FINANCIAL TIMES

TUESDAY 19 DECEMBER 2023 | NATIONAL NEWSPAPER OF THE YEAR | UK £3.50; Republic of Ireland €3.90

Can Hong Kong retain global investor trust?
BIG READ, PAGE 21

FT financial literacy campaign goals for 2024
PATRICK JENKINS, PAGE 9

Red Sea raids
BP halts Suez oil shipments

Houthi Military Media via Reuters

Cargo ship Galaxy Leader sails under escort by Houthi rebels after the Iran-backed Yemeni group hijacked the vessel last month as part of its campaign against ships in the Red Sea following the outbreak of the Israel-Hamas war.

Yesterday BP halted all shipments through the Suez Canal, which connects the Mediterranean to the Red Sea, because of what it called the "deteriorating security situation" caused by the escalating Houthi attacks.

It was the first oil major to take the step, which pushed up oil and gas prices. BP called the move a "precautionary pause" that it would keep under review.

Two of the top five global container shipping operators, AP Møller-Mærsk and Hapag-Lloyd, last week imposed a similar pause, sending their ships on the longer routes around Africa.

BP pause page 11
Day in markets page 14

Adobe and Figma drop $20bn tie-up after balking at regulators' remedies

- Watchdogs fear for competition
- Software groups dispute findings
- Merger faced EU and UK probes

CRISTINA CRIDDLE, SUZI RING AND TIM BRADSHAW — LONDON

Adobe has abandoned its proposed $20bn acquisition of product design software company Figma, saying there was "no clear path to receive necessary regulatory approvals" from UK and Brussels watchdogs.

The deal had faced probes from both British and EU regulators over fears it would stifle competition and innovation in the product design, image editing and illustration markets.

Adobe makes a broad range of digital marketing and creative tools including Photoshop and InDesign, while Figma specialises in online software for designing apps and websites.

According to a document from the UK's Competition and Markets Authority yesterday, Adobe refused to offer remedies to satisfy the regulator's concerns last week, arguing a divestment would be "wholly disproportionate".

Hours later, the two companies issued a mutual statement terminating the deal, citing the regulatory challenges. Adobe will pay Figma $1bn in a termination fee under the terms of the merger agreement. Shares in Adobe were up 3 per cent yesterday.

"Adobe and Figma strongly disagree with the recent regulatory findings but we believe it is in our respective best interests to move forward independently," said Shantanu Narayen, Adobe's chair and chief executive.

> Demanding the divestiture of operations would be 'wholly disproportionate'
> Adobe

Competition regulators across the world have recently sent mixed signals on Big Tech groups' hopes of acquiring promising start-ups and potential rivals at a time when public markets have been largely closed to new listings.

The EU's antitrust watchdog has formally objected to Amazon's $1.7bn proposed purchase of Roomba-maker iRobot. However, Microsoft was able to complete its $75bn takeover of games maker Activision in October after revisions to the deal satisfied UK regulators.

Adobe and Figma had been battling regulatory challenges, with the European Commission publishing a statement of objections last month, arguing the takeover could "significantly reduce competition in the global markets".

The huge price that Adobe was willing to pay for San Francisco-based Figma had been seen by critics of the deal as an effort to quash the software giant's most promising new rival in decades.

The merger, first negotiated during the pandemic's tech investment boom, would have valued Figma at 50 times its annual recurring revenue and double its last private funding round in 2021.

The CMA said: "During a detailed phase 2 investigation, the CMA provisionally found that the deal between Adobe and Figma had the potential to impact the UK's digital design industry by reducing choice, innovation, and the development of new competitive products."

Margrethe Vestager, the EU's competition commissioner, added: "By combining these two companies, the proposed acquisition would have terminated all current and prevented all future competition between them."

Under its proposed remedies in November, the CMA said it was considering either prohibiting the deal or demanding the divestiture of overlapping operations, such as Adobe's Illustrator and Photoshop or Figma's core product Figma Design.

Speaking to the Financial Times last week, Figma chief executive Dylan Field said the latter suggestion left him amazed at "the idea of buying a company so you can divest [it]".

