6.84 -0.90 EdenTree UK Equity Opps CIs A Inc 260.70 1.28 8.90 1.00 EdenTree UK Equity Opps Cls B Inc 266.00 Edentree Global Impact Bond B 82.76 Edentree Green Future B Net Inc 97.75 0.68 0.82 6.25 EdenTree Managed Income Cls A Inc 116.80 0.10 5.11 10.62 6.22

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Janus Henderson Emerging Markets Opportunities Fund A Acc 193.90

Janus Henderson European Growth Fund A Acc 292.10

Janus Henderson UK Alpha Fund A Acc 129.20

Janus Henderson UK Equity Income & Growth Fund A Inc 476.40

us Henderson US Growth Fund A Acc 1915.00

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HC Kleinwort Hambros Growth A Inc 219.02

HC Kleinwort Hambros Equity Income A Inc. 90.72

HC Kleinwort Hambros Equity Income A Acc 185.92

HC Kleinwort Hambros Fixed Income A Acc 123.89 - -0.03 3.44 -10.06 -2.73 HC Kleinwort Hambros Fixed Income A Inc 93.86 - - - 0.02 3.44 -10.06 -2.73

Algebris Core Italy R EUR € 129.93 **-0.89** 0.00 7.07 9.35 Algebris Financial Credit R EUR €150.75

Algebris Financial Credit R EUR €150.75 -0.37 0.00 11.06 -0.48 -0.32 0.00 10.29 -1.08 Algebris Financial Credit Rd EUR € 86.60 -0.19 6.20 10.28 -1.05 Algebris Financial Equity B EUR € 178.98 1.61 0.00 23.34 28.59 Algebris Financial Equity R EUR €149.23 Algebris Financial Income R EUR €168.45 1.05 0.00 13.80 11.58 ebris Financial Income Rd EUR € 98.07 0.62 4.97 13.79 11.58 Algebris Global Credit Opportunities I EUR € 130.37
Algebris Global Credit Opportunities R EUR € 126.85 -0.39 0.00 11.19 1.46 Algebris Global Credit Opportunities Rd EUR € 107.10 -0.32 3.54 11.25 1.58 Joebris IG Financial Credit LEUR € 97.72 -0.26 0.00 10.05 -2.84 ebris IG Financial Credit R EUR € 95.80 **-0.25** 0.00 9.50 -3.32 Algebris Sust. World B €104.64 ebris Sust. World R € 103.31

(LUX) **-8.74** 0.00 12.76 3.76 \$ 6642.42 American One \$ 7329.99 26.44 0.00 21.21 7.05 8.28 0.00 -2.16 0.72 1.17 0.00 5.63 1.51 Far East \$946.75 3.27 0.00 10.60 -5.69

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Regulated
Smaller Cos Cls One Shares € 50.28 - -0 -0.80 0.00 1.19 -0.18 Smaller Cos Cls Two Shares € 31.96
Smaller Cos Cls Three Shares € 15.95 -0.51 0.00 0.66 -1.40 **-0.25** 0.00 0.69 **-1.70** Smaller Cos Cls Four Shares € 21.02 --0.34 0.00 0.67 -0.87

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2.00 0.87 20.37 6.99 -0.08 4.83 1.90 -6.46 37.00 0.00 5.93 0.93 Janus Henderson Global Equity Fund Acc 4290.00 Janus Henderson Global Equity Income Fund A Inc 64.77 0.31 3.44 9.08 7.79 Janus Henderson Instil UK Index Opportunities A Acc. £ 1.15 0.00 3.05 12.50 10.74 Janus Henderson Multi-Asset Absolute Return Fund A.Acc 158.90 1.53 3.15 Janus Henderson Multi-Manager Distribution Fund A Inc. 120.00

Janus Henderson Multi-Manager Distribution Fund A Inc. 120.00 **-0.20** 3.26 3.72 **-**0.02 Janus Henderson Multi-Manager Diversified Fund A Acc 84.73 **-0.20** 3.07 3.84 -2.21 Janus Henderson Multi-Manager Global Select Fund Acc 319.00
Janus Henderson Multi-Manager Income & Growth Fund A Acc 184.20 Janus Henderson Multi-Manager Income & Growth Fund A Inc 140.70 -0.20 3.32 4.53 0.42 Janus Henderson Multi-Manager Managed Fund A Acc 309.40 -0.20 0.31 5.78 2.12 Janus Henderson Multi-Manager Managed Fund A Inc. 298.60

Janus Henderson Sterling Bond Unit Trust Acc. 199.10 -0.20 0.31 5.80 2.13 -0.50 2.20 4.46 -7.50 Janus Henderson Sterling Bond Unit Trust Inc 53.28 -0.12 2.23 4.46 -7.50 Janus Henderson Strategic Bond Fund A Inc 93.75 -0.54 3.28 -3.03 -7.63

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-0.08 2.41 -1.59 0.92

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EUR Distributing Class

GBP Distributing Class

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2369.11	-	7.17	4.03	9.15	17.71	
97.54	-	-0.20	4.74	8.62	-3.85	
475.45	-	1.73	2.38	25.06	15.24	
129.77	-	0.16	0.11	16.97	4.00	
175.84	-	0.27	-	12.88	9.88	
393.85	-	1.18	2.99	6.32	10.14	
112.16	-	0.17	3.45	9.30	12.30	
168.96	-	0.77	0.96	9.42	4.56	
67.05	-	-0.15	6.46	10.72	1.11	
249.07	-	0.64	3.99	12.72	10.87	
68.59	-	0.00	4.84	6.63	4.83	
60.16	-	0.19	-	-3.08	-	
99.43	-	0.00	1.63	10.87	10.35	
100.21	-	-0.04	4.48	5.02	-2.83	
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793.52	-	2.86	2.75	25.41	13.54	
1905.07	-	18.68	2.30	2.17	10.93	
781.47	-	3.92	1.78	19.12	10.68	
113.41	-	-0.22	0.24	1.35	0.27	
362.48	-	1.53	0.00	13.75	9.91	
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High Growth Strategy A US\$ Growth Strategy \$1.7450 0.0042 0.00 18.55 -0.25

£0.6285 - -0.0012 2.50 3.01 -0.00 £0.6285 - -0.0011 3.77 8.11 -6.38





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American Fund W-ACC-GBP £ 59.80 0.50 0.00 17.00 4.34 American Special Sits W-ACC-GBP £ 23.36 Asia Fund W-ACC-GBP Asia Pacific Ops W-Acc £ 14.87 £ 2.78 0.02 1.37 6.73 3.32 Asian Dividend Fund W-ACC-GBP £ 2.25 3.10 3.31 5.32 0.03 0.00 9.43 -0.77 Cash Fund W-ACU-opp China Consumer Fund W-ACC-GBP £ 2.41 -0.16 2.03 2.93 -7.31 £ 7.21 Enhanced Income Fund W-INC-GBP £ 0.83 0.00 6.88 11.29 10.44 0.15 - 12.90 16.15 European Fund W-ACC-GBP £ 24.60 - 0.32 0.00 14.95 18.75 Extra Income Fund W-ACC-GBP £ 1.28 -0.00 4.60 8.32 -2.70 Global Dividend Fund W-ACC-GBP £ 3.11 Global Enhanced Income W-ACC-GBP £ 2.44 Global High Yield Fund W-ACC-GBP £ 14.02 0.02 4.26 13.10 7.01 Global Property Fund W-ACC-GBP £ 1.82 0.02 2.27 -3.09 -1.32 Global Special Sits W-ACC-GBP £ 56.41 0.40 0.55 9.77 6.27 Index Europe ex UK P-ACC-GBP £ 1.96 0.00 2.34 18.86 7.49 Index Japan P-ACC-GBP £ 2.02 Index Pacific ex Japan P-Acc-GBP £ 1.81 0.02 2.02 15.78 4.49 0.01 3.82 2.44 4.49 0.00 3.00 7.82 -6.94 -0.01 2.11 -0.10 -11.65 Index UK Gilt Fund P-ACC-GBP £ 0.70 Index UK P-ACC-GBP £ 1.62 0.01 3.38 13.53 11.28 Index US P-ACC-GBP 0.03 1.27 13.24 11.41 Japan Fund W-ACC-GBP £ 6.15 0.05 1.37 17.02 10.06 Japan Smaller Companies Fund W-ACC-GBP £ 3.44 0.04 0.66 5.56 -4.71 MoneyBuilder Balanced Fund W-ACC-GBP £ 0.60 0.01 3.28 7.62 2.44 MoneyBuilder Dividend Fund W-INC-GBP £ 1.27 0.01 4.31 10.71 10.61 Multi Asset Allocator Adventurous Fund W-ACC-GBP £ 2.17 0.01 1.03 7.86 4.79 0.00 1.20 3.04 -3.08 Multi Asset Allocator Defensive Fund W-ACC-GBP £ 1.29 Multi Asset Allocator Strategic Fund W-ACC-GBP £ 1.58

Multi Asset Allocator Strategic Fund W-ACC-GBP £ 1.58 1.05 4.51 -0.61 Multi Asset Balanced Income Fund W-INC-GBP £ 0.91 0.00 4.52 3.09 -1.45 Multi Asset Income & Growth Fund W-INC-GBP £ 0.98 0.00 4.40 4.86 0.51 Multi Asset Open Advent W-ACC-GBP £ 1.75 0.00 1.54 7.94 5.40 Multi Asset Open Defen W-ACC-GBP £ 1.31 0.00 2.11 3.24 -0.46 Multi Asset Open Growth Fund W-ACC-GBP £ 1.65
Multi Asset Open Strategic Fund W-ACC-GBP £ 1.48

Open World Fund W-ACC-GBP £ 2.34

Select 50 Balanced Fund PI-ACC-GRP £ 1 14

Short Dated Corporate Bond Fund W-ACC-GBP £ 10.80

Special Situations Fund W-ACC-GBP £ 42.49

Strategic Bond Fund W-ACC-GBP £ 1.16 -

Sustainable Asia Equity Fund W-ACC-GBP £ 1.79 -

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0.00 3.54 4.42 -5.15

0.02 0.67 1.36 -2.25

Fundsmith LLP (1200)F ex. CM99 2BW 0330 123 1815

HC Kleinwort Hambros Multi Asset Balanced A Acc 170.79

funds@gam.com, www.funds.gam.com Regulated GBL TOP 50 DIV.YLD-Na-D £116.60 0.01 2.64 12.59 7.15 LAPIS GRI FOWD 50 DIV VID.No.D & 98.09

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Guinness Global Investors

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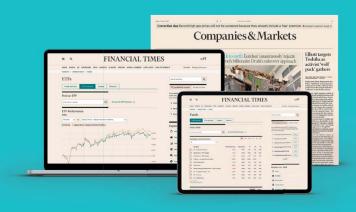
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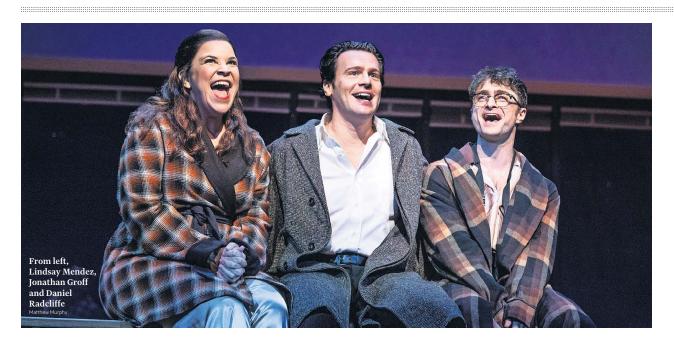


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ARTS



Sondheim's bittersweet magic

THEATRE

Merrily We Roll Along Hudson Theatre, New York

Simon Schama

No one did bittersweet like Stephen Sondheim, America's supreme musical ironist. After "Comedy Tonight", in A Funny Thing Happened on the Way to the Forum, he made disenchantment — not an American folk staple — his speciality. When he was funny ("Gee, Officer Krupke"), the lyrics scratched and stabbed; when the music was at its most beautiful ("Send In the Clowns") it was because the song tracked the death of romance.

With Merrily We Roll Along, the sucker punch begins with the title. The story of three pals whose friendship and creative partnership disintegrates, it opens with a scene of glamorous emptiness — a Hollywood party celebrating the premiere of a hack movie. Unfaithful to his wife and his vocation, erstwhile composer Franklin Shepard ends the scene biliously confessing how much he now hates his life. The show then spools mercilessly backwards from the crack-up of friendship to its dewy-eyed beginnings on the roof of student digs, each moment of provisional happiness shadowed by what the audience already knows is its impending collapse.

Fun, huh? On opening night in 1981 the mood was upbeat. In a 2016 documentary the show's director, Hal Prince remembered thinking: "I've never been happier rehearsing actors, never gone home more sure a show was going to be a success." The middle of the show features "It's a Hit!", sung while Franklin, Charley the lyricist and Joe the producer listen ecstatically to wild applause for *Musical Husbands*.

Merrily fared less well: the audience, thrown off-guard by the back-to-front plot device and confused about who was who, headed for the exit in droves. The critical reception was brutal. Closing after just 16 performances, it became one of Broadway's most legendary flops.

The book by George Furth is still a challenge. The crack-up between Charley, the idealistic lyricist whose heart is set on doing something Socially Meaningful – a play called *Take a Left* – and Franklin, who sells out to Hollywood for the dough, is a cliché, and the characters, especially their woman chum, the writer who turns alcoholic with disappointment, can seem two-dimensional.

But the score, featuring some of the best pieces Sondheim wrote, has pulled producers back to *Merrily* over and again, with mixed results. A Michael Grandage production at London's Donar Warehouse won an Olivier in 2001, but a minimalist experiment in New York was described by a critic as "not so much stripped down as emaciated".

Happy to report, Maria Friedman, actress turned producer and friend of Sondheim, has found a way for the musical to burst brilliantly from the deadweight of its performance history. Originally staged at London's Menier Chocolate Factory in 2012 (as Friedman's directorial debut), then off-Broadway last year, the bounding gallop of the production only makes its poignant pay-off all the darker with its weight of knowing sorrow. Its best song, "Old Friends", lifts you up and then drops you down in the knowledge that its matey happiness is not destined to last. The real magic of this production is its

rice real magic of this production is pritch-perfect cast. Lindsay Mendez turns the thinly written part of the writer, Mary, into a force of good nature, her knockabout humour barely veiling a tortured conscience as she slips ever deeper into her boozy sorrow. As Charley, Daniel Radcliffe achieves a different kind of wizardry: drolly knowing but sticking to his dreams and persistent against the odds, in trying to have Franklin keep the creative faith. The moment he explosively abandons that mission — a TV interview in which Charley takes a wrecking ball to the friend-ship — is by turns hilarious and ferocious and is one of the great performances in New York theatre right now.

As Franklin, Jonathan Groff, famous for his wickedly funny turn as George III in Hamilton, exactly inhabits Friedman's uncompromisingly dark vision of his character, self-admiring, self-deceiving and finally self-pitying. Yet in the last scene, the new friends sing their hearts out under the stars, convinced that it must be "Our Time". And though we know their optimism will end badly, such is the soaring lilt of the song that Sondheimian cynicism takes a break from itself, and our own contemporary heaviness takes fabulous flight.

To March 24 2024 thehudsonbroadway.com

Meeting of past and present, east and west

MUSIC

Ragas Festival
Pioneer Works, Brooklyn, New York

George Grella

The notion that linear time may be an illusion that hides cyclical existence is different from the prevailing perspective in western culture. It can perhaps best be expressed through music.

The feeling that the present

moment was expanding in space, and that the past wasn't even past, was a dominant and rewarding one during the 24 hours of the Ragas Live Festival. Begun in 2012 in New York's WKCR radio studios, for the past several years the festival has been hosted in this barnlike arts space in Red Hook, Brooklyn. Presented by the hybrid Indian/jazz/rock Brooklyn Raga Massive ensemble and the Society for Arts and Culture of South Asia, it brings together some of the finest Indian classical and folk musicians with peers from other cultures and genree.

One of the great pleasures is hearing how well Indian music connects to other styles. There is an easy fusion of musics that value rhythmic pulse, repetition, ornamentation and improvisation that has been going on since the 1960s. No surprise then that one of the most exciting sets was from Celebrating John McLaughlin & Mahavishnu, an ensemble rocking its way through the great guitarist's west-meets-east music; but this year the festival had a strong focus on Indian traditions and their renewal of, and from, modern classical music.

This began on a rainy, chilly Saturday night with sitarist (and Ravi Shankar disciple) Gaurav Mazumdar playing "Rag Bihal". His relaxed and spacious playing set the mood and opened up the ears for what was to come.

Through the night and into Sunday afternoon (a few dozen lis teners camped out on the floors with sleeping bags), that meant traditional and modern sitar and tabla music, and fusions with jazz and north African styles. This could only provide a hint of the vast richness of Hindustani and Carnatic music, but the driving percussion duo of V SelvaGanesh and Swaminathan Selvaganesh was gripping, and the Carnatic singing of Ramakrishnan Murthy, and later the Akkarai Sisters violin duo, who concluded the festival, mesmerised with their gorgeous microtonal details.

The sense of a deep, eternal now in this music, through circular repetition, was important to the origins of minimalism and ambient music. In a marvellous coinci-dence of history, Philip Glass worked with Shankar on the soundtrack to the 1966 film Chappaqua, pushing the American to his new style. Another composer inspired by ragas was Terry Riley, and Brooklyn Raga Massive performed their In D, a homage to Riley's In C, at a past festival. This vear, inspired in turn by In D. Amir ElSaffar brought a new, large-scale composition, In E half-flat. A mix of Indian and Iraqi maqam rhythms and phrases that came in waves, this was a convivial per-formance that also felt both $under cooked \, and \, under prepared. \,$

The way the festival squared the circle, though, between past and present, with historical precedents and influences leapfrogging each other, was invigorating. It's a special experience to hear cultures speak to each other across time and space, and how supposedly old ideas are so vital.

ragaslive.com



Amir ElSaffar and Hamid AlSaadi perform 'In E half-flat' – Adrien Tillman

Triumph of creativity over illness

JAZZ

Christian McBride's New Jawn Ronnie Scott's, London

Mike Hobart

Bassist Christian McBride launched his piano-free "New Jawn" project with an album of the same name in 2018 and released a follow-up, *Prime*, early this year. The band, a quartet, concentrate on original material and, lacking a harmonic instrument, use tightly arranged trumpet and sax to flesh out texture and emphasise mood. At this first house of a two-night run, trumpeter Josh Evans was taken ill with a stomach bug. The result was an intense ad hoc set that put each musician's creativity under the spotlight and the trio's collective resolve sharply to the test.