Briefing

▸ Opaque wage data delays rate cuts, says BoE deputy
Ben Broadbent, a deputy governor at the central bank, has warned that uncertainty over the labour market will force the Bank of England to wait longer before it can safely conclude inflation is on the way down.— PAGE 3

▸ Apple smartwatch halt
The tech group has announced it will "pre-emptively" stop selling two of its latest smartwatch models through its US stores before Christmas after losing a patent infringement case.— PAGE 9

▸ Pressure for carbon levy
Trade group Make UK has called on ministers to bring forward the proposed 2027 launch of a border tax to match EU plans and stop the dumping in Britain of carbon-heavy goods.— PAGE 2; LEX, PAGE 24

▸ Sunak clashes with Mone
The prime minister has become embroiled in a bitter row with ex-Tory peer Baroness Michelle Mone over her role in a company that won deals totalling £200mn in the pandemic.— PAGE 2

▸ Unilever sells 20 brands
The consumer goods group has said it will offload beauty brands including Q-tips, Timotei and Impulse to buyout group Yellow Wood Partners, in its bid to ditch slower-growth labels.— PAGE 12

▸ Fed official warns markets
Loretta Mester, chief of the Fed's Cleveland office, has warned that markets have jumped "a little bit ahead" by pencilling in early rate cuts.— PAGE 4; MOHAMED EL-ERIAN, PAGE 14; RAGHURAM RAJAN, PAGE 23

▸ Ex-Freshfields lawyer tried
Ulf Johannemann, the former global head of tax at the law firm, has told a Frankfurt court that he "totally failed" as a lawyer, as he faced allegations of aiding and abetting tax fraud.— PAGE 11

▸ Tycoon Lai in HK court
Jimmy Lai, the Hong Kong media tycoon and owner of the now defunct Apple Daily newspaper, has appeared in court on sedition charges that could imprison him for life.— PAGE 8; BIG READ, PAGE 21

OpenAI and Microsoft tie knot as tech's odd couple

Microsoft's $13bn alliance with OpenAI is Silicon Valley's most watched — yet least understood — partnership. The tech giant, like other investors, owns no equity in the ChatGPT maker but is entitled to a share of profits. With US and UK competition watchdogs taking an interest in Microsoft's influence, the strange structure of the deal spotlights how OpenAI's altruistic origins are now colliding with the huge commercial promise of artificial intelligence.

Complex alliance ▸ PAGE 11

Bankruptcies soar as high rates and end of Covid aid hit businesses hard

VALENTINA ROMEI

Corporate bankruptcies are increasing at double-digit rates in most advanced economies as borrowing costs rise and governments unwind pandemic-era measures to support business.

Following a decade of decline, the number of US corporate bankruptcies rose 30 per cent in the 12 months to September compared with the period a year before, according to data from courts.

Germany, the EU's largest economy, said bankruptcies rose 25 per cent from January to September compared with the same period last year. Since June, monthly "double-digit growth rates have been consistently observed compared to the previous year", the country's statistical office Destatis said.

Across the EU, corporate insolvencies rose 13 per cent year on year in the nine months to September to reach their highest level in eight years, according to Eurostat. Higher interest rates, along with the collapse of zombie companies that had survived on Covid-era government support, have fuelled the trend, according to Neil Shearing, chief economist at Capital Economics.

Shearing cited the cost of debt servicing, the rollback of pandemic support and high energy bills. The industries suffering the most from the increased insolvency rates included transport and hospitality, analysts said.

Government support schemes for companies and households during the pandemic amounted to more than $10tn, according to IMF estimates for 2020 and the first four months of 2021. They have now been largely withdrawn.

Shearing warned that the trend was set to continue as many businesses will have to refinance debt at higher rates in the coming months, even if central banks' rate rises have peaked.

Susannah Streeter, senior investment analyst at asset manager Hargreaves Lansdown, said that while the rise was partly due to the folding of zombie companies, "the concern is that the rapid tightening in monetary policy will also push more promising start-ups and SMEs over the edge, which could have longer-term consequences for growth".

Rating agency Moody expects the global speculative-grade default rate to go on rising in 2024 after reaching 4.5 per cent in the 12 months to October, above the historical average of 4.1 per cent.

In England and Wales, insolvencies for the January-September period had also hit their highest level since 2009, according to the Insolvency Service.

German contraction signs page 4

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World Markets

STOCK MARKETS

	Dec 18	Prev	%chg
S&P 500	4740.33	4719.19	0.45
Nasdaq Composite	14871.96	14813.92	0.39
Dow Jones Ind	37365.40	37305.16	0.16
FTSEurofirst 300	1875.11	1880.71	-0.30
Euro Stoxx 50	4520.12	4549.44	-0.64
FTSE 100	7614.48	7576.36	0.50
FTSE All-Share	4161.02	4142.92	0.44
CAC 40	7568.86	7596.91	-0.37
Xetra Dax	16650.55	16751.44	-0.60
Nikkei	32758.98	32970.55	-0.64
Hang Seng	16629.23	16792.19	-0.97
MSCI World $	3126.14	3128.89	-0.09
MSCI EM $	1000.89	992.51	0.84
MSCI ACWI $	716.45	716.40	0.01
FT Wilshire 2500	6128.62	6134.19	-0.09
FT Wilshire 5000	47743.40	47790.60	-0.10

CURRENCIES

Pair	Dec 18	Prev	Pair	