The evening opened with a cover of Anthony Williams's composition "Love Song" played at a medium lope and delivered with a confident swagger. Saxophonist Marcus Strickland captured the lilting heart of the late drummer's theme, McBride strode firmly underneath and drummer Nasheet Waits's snare chattered support and urgency underneath.

Brief theme stated, the band stretched out while following the form. Strickland's tone is airy, rounded and tightly controlled and, avoiding histrionics, he conjured drama with the shape of his line, syncopated articulation and its relation to the pulse. As chorus followed chorus, the saxophonist constructed an evolving narrative rich with asides and passing climactic peaks. Bass took a turn and then Waits's first drum solo, growing in complexity, marked by ebb-and-flow dynamics, crashed

cymbals and a rumbling bass drum that frothed and boiled underneath.

McBride introduced the next song unaccompanied, spraying notes with intent before gently strumming his bass as though it was a guitar. The composition, "Ke-Kelli Sketch", written by drummer Waits as a sonic portrait of his wife, conjoins a triptych of moods before changing pace at will. Tempos doubled and doubled again, stabs of sax and bass hung in the air and a hint of old-school rhythm and blues eased into head-nodding swing. The piece was one of eight originals on the band's debut album. Here, it was the only original of the set.

McBride, an avuncular host, introduced the band, announced the opening numbers and explained the trumpeter's absence. The evening then unfolded with the trio delivering original interpretations of well-known standards. Strickland chose Billy Strayhorn's "Chelsea Bridge" and McBride Joe

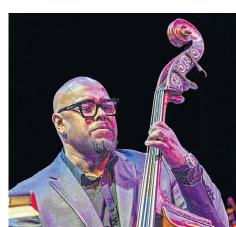
Henderson's jam-session favourite "Recorda Me" — McBride had worked with the late saxophonist. The first was a ballad played with delicacy and poise,

the second a samba.

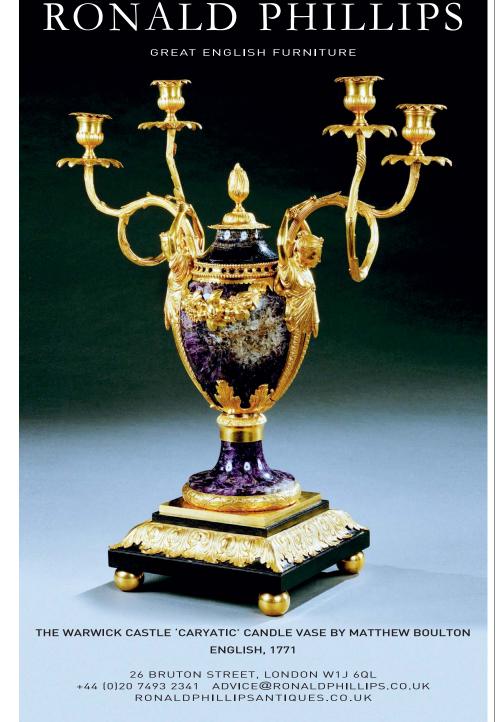
Strickland's intense but understated tenor sax gripped, and Waits was a subtle chatterbox of controlled energy, rimshots and rolls. But it was McBride's strength of personality and magisterial technique that gave the evening focus and carried the day. The bassist's sound and attack were propulsive without overwhelming the band and his wideranging technique enriched his solos.

"East Broadway Run Down" was the final number, written by Sonny Rollins, and a track on their latest release. "It's a twelve-bar blues that can go anywhere," said McBride. "And that's what we're going to do." The loose-limbed intense investigation that followed brought the evening to a high.

ronniescotts.co.uk



Magisterial technique: Christian McBride Getty Images



FT BIG READ. INNOVATION

After years of being dismissed as too costly and challenging, satellite technology that harnesses the energy of the sun and beams it to Earth is not just possible but potentially coming soon. By Peggy Hollinger

The pursuit of space-based solar energy

What space solar power stations might look like

ered on the rooftop of Caltech's engineering labobalmy May evening did not set out to make history that night.

How to get solar power from space

The science behind collecting solar energy in orbit and transmitting it to Earth

But after a long day setting up equipment to test a solar power satellite, the professor leading the project told them to grab something to eat and come back.

"It was close to 10pm and we said, 'Let's have a go. Let's do a dry run,'" says Ali Hajimiri, a professor of electrical engineering at the California Institute of Technology. "At first we thought we weren't detecting a signal. Then it started coming in and getting stronger."

The team was elated. For the first

time, a detectable amount of solar power had been beamed wirelessly from space back to Earth. No matter that it was insufficient to power even a lightbulb. It was proof to a growing com-munity of space solar power advocates that it was technically possible to supply a power-hungry planet with energy from space

"The sun is the closest thing we have to an infinite energy source," says Paul Jaffe, an electronics engineer at the US studied space-based solar power for 16 years, "You [could] create a global energy network that could provide energy potentially anywhere on Earth. Space solar could do for energy what GPS did for navigation.

Space solar power was first mooted by science fiction writer Isaac Asimov in his 1941 short story "Reason". In reality, however, it has long been dismissed as too costly and technologically challenging to be commercially viable. But as the sense of urgency over the threat of climate change grows and the economics of space evolve, governments around the world are reconsidering its potential. Researchers in China, the US, UK, Japan and Europe are all studying its feasibility, with a view to possibly launching experiments into space before the end of the decade.

China's ZhuRi programme — translated as "chase the sun" — has plans to put a pilot power plant into orbit generating 20 megawatts of power by 2035. In the UK, a group of entrepreneurs behind government-backed start-up Space Solar are even more ambitious. They aim to build a gigawatt-scale power plant in space by the same date, scaling up to a fleet of plants delivering 30 gigawatts into the energy grid by the 2040s. And though Caltech's experiments have been funded by billionaire philanthropist Donald Bren rather than the government, the US Air Force Research Laboratory is planning a power-beaming demonstrator from low Earth orbit in 2025.

Many proponents of space-based solar power (SBSP) believe the technology has greater potential than nuclear fusion to help the world meet its net zero targets. "All of the physics [of spacebased solar power] have been demonstrated, tested, and verified," says John Mankins, a former Nasa physicist whose work on SBSP over more than 25 years has earned him the sobriquet "godfather of space solar power".

Although US scientists claimed to have achieved a net energy gain in a still some years away from demonstrating that the system would generate more energy than you have to put into

With sufficient investment, adds Sanjay Vijendran, who leads the European Space Agency's Solaris project, "space solar power could be available sooner than fusion".

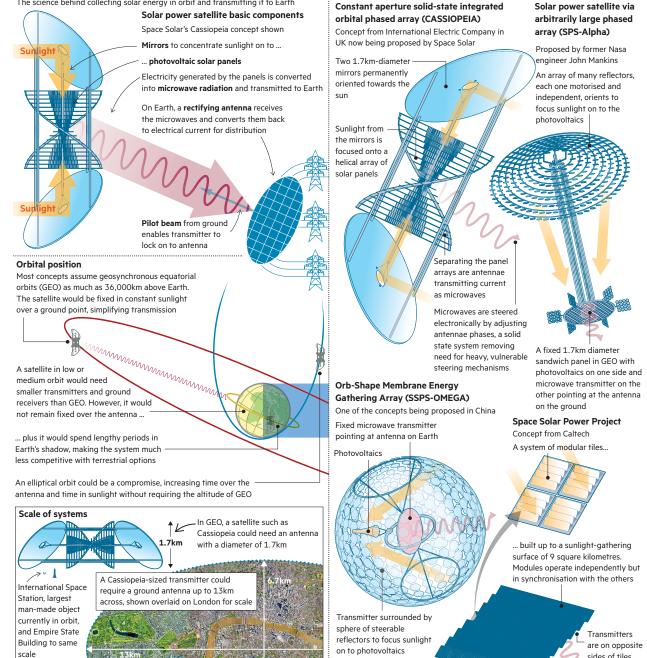
How it works

Harvesting the sun's energy is achieved by attaching solar panels to a satellite flying thousands of miles above the Earth, in constant sunlight. This energy is then converted into microwaves, which are beamed through the atmosphere to a receiving antenna, where they are reconverted into electricity to be distributed through the grid.

One satellite could potentially deliver as much as 2GW of carbon-free power, enough to supply a city of 2mn people, 24 hours a day, seven days a week.

Thales Alenia Space, the Franco-Italian space infrastructure company, is $studying \, the \, potential \, emissions \, savings \,$ that could be made with space solar power. With a working life of 25 to 30 years per solar power station, the life-time carbon emissions savings could be "hundreds of millions of tonnes", says Massimo Comparini, TAS deputy chief

For decades, studies have found that



'You could create a global network that could provide energy potentially anywhere on Earth'

Graphic: Ian Bott

obtaining power supplied from space would be prohibitively expensive. But in the past few years there has been a revolution in the economics of satellite-generated solar power, says Mankins. Thanks to SpaceX's reusable Falcon rocket, "there's been a 90 to 95 per cent reduction in the cost of launch".

The prospect of SpaceX's gigantic Starship, currently in development and with the ability to lift more than 100 tonnes into orbit, promises to take costs down even further.

The introduction of factory processes for satellites - usually manufactured in clean rooms" - has helped cut the costs of producing them by a similar order, he adds. "These are essential pieces of the puzzle for why space solar power can go forward now," Mankins says. "Even as recently as 10 years ago, this idea was still not economically feasible."

In 2020, the UK government commissioned a study on the economic and technological feasibility of space solar power. The study concluded that the total cost to develop and deploy the first 2GW space-based solar power station would be roughly £16bn – substantially less than the latest £33bn estimate for Britain's newest nuclear power station at Hinkley Point, which is set to produce 3.2GW. Once the first solar station was up and running, subsequent power generating satellites would cost less than £4bn each, the study estimated.

Oxfordshire-based Space Solar estimates that a solar power-generating satellite would produce energy at a cost of just \$34 per megawatt hour by 2040 to break even over its lifetime, against \$43 per MWh for a large terrestrial solar farm, \$53 per MWh for offshore wind, and \$125 per MWh for nuclear.

"The economics work out really well and this really could be transformative," says Martin Soltau, who led the UK study by consultants Frazer-Nash before founding and becoming co-chief executive of Space Solar.

But there are many who believe space-based solar power still belongs in the realms of science fiction. SpaceX founder Elon Musk once called the concept the "stupidest idea ever". His argument was that heavy energy losses during conversion from sunlight to electricity made space solar power much less efficient and so uncompetitive with solar farms on Earth.

Harry Atwater, one of the three Caltech professors leading the university's Space Solar Power Project and an expert in photovoltaics, disagrees. "Going from sunlight in space to eleccent efficient," he says – meaning up to 95 per cent of the energy would be lost. But the amount of sunlight in space in a 24-hour period "is a factor of eight higher than it is on Earth. It would be similar to having a 40 per cent efficient [solar] cell on Earth. We don't have any of those. People are aiming now to just get to 30 per cent - maybe.'

Overcoming challenges

Space solar power's second big advantage is that the microwave beam can be directed to multiple locations - anywhere with the appropriate receiving antenna. "From space we have line of sight to a lot of places," says Caltech's Hajimiri. That dispatchability could open up a new global market in carbon free energy.

Solar power from space is also available continuously, whereas terrestrial renewables such as wind or solar power can't generate power when there is no wind or sun. These systems require storage to supply power in the down times, and extra capacity to replenish the storage and satisfy user demand when conditions allow. That pushes up the cost. "You have paid for the energy twice," Soltau says. "You have paid for wind and solar systems but also had to pay for

While space solar power's advocates believe the technology is on the brink of proving its utility, there are still substantial obstacles to making Asimov's vision

a reality. The scale of the system remains an enormous challenge, both in space and on Earth. Each satellite has to be huge -1.5km across or more — if it is to beam power accurately to a specific location. The receiving antenna, a mesh of thousands of small receivers, will be multiples bigger - perhaps several kilometres in diameter — to capture the diffused microwaves as they hit the Earth.

The space-based systems will use modular components, to simplify conction and contain would have to be assembled by autonomous robots. Caltech's model is an exception, using hundreds of independent lightweight panels of solar cells that would fly in formation, like a "murmuration of starlings", says Atwater.

Structures of this scale have never been built or deployed in space. The International Space Station is the largest object humans have ever put into orbit and it comes in at just over 100 metres

Building the receiving antenna may not be as difficult as building the satel lite, but the space it would require could prompt objections. And there is certain to be public concern over safety for humans and wildlife.

Experts in space solar power say these concerns can be assuaged. They insist that power transmission can be done safely via a low frequency and longer wavelength. "The wavelength is about 12 centimetres," says Mankins. "It's not capable of breaking the bonds between the atoms that make up DNA and therefore it cannot be carcinogenic."

Even at the most concentrated area of the receiving antenna, the microwave intensity would be "about a quarter of full summer sun. It's far less intense than sunlight," he adds.

Nasa studies on starlings have shown there is little threat to wildlife, says Soltau. But such studies will have to be

acceptance. "We fully expect it will be a big challenge — like nuclear or wind farms — to convince people to have this in their backyard," says ESA's Vijendran. "That may be the largest challenge of all." Some projects propose attaching the receiving antenna to offshore wind farms, where grid connections already exist, to help to damp public concerns.

Putting such massive power generators in space also raises questions about vulnerability to attack. "Do we really want to put our energy grid directly into . . . a war zone if a major conflict spills over into space," asks Bleddyn Bowen, associate professor of international relations at the University of Leicester. "There are huge political and security challenges that no one is talk-

Peter Garretson, the US Air Force's former chief of future technology, don space solar power. "Name me an energy system that is not vulnerable," he says. "Oil is always at the mercy of international trade flows. Gas is at the mercy of the power that controls it and the length of pipeline or shipping. There is no energy system that is not vulnerable.'

He also dismisses suggestions that a solar power satellite could be used as a weapon: "The best it can do is provide about a fifth of the intensity of sunlight, barely enough to warm a candy bar."

Yet there will be military implications. "With the ability to build a solar power satellite comes an ability to field a military space force that is orders of magnitude more capable than any space force that exists today," he says. Given the security and governance concerns it's unlikely that solar power would only be the property [of] and controlled by one nation", he adds.

Others point to the growing problem of congestion in orbit. While space is a big place, fleets of kilometre-scale satellites even in geostationary orbit 36,000km above the Earth could pose new risks, such as a cascade of collisions that could render certain orbits unusable.

It is also unclear how these vast solar farms would be regulated and whether there would be any orbital slots left open for countries as yet unable to consider such an expensive undertaking. "Will it be first come, first served?" asks Bowen. "There are real equity issues there in global governance.'

Energy mix

Space solar power is for now the preserve of researchers. But as environmental pressures mount, some investors are beginning to take the technology more seriously.

The UK government is in talks with Saudi Arabia about investing in spacebased solar power through collaboration with Space Solar, which is in the process of raising funds.

But without buy-in from the energy and utility sectors that distribute power to end users, space-based solar power will remain a pipe dream. "This has to be driven as an energy project that has a large space element," says Vijendran. "We are trying to have [the energy sec-

That is why the European Space Agency study includes companies such as Italy's Enel and France's Engle. In the UK, EDF is studying the technology's potential for the country's innovation agency. But generally, energy companies are still in wait-and-see mode.

"There are still some significant ques tion marks over this - like, is it actually possible to build and operate and launch this system?" says David Ferguson, head of net zero innovation at EDF UK. "There is a lot that still needs to be proven from a technical point of view."

As with renewables and the need for extra storage, there are also hidden costs to a space solar power system. EDF's researchers estimate that "space weather" - factors such as solar flares, geomagnetic storms and radiation could degrade satellites faster than expected. That would add about £2-£7 to the cost per megawatt hour. "We think there is a roughly 20 per cent loss of productivity over the lifetime of the system, due to space weather," says Ben Cayless, an EDF renewables engineer.

Nevertheless, EDF, like Enel and Engie, is not quite prepared to ignore the potential of a new source of clean power. "Our strategy is not going to change based on this work or in the short term,' says Cayless. "But most companies are like us. We are looking at it and keeping

significant question marks over this – like, is it actually possible to build and operate and launch this system?'

'There are

still some

The FT View



FINANCIAL TIMES

Without fear and without favour

ft.com/opinion

Populism is not the way to prosperity for Argentina

Perennially underachieving country needs hard reforms, not illusory answers

Argentina should be booming. Global demand for its food and lithium exports is surging. It has a fast-growing shale oil and gas industry. The South American nation lies far from the world's conflicts, has a well-educated population and boasts an innovative start-up scene.

Yet instead of surfing a wave of prosperity, the economy is sinking fast. Prices are rising 138 per cent a year and risk spiralling into hyperinflation. Gross domestic product is forecast to shrink more than 2.5 per cent this year. Since January, the peso has lost nearly two-thirds of its value against the dollar on the black market. The government has all but run out of foreign currency and central bank liabilities are growing exponentially to fund unsustainable public sector deficits.

Sunday's presidential and congressional elections ought to be an opportunity to transform that unhappy picture. Polls suggest that Argentines know the status quo is unsustainable and want change. Recent scandals, including one with a Peronist regional politician photographed entertaining a model with champagne aboard a luxury yacht in the Mediterranean, have reinforced the impression of a venal political class.

Businesses and investors agree on what is needed: rapid spending cuts to balance the budget, gradual removal of controls on foreign exchange, and structural reforms to open the economy to trade, make the labour market more flexible, reform taxation and boost competitiveness.

Sergio Massa, economy minister and presidential candidate for the ruling Peronist coalition, suggests he will hew to a more pro-market line if elected. Massa hails from the party's more pragmatic wing, is a skilled dealmaker and understands the challenges better than most. But his credibility is undermined by his inability in government to rein in spending, halt central bank moneyprinting or dismantle subsidies. A plethora of pre-election giveaways has reinforced the impression that expedi-

ency, not principle, is the guiding light. Javier Milei, a libertarian economist and television personality, is the anti-consensus candidate. He touts sweeping changes, such as dollarisation, rapid spending cuts and immediate deregulation, underlining the message by brandishing a chainsaw at rallies. But such drastic policies will be

impossible to implement without broad congressional support, something his nascent political movement will not achieve on its own. Milei's irascible temperament and fondness for shooting from the hip do not bode well for the patient consensus-building essential to heal Argentina's economy. His lack of government experience, and that of most of his team, increases the risks.

The main centre-right opposition,

A plethora of Juntos por el Cambio, should have been the obvious beneficiary of the hunger pre-election for change. Its programme for governgiveaways has ment comes closest to the market conreinforced the sensus on the policies Argentina needs. impression that But a divisive internal primary hurt its expediency, chances. Its candidate, Patricia Bullrich, is strident rather than consensual and not principle, her life-long journey across the specis the guiding trum from left to right plays to Milei's accusation that the members of the traruling Peronist ditional political class are all the same.

Argentina faces a difficult path to return to prosperity. Painful reforms are needed; populism cannot deliver durable change. Instead, the country needs explicit commitment from the main political blocs to a serious long-term economic adjustment programme. Whatever the outcome of Sunday's election, a broad national agreement on reform - to which elements of both main parties have indicated they are open — would offer the best chance of achieving Argentina's considerable, yet elusive, potential for greatness.

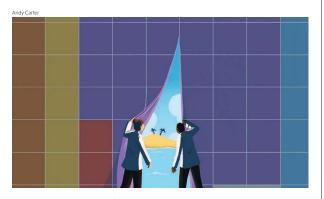
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Opinion Science

Even the periodic table feels the heat of sanctions



Anjana Ahuja



he chill of geopolitical winds can be felt in unexrealm is the hunt for new chemical elements, which various countries have undertaken in a spirit of mutually supportive rivalry since the end of the cold war.

Those alliances are now cooling thanks to Russia's war in Ukraine, with one renowned institution, the Lawrence Berkeley National Laboratory in California, striking out alone. The Berkeley laboratory, along with other American labs plus facilities in Germany and Japan, had previously worked alongside Russia's Joint Institute of Nuclear Research, checking each other's work and sharing credit for discoveries. Now, according to Chemistry World, sanctions have tor-

pedoed the arrangement. Yuri Oganessian, a leading JINR sci-

Alliances in the hunt for new chemical elements are cooling thanks to Russia's war in Ukraine

entist and the only person currently alive to have an element named after him, confirmed this. Sanctions, he told me by email, "completely exclude scientific co-operation with Russia" and, since the institute is on Russian territory - in Dubna, near Moscow it has now been isolated.

The quest to extend the periodic table may have splintered due to conflict but the fascination at what lies beyond the 118 known elements remains very much alive, with several countries taking up the gauntlet. The drive to complete the table is surely as explicable as the compulsion by explorers and navigators to map the lands, seas and mountains of the physical world. It is unthinkable that the contours of the atomic world should remain uncharted.

An element is a substance made of one type of atom, and is distinguished by its unique atomic number, which is the number of protons in its nucleus. A hydrogen atom has one proton and therefore an atomic number of one. Broadly, only elements up to uranium, 92, can be found in nature; heavier elements require synthesis in a laboratory. This becomes ever more difficult because it means shunting lots of positively charged protons - which natu- ${\rm rally\, repel\, each\, other-together.}$

Overcoming this natural barrier

usually involves smashing different atoms together at carefully calibrated speeds in particle accelerators. Oganesson, for example, was created by colliding atoms of californium (atomic number 98) and calcium (20). Over several years, the fleeting existence of only a handful of oganesson atoms was recorded. Elements $93\,$ and over are called "heavy"; those 104 and over are called "superheavy"

Now Darmstadt's GSI Helmholtz Centre for Heavy Ion Research in Germany and Tokyo's Riken Nishina Centre for Accelerator-based Science are preparing to search for 119. Both have excellent recent track records, commemorated respectively with darmstadtium (110) and nihonium (113, the first element to be discovered or created in Asia). Meanwhile, Oganessian is pursuing 119 and 120 aided by a \$60mn accelerator upgrade - and believes both are achievable this decade. The Lawrence Berkeley National Laboratory plans to leapfrog to 120 next year by colliding titanium and californium atoms.

These gambits feel like a bit like the voyages that sought the Northwest Passage, the elusive sea route linking the Atlantic to the Pacific that changed shipping forever. That is because oganesson completes the periodic table's seventh row – and the next heaviest elements will start the eighth, rumoured to be a point at which conventional chemistry, including the table's famed repeating pattern of

Instead of existing for mere seconds or less, these elements might inhabit an "island of nuclear stability" and linger for years. These prospective heavyweights are predicted to show peculiar behaviour related to relativity. It is this unknown chemistry of the "superheavies" that Oganessian, now 90. admits to finding most intriguing.

When I asked him how many more $elements\,science\,could\,produce-one$ theory predicts a total of 172 elements - he replied that making such predictions was a "difficult and thankless task". Rather, he said, we must keep looking. With admiration, he cites Riken, whose researchers took many vears to document the creation and decay of only three nihonium atoms. Their work unblocked the dam: Oganessian's team took just six months to find and confirm 114, named

As this year's Nobel Prize for chemistry, awarded for quantum dots, shows, the most rarefied pursuits can end up being useful; these nanoparticles are now used in TVs, LED screens and to illuminate tumour tissue for surgeons. But exploration also matters for its own sake: if an unmapped land of exotic chemistry lies over the horizon, we must surely set sail.

The writer is a science commentator

Letters

Corporate Britain's salvation lies with Pension Protection Fund

In reference to Martin Wolf's column The strange death of corporate Britain" (Opinion, October 16), we the undersigned (writing solely in our individual capacities from a wide array of industrial, asset management and economic disciplines) share a common feeling of dismay regarding the structural liquidation of the UK corporate sector.

This is graphically illustrated in the analysis Wolf refers to, undertaken by Ondra Partners.

We are particularly concerned about the challenge of building and maintaining our competitiveness from the base of a domestic equity market that no longer offers either depth of access to new primary capital, trading

liquidity or valuations in line with international peers.

Partial measures or tinkering with the existing pension savings system are clearly insufficient, especially given how far advanced are the consequences of the depleted supply of extended time horizon risk capital.

There is no solution in our view that does not entail, one way or the other, a wholesale replenishment of the pool of domestic equity capital, which in turn can only be achieved through the creation of a constellation of existing and new long-term pension savings funds that have the proven ingredients of scale, time horizon and professionally managed diversification that no longer exist in the UK.

Given the urgency, there is every reason and advantage to kick-start the rebuilding process by scaling an existing, established and fit-for-purpose institution, namely the Pension Protection Fund, with its proven consolidation and returngenerating capabilities. The PPF can in turn then serve as a model and template for replication with this country's other deep capital pools

light for the

We can then all do our part to fulfil the UK's uncommonly good long-term promise and potential and, in this way — by refilling the reservoir of domestic equity capital in line with that enjoyed by our peers — the UK corporate sector will once again be able to unlock and do justice to this

country's creative energy, human talent and entrepreneurial spirit. Sir John Bell

Regius Professor of Medicine, University of Oxford; Chairman, Immunocore **Dominic Barton** Chair, Rio Tinto; Former Global Head,

Richard Buxton Senior Fund Manager (retired)

Sir Mick Davis Founder, Xstrata; Former Conservative Party Treasurer

Former Chair, Rolls-Royce; Former Worldwide Head, McKinsey & Co

Co-founder, Ondra Partners Full list of signatories at ft.com/letters

Thank you for a 'balanced and brave' Gaza analysis

Thank you for Edward Luce's column Biden, Netanyahu and America's choice" (Opinion, October 12). It was succinct, thoughtful, balanced and brave. Yes, brave! Being pro-Israeli has become like a religious cult and anyone daring to opine that the attack should come as no surprise to Israel, given that Benjamin Netanyahu has "deprived Palestinians of hope for the future", will probably be branded as antisemitic!

I disagree with Luce however that the days when Israel could rely on automatic Jewish-American support are gone. Judaism, Hinduism and Islam are, or have become like tribalism cults that mix politics and policies like those of Netanyahu in recent years, where voters are easily overwhelmed by the emotions of being of the same tribe. This can be very dangerous in religious wars such as between Israel and Hamas. And indeed we may all be doomed to witness further outrages by both parties in the days ahead.

I am not hopeful at all the Biden administration will act to "hijack" the "dark script" Israelis and Palestinians are currently writing! America is in the midst of its own internal turmoil and sadly the need and desire to win elections replaces the need to be fair and on morally strong ground. Ritha Khemani Washington, DC, US

Let's not attribute political roots to Hamas terrorism

The premise of Edward Luce's column ("Biden, Netanyahu and America's choice", Opinion, October 12) was fundamentally mistaken. Attributing political "roots" to terrorism is indeed incompatible with unequivocally condemning it. President Joe Biden understands this (as does the British prime minister Rishi Sunak), even if Luce does not.

Contextualising, and thus relativising the abhorrence and evil of Hamas's actions, gives cover to those who apologise for, or even support, their dastardly and evil deeds. Further, his analysis is mistaken.

None of Hamas's core aims or grievances depend on the composition of Israel's governing coalition. Their desire is to obliterate Israel and kill, humiliate and subjugate Jews and has been expressed clearly in their statements and actions. All of this predates prime minister Benjamin Netanyahu's term. Indeed, thousands of Hamas sympathisers have chanted antisemitic and genocidal slogans, and are menacing Jews worldwide.

Additionally, responding to and deterring further mass terrorist



atrocities is not "blind vengefulness". We in the US waged a 20-year war in Afghanistan for these purposes, and were fully justified to do so. Calling on Biden to "break the cycle of escalating violence" after six days of an air campaign, while the architects of these atrocities are at large, is absurd. Asher Berlin

Challenging the claim that Ireland needs higher taxes

Jude Webber's recent article on Ireland's wealth ("How will Ireland put its newfound wealth to work?", The Big Read, October 3) is a cogent analysis of the position. The consensus among observers that an increase in taxation is needed is however debatable. Reliance on income tax from middle income earners has long been excessive. This group is hitting the top rate of tax at a fraction of that which prevails in the UK. Increased taxes, if required, need to be sourced through a widening of the tax base.

More important however is the need for a radical review of the efficiency of public expenditure. Health has become a near-insatiable machine inexorably demanding huge sums. Local government is also an area ripe for improved efficiency. As people live longer in good health, the age at which one becomes eligible for the state oldage pension needs to be reviewed.

The scope for private sector involvement in building of public infrastructure needs to be considered. eg, via public-private partnership arrangements. Finally, the policy of providing many public services free at the point of delivery is flawed. Services provided at no charge are inevitably abused and overused.

Joe Lenihan Dublin, Ireland

A crisis, yes, but shortage of houses is not the reason

You are surprisingly out of touch with that a shortage of houses has priced the young out of housing (FT View,

It is nearly four years since Professor David Miles of Imperial College, London, showed that the increase in British house prices between 1985 and 2018 was explained by the fall in real interest rates and the increase in real incomes. A shortage of houses does not enter the picture.

The government has had a long-term target of building 300,000 houses a year since 2017. But it has only been able to demonstrate a need for so many houses by basing its forecasts on the Office for National Statistics' 2016 projections of growth in population

and households. The projections published by the ONS for 2018 and 2020 suggest that the future increase in the number of households would be about 70,000 a year fewer than in the 2016 projections, reducing the forecast need from about 300,00 to about 230,000

The supply of additional houses averaged 229,000 a year from 2019 to 2022. So the government's own methodology suggests that supply has matched need. Perhaps it is unsurprising that the government requires local authorities to base their forecasts of the need for housing in their districts on the 2016 projections of the ONS. The problem of affordability for the young is a consequence of inadequate and insecure incomes: average incomes have not risen, and the young seem especially vulnerable to insecure employment.

It is surprising that Sir Keir Starmer. the Labour leader, and his colleagues are equally out of date with their analysis. The most worrying weakness in their analysis, however, is that they do not seem to have noticed that the housing market is entering a depression. Low interest rates increased house prices; high interest rates are depressing house prices. Sales, prices and the pace of new building are all falling, and developers will not be a source of more money to finance the building of more affordable homes. The main policy issue for a future Labour government will be how much public money could be used to subsidise the building industry, to prevent a repetition of the fall in building rates and reduction in capacity that followed the financial crisis of 2008.

David Sawers

Littlehampton, West Sussex, UK

Volunteering — that will

spice up your retirement

Michael Skapinker ("It's time we stopped talking about retirement", Work & Careers, October 16) does not need to talk about retirement because he is not retired. He is continuing to work for payment at what he is good at. That may not be possible for others and in retirement with - hopefully many years of healthy life ahead of them, one important option which Skapinker fails to mention is voluntary work.

In 2014 Andy Haldane, chief economist of the Bank of England, gave a speech to the Society of Business Economists on the value of volunteering. He cited surveys that showed that 15mn people volunteer regularly and it is likely that most of these are the recently retired. The financial value of their contribution was estimated to be billions of pounds, quite independent of the personal value gained in friendly contacts and self-esteem.

The most recent numbers on the National Trust website state that "more than 50,000 volunteers gave millions of hours of their time, in hundreds of different roles from beekeeping to firefighting, to support

Many of those will be the recently

To bring in a personal example, my husband, who died earlier this year, used his financial and social skills to raise more than £1mn for projects (parks, railway station and conservation) in Learnington Spa, where we live.

It was hard work, unpaid but deeply

satisfying.

Those who "still want to participate" can find plenty to do.

Marianne Pitts Leamington Spa, Warwickshire, UK

A Labour rebrand idea

With Rishi Sunak's Conservatives' mission now being to fundamentally change the country ("Tories divided over Sunak strategy for change", Report, October 5) should Labour restyle itself as "The Labour and Conservative party"? Ian Thompson London TW11, UK

Correction

 An article on October 16 incorrectly suggested that Alexandria Ocasio-Cortez had intended to attend a Democratic Socialists of America rally in New York called to celebrate the Palestinian "resistance". This was not the case.

Opinion

America finds there is more to foreign policy than China



the time of writing, the US has no ambassador in Egypt. A chargé d'affaires is doing the job while the nominee for the permanent role enters her seventh month in the Surrealist theatre production that it pleases Washingtonians to call the Senate confirmation process. She is in good company. There is a similar hold-up with the American ambassadorships in Kuwait, Oman and (though there is pressure to fill the spot soon) Israel.

The US has things to worry about outside the Middle East, of course, such

as the ungoverned spaces in or surrounding the Sahel. But it has no permanent ambassador in Nigeria or Djibouti either. Perhaps the nation is distracted with the politics of its own hemisphere, what with the frequent arrival of migrants from Latin America at the southern border. But Colombia, a large source of that traffic, has no US ambassador. Peru? No. Guatemala? No.

Contrast this with the Indo-Pacific. There, the US is, and has been for a while, well staffed. Malaysia is one of the few regional powers where there isn't a permanent ambassador. In that zone of competition between America and China, Washington doesn't dither. The main economic and military challenger to the US is also its all-consuming focus.

This monomania is untenable, as events in the Middle East are proving. Having taken China too lightly for decades, America's elites have overcorrected in recent years. There has been a mental "pivot to Asia". It made all the sense in the world at the time. But it was conceived when most other regions were, if not peaceful, then free of acute crisis. There is now a land war in Europe, the worst Israeli-Palestinian violence since the early years of this century and chaos just

Washington's relative power is somewhat down from its all-time peak, yet its burdens are not

south of the Sahara that France, the old colonial power, has judged is beyond its military capacity to fix.

Throw in the on-off crisis at the border with Mexico, which the Covid-19 pandemic stemmed, and it is going to be much harder than it seemed as recently as 2021 for America to tear its attention from the rest of the world to China.

Perhaps some perspective was overdue. The US and China together account for some 40 per cent of the world's economic output. For comparison, this is about as much as America alone could claim in the middle of the last century. The combined population of the two countries is about 1.7bn, in a planet of more than 8bn. Without question, this is the most important bilateral relationship in the world, but it is not the world. It was just possible to believe so at the turn of this decade, when non-Chinese claims on US intellectual and military bandwidth receded.

In those years, America even allowed the China issue to distort relations with third countries. Iran was de-emphasised, in part to free up diplomatic energy for the Indo-Pacific. The US has managed to get into a tiff with the EU over industrial protectionism when the ultimate aim was to hobble China. This focus on one competitor wasn't rash. It was a grown-up attempt to set priorities, to husband America's immense but finite resources. But the atrocities of October 7 in Israel, like the invasion of Ukraine, shows that the world won't leave the US alone to get on with its

The US is going through the most awkward phase in the life cycle of an empire. Its relative power in the world is somewhat down from its all-time peak, but its burdens aren't. It must prioritise, and at the same time daren't. Had the US not sent aircraft carriers to the eastern Mediterranean after the Hamas attack on Israel, or armed Ukraine, there would now be talk of "isolationism" or a "reluctant superpower". Enemies might be tempted to test its will elsewhere.

The one consolation is that other countries have been here before. If we

judge it on territorial extent, Britain's empire reached its maximum stature 100 autumns ago. Long before that, however, the nation had started to lose its industrial advantage to Germany, Japan and the US. On paper, its portfolio of responsibilities was consistent, even expanding, while its underlying wherewithal went the other way. The US will need the subtlest statecraft to manage its own version of this late-imperial predicament.

De-prioritising China isn't an option. Yes, there have been overtures from each side to the other this year, and Joe Biden might meet Xi Jinping at a summit in San Francisco next month. But the tension in interests and values is unignorable. In the end, then, America is left with the only foreign policy that is ever viable for a great power, which is the pivotto everywhere.

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How to finance a faster shift to a better world

Martin Wolf Economics

Multilateral development banks are a valuable tool, but they need an overhaul and we must learn to use them

he world is on fire." These are the opening words of the second volume of a report on strengthening the multilateral development banks commissioned by the G20 and released last week in Marrakech. The heat of 2023 makes that more than a purely figurative statement. We are living in an era of big challenges and an evident inability to meet them. The time left is also ever shorter.

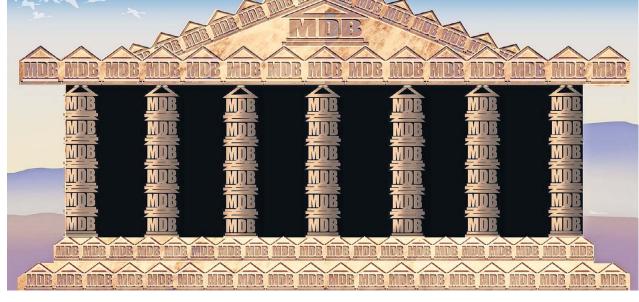
The first volume, published in June, proposed a "triple agenda" for the MDBs: tripling annual lending to \$390bn by 2030; adopting a "triple mandate" of eliminating extreme poverty, boosting shared prosperity and contributing to global public goods; and expanding and modernising MDB funding models. This volume explains what this would mean in detail. Put simply, it calls for an overhaul of every aspect of how MDBs operate — the scale of their resources, how they use them, the risks they take, their relationship with the private sector and how they operate.

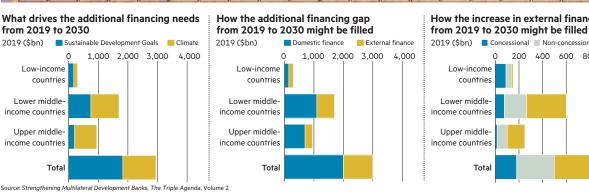
This call for change is justified. As I noted last week, the economic performance of many developing countries has deteriorated since the pandemic. The number of people in extreme poverty also jumped by 95mn between 2019 and 2022. Meanwhile, enough has not been done to mitigate climate risks. Indeed, enough cannot be done without greatly enhancing the financing available to developing countries. We simply must

Yet all this will take vast resources The report estimates that total annual spending for such purposes in emerging and developing countries should rise by \$3tn (from \$2.4tn to \$5.4tn) between 2019 and 2030. The bulk of this would go to middle-income countries. Just 1.2tn of the increase would meet "sustainable development goals"; the rest would be needed for spending for climate-related purposes. Somewhat optimistically, the report suggests that twothirds of the additional resource flow could come from domestic sources, and the rest from abroad. Finally, half the latter should come from private sources, \$320bn as non-concessional official loans and \$180bn as concessional official loans and grants. Half of this last sum would go to low-income countries and nearly all the rest to lower middle-income countries. (See charts.)

The MDBs would need to play a huge part in the additional external funding, not just as financial intermediaries and conduits for concessional funds, but as catalysts for more private funding. But the desired rise of \$500bn in the latter will not happen on its own. The big problem is that the private sector regards potentially profitable projects as too risky, mainly because of where they are done: the perception of country risk imposes high interest rates that then make the risks higher. This creates a vicious circle of low creditworthiness.

So what, exactly, needs to be done? First, MDBs must shift decisively away from individual projects towards





programmes, with governments taking the lead. The latter alone can create the policy environment in which private finance will come. They alone must provide the co-ordination needed to ensure transformation in energy and other vital sectors. Above all, only thus can lending be multiplied in scale and speed. The report recommends "country platforms", to co-ordinate increased national and external financing.

Second, the MDBs need to work out how to engage with the private sector,

Grants are justified when one is asking poor countries to undertake investments for the good of the planet which is at present unwilling to bear the risks of large-scale and affordable financing of emerging and developing countries. MDBs need to bring together their official and private lending arms to identify and create investment opportunities, develop project pipelines and share risks with the private sector. This will require new instruments, especially more effective guarantees, not least against foreign exchange risk. The potential for expanding the World Bank's Multilateral Investment Guarantee Agency seems particularly noteworthy. Not least, MDBs (as well as the IMF) need to enhance their ability to help countries cope with shocks.

Third, MDB financing should, as mentioned, triple to \$390bn annually — \$300bn non-concessional and \$90bn concessional. Today, in contrast, lend-

ing from the MDBs to middle-income developing countries is close to zero, partly because interest rates are high. If this is to happen, the MDBs must use their balance sheets aggressively, including by use of new instruments. But a substantial increase in official capital is also required.

In addition, argues the report, it would be possible to establish a Global Challenges Funding Mechanism as a platform to let sovereign wealth funds, foundations, impact investors and maybe even businesses provide additional resources. It will also be necessary to provide greater concessional funding for low-income and some middle-income countries that cannot afford conventional borrowing. Grants are, in any case, clearly justified when one is asking

ments that will benefit the planet. Again, they should be paid for preserving carbon sinks, such as forests.

If the MDBs had not been created, we would now have to invent them. Fortunately, they do exist. So, we must use them. Yet high-income countries must do so aware that a large part of what they wish to finance in emerging and developing countries is not only for their own benefit, but also to mitigate dangers they have themselves largely created. This means that there exists both a practical and a moral case for urgency and generosity.

The recommended transformation of the MDBs is both bold and sensible. Wise leaders would see that it happens. The question is whether we have them.

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Iran is positioning itself to benefit from the Israel-Gaza conflict

Suzanne Maloney

amas' attack on Israel has reignited the volatile conflict between the Jewish state and the Palestinians and threatens to trigger a wider war with devastating consequences for the Middle East and the world. As grief and fear engulf the region, there is one sinister potential winner: the Islamic Republic of Iran, whose leadership hopes to reap the whirlwind of the violence it has sown.

Speculation has focused on what role, if any, Iran had in orchestrating Hamas's latest brutality. Tehran has sought to avoid explicit culpability, with senior Iranian officials insisting that the attack

was solely a Palestinian enterprise, even as they celebrated its horrific toll. The US has also said there is no "direct evidence" of Iranian involvement.

But looking for Iran's fingerprints on the attack plans is a red herring. Hamas relies on Iranian funding and extensive material support, especially in building its missile arsenal, among a wider array of backers. Over the past decade, Hamas, a Sunni Muslim group, has become fully integrated as a crucial component of Iran's wider network of Shia militias, with close co-ordination from the Iranian Revolutionary Guard Corps. Those Iranian investments made 7 October possible.

Tehran is now certainly doing its best to position itself as the beneficiary of the explosive aftermath. From its inception with Iran's 1979 revolution, chaos and assertiveness have been the preferred currency of the Islamic Republic. Convinced that its embrace of theocracy

was only the first of a wider wave of upheavals, the revolutionary state developed an infrastructure dedicated to toppling the status quo across the Muslim world through proxy groups, Islamist propaganda and instrumental use of extraterritorial violence.

Tehran's experience on the defensive has cemented its sense that conflict and disorder further its interests

Attempted coups, assassinations and bombings followed. The anticipated revolutionary wave failed to materialise, but from the ashes of early Iranian terror campaigns emerged Lebanese Hizbollah. This gave the Islamic Republic a foothold on the perimeter of its foremost adversary, Israel, and a

In this way, proxy terror groups became a core component of the Islamic Republic's regional and international strategy. This proved a highly effective means of intimidating its neighbours, such as in 1996, when a Saudi group tied to Tehran bombed the Khobar Towers housing compound, killing 19 American military personnel. In the aftermath, US troops were relocated to a more secure base; ultimately, most were withdrawn

stranglehold on the future of Lebanon.

Tehran's own experience on the defensive has only cemented its sense that conflict and disorder advance its interests. Even Iraq's 1980 invasion of Iran worked to its advantage by rallying popular patriotism, consolidating the fractious revolutionary state, forging a robust indigenous defence industrial base, and ultimately enabling the regime to survive past its infancy.

from the kingdom.

Out of adversity comes opportunity –

each successive conflagration in the region has put Tehran in a stronger position. Even America's 2003 invasion of Iraq, which placed 150,000 US troops along its border, quickly broke in Tehran's favour: Washington removed the theocracy's most imminent and existential threat and then bequeathed the Islamic Republic a weak Iraqi state filled with Iranian clients. Tehran made the most of other apparent threats to its regional reach, such as the Syrian civil war, by mounting a transnational Shia militia to fight in Syria and eventually building a strategic partnership with Russia there as well.

So far, events in Israel and Gaza are serving several Iranian objectives: its stature as a regional interlocutor; emboldening its proxy network; blocking the nascent Israeli-Saudi normalisation, which would have further isolated Iran; and weakening Israel, which is embarking on a ferocious offensive that

will cost lives and damage its international standing. Iran's supreme leader, Ayatollah Ali Khamenei, has declared the conflict "an irreparable defeat" for Israel, adding the Israeli government "will no longer be the regime it used to be, and they cannot easily compensate for the blow that has struck them".

There is a chance, however, that Tehran has over-reached by helping to generate a crisis with such fearsome uncertainty. The Islamic Republic likes to rattle its sabres but would prefer to stay out of the direct line of fire, especially where it is outmatched by its adversaries. As clashes between Israel and Hizbollah continue, Iran risks being dragged into the conflict. This would be a dangerous turn of events, most especially for its own political survival.

The writer is vice-president and director of the Foreign Policy programme at the Brookings Institution and an Iran specialist Umicore: mettle test

Goldman Sachs: retro bank

Meet the new Goldman Sachs. It should look like the old Goldman Sachs. Some notable differences will exist. But investors should ask how profitable the retro Goldman can be.

Yesterday, Goldman reported its third-quarter results. These were muddied by extra charges due to its exit from consumer lending along with those from a continuing purge of certain capital-heavy investments. Goldman's stated annualised return on equity for the quarter was 7.1 per cent.

But exclude these one-time expenses, said the bank, and its RoE would have hit 10 per cent. Moreover, its two core businesses, institutional securities and money management, should eventually generate mid-teens RoEs "through the cycle".

The credibility of that promise will be tested in the new, streamlined Goldman model. One analyst asked chief executive David Solomon why the firm's pay (to income) ratio had ticked up when overall revenues had jumped. The firm is targeting an efficiency ratio with all operating expenses – of 60 per cent, which looks ambitious.

Solomon intriguingly noted that Goldman remained an "aspirational" career brand. Each junior analyst must get past hundreds of other applicants. But he conceded that the labour market for top talent remained tight, intimating that Goldman must fight hard to keep its stars.
That sounds odd given that Goldman

has shed thousands of jobs this year. Moreover, several stars and rainmakers in its core businesses have departed.

Goldman's proprietary trading and investment banking businesses in the 1990s and 2000s could routinely churn out returns of equity above 30 per cent. Modest regulatory capital requirements enabled a big part of that profitability.

All changed post financial crisis. The trend for enhanced regulation should culminate with Basel III. Big banks warn they may have to boost their equity capital 25 per cent, which has led to a furious opposition campaign.

Goldman's rivals, including JPMorgan and Bank of America, continue to benefit from their interest rate- dependent consumer lending businesses. Goldman can only hope to

position itself for a rebound in IPOs and merger activity. Shareholders will hope to avoid a squeeze from rising banker pay and added regulatory capital when business does finally pick up again.

Jupiter: fees squeeze

A year ago, Matt Beesley took the top job at Jupiter at an apparent turning point. A recovery in its share price and client inflows did not last long. Yesterday the London-listed asset manager announced £1bn of outflows in the quarter to September, a less lucrative fee structure and higher staff costs. The share price fell by a tenth to

Beesley puts a brave face on the retail outflows, citing clients cutting risks by shifting out of equities. He still promises to win more institutional mandates despite no significant inflows in the latest quarter. That business, though less profitable, is relatively sticky.

He could not gloss over the impact of the new tiered fee structure. This will cut the costs of unit trusts and open ended investment companies when they reach a certain size, knocking an extra 1.5 to 2.0 basis points off fee margins. That adds to any erosion caused by the shift towards institutional clients.

Allowing clients to benefit from economies of scale could attract more business. But it also crimps gains when assets under management rise.

Higher pay, too, squeezes profitability. Remuneration to net revenues, at 33 per cent in 2022, could hit the mid-to-high 40s in 2024. Every 100bp rise reduces pre-tax profits by 3 to 4 per cent, with revenues flat, says Citi.

Trading on a price/earnings multiple of 7, Jupiter's valuation is at about half its long-term average and below most peers, partly due to lacklustre investment performance. The end of the cheap money era should give active fund managers a chance to shine. But Jupiter has little yet to boast about.

If that changed, Jupiter's assets under management would swell and the pay ratio decline. That would boost its own share price, making retaining top performers easier. Beesley is steering

among its peers have fallen in line with battery inputs, including cobalt and nickel. The previous debt-funded spending plan risked breaching Umicore's net debt limit set at 2.5 times ebitda. Umicore net debt and leverage* Umicore lowers its investment plans ■Net debt (€bn) Old estimate Revised estimate Estimated 3.0 -2.5 — 24 26 Prices for cathode shares and battery metals

The materials group has cut back its bold plan to expand capacity for battery components. Share prices

Electric vehicles can cause a price shock for keen buyers, primarily due to the battery costs. China's aggressive capacity expansion on batteries is two-pronged. Costs are falling, but at a time when domestic sales for EVs have lost energy. This has diminished China's demand for cobalt and nickel, key battery inputs.

1.0

This has been bad news for Belgium's Umicore, maker of battery cell cathodes. Its share price has fallen more than a third this year. Lower input prices affect its own revenues just when it needs to invest heavily in new western battery supply capacity. Flattish profits in its mainstay catalytic converter business for internal combustion cars have not helped matters. Umicore took action

yesterday. A glut of cathode material has led the group to revise capacity expansion plans lower. Its depressed share price rebounded 13 per cent.

CSI China EV

Battery index

2022

Capacity growth in cathode materials will now be 15 per cent lower, with 195 gigawatt hours expected by 2026 from the current 85GWh. This will result in a €1.2bn saving of net capital expenditure. Later, Umicore's capacity will expand to 270GWh by 2030, but at a slower pace than previously planned.

Part of the problem is inflation. Umicore plans to supply cathodes to a joint venture partner, battery maker Automotive Energy Supply Corporation, building 35GWh of capacity in Canada at a total cost of €1.3bn. Almost half of this will come from government grants. Even so, at

€36mn/GWh the cost is well above earlier estimates, notes Jefferies

Cobalt price

Umicore 100 -120

80

60

40 Oct

Source: LSEG

Nickel price

Worried shareholders would have noted that Umicore's estimated negative free cash flow tots up to €300mn annually for the next three years. Prior to the announcement yesterday net debt was to rise from €1.1bn last year to €3.6bn. That is almost three times its expected ebitda in 2026, according to Visible Alpha. That would exceed its selfimposed limit of 2.5 times.

A slower expansion should placate shareholders who faced the prospect of a cash call to cover the bill for new factories. As other renewable energy companies have discovered, financial reality is catching up with bold hopes for an energy revolution.

needs better integration. The job cuts could strip out between £175mn and £215mn of costs, an amount largely expected by investors, said UBS. That would explain why Rolls-Royce has kept its full-year £1.2bn-£1.4bn underlying operating profit guidance, which was upgraded in July. Analysts expect Erginbilgic to hit the top of that range, according to Visible Alpha estimates.

Rolls-Royce:

Restructurings at Rolls-Royce are a bit

like British trains. There are plenty of

The failure of past turnarounds does

them but they do not always reach

not bother Tufan Erginbilgic. Nine

months in as CEO, he is going full

2,500 jobs - 6 per cent of workers.

Markets have expected cost

rally, Erginbilgic must stop costs

steam. His latest move is to cut up to

reductions. Shares are up more than

115 per cent this year. To maintain this

creeping back in. Just as important, he

must set out where future growth lies.

defence and power systems — largely

finance, legal, HR and marketing staff.

Power systems, which makes diesel

engines for trains and ships, especially

operate as fiefdoms with their own

Its core businesses - civil aerospace,

turbo fans

their destination.

A stronger than expected postlockdown bounce in air travel helps. Profitability at the core civil aerospace division is at the highest level for at least 15 years. An operating margin of 12.4 per cent still trails rival General Electric's at 19 per cent.

Erginbilgic has promised to set out longer-term plans next month; a bigger test. For example, a move back into the $higher\ volume\ single-aisle\ aircraft$ engine business would require a partner to scale up production.

There is more to do. Rolls-Royce still has about £1.4bn of unprofitable contracts it wants to renegotiate. Also, Erginbilgic could trim lower-margin units, such as the power systems agricultural business.

After such a strong run, investors will need more than this to avoid Rolls-Royce shares ending up in the sidings.



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round a vicious circle of cost-cutting and falling revenues, a track not worth entering.

Choice/Wyndham: checking in

Budget extended-stay hotels emerged as one of the few bright spots for the lodging industry during the pandemic. These chains benefited from the need for temporary housing for essential workers as well as staycationers who wanted to practise social distancing.

Post-pandemic, demand for these no-frill rooms shows no sign of fading. That is thanks to the rise of "bleisure' travellers. The word - a blend of business and leisure - describes

workers who take advantage of remote work policies to combine their business assignments with vacation time.

The sector's resilience explains why Choice Hotels International is looking to check in to rival Wyndham Hotels and Resorts.

Choice, whose brands include Quality Inn, Econo Lodge, Clarion and Comfort, has made its \$9.8bn buyout offer, including debt, for Wyndham public after the latter walked away following six months of merger talks.

It is an opportunistic move. Choice's \$90 cash and stock offer values Wyndham's equity at \$7.8bn. That is a 22 per cent premium to the shares' undisturbed three-month average. But it looks less impressive considering Wyndham traded at more than \$90 a share just 18 months ago.

A combination of Choice and Wyndham would create one of the biggest hotel operators, with more than 16,600 hotels and nearly 1.5mn rooms. While both primarily cater to the budget extended-stay market, Wyndham also has exposure to the mid-market, which Choice is targeting. Yet Choice's offer – 55 per cent cash

and 45 per cent stock — would value Wyndham at just around 15 times EV/ebitda. That is in line with Choice and Marriott International.

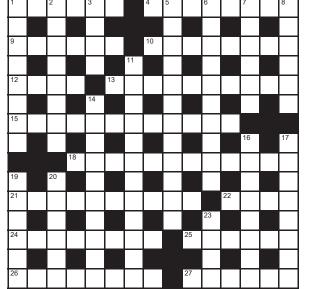
Wyndham is right to play hard to get. Any deal would probably attract antitrust scrutiny. Wyndham may want

to be better compensated for this risk. Choice will need to provide an extra tip to get Wyndham shareholders on its side. It may want to start by increasing the cash component.

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in the FT crossword app at

ACROSS

- 1 Who will look after the children of golden couple? (2,4)
- 4 Creatively themed about the Spanish wearing something more protective than a sombrero (8)
- 9 Makes a noise like some bees (6) 10 Certain muscle needed in sci-fi production (8)
- 12/3 Options include cold starter and desserts (4,4)
- 13 Again, making things is fun (10) **15** Altogether prepared omelette buns 18 Don't ask me, I've failed you (1,6,1,4)
- 21 Popular mother swimming? (10) 22/23 Last city twerp set lost all clothing, so to speak (2,2,4)
- 24 Basic talk a linesman comprehends 25 Poles have always crossed river (6)
- 26 Innocent footwear may be a tool found in designer dress (3,5) 27 Tenant using a smaller quantity of drugs (6)

DOWN

- 1 Step down having brought up police officers in decline (8)
- 2 Delay legislation for scoundrel (8) 3 See 12 Across
- 5 Unproven old friend keeping entire Motörhead collection (12)
- 6 First term of claim has me foxed (10) 7 Where one might find lunch or
- chocolate (6) 8 Transfer presenters usually in a
- different order (6) 11 Each division's hard work (12)
- 14 Goliath, so healthy, turned very old man (10)
- 16 Problem with tight shoes of celebrities
- 17 Time for a few words (8) 19 Weaken setter's brace (6)
- 20 No good as a candle (6)
- 23 See 22 Across

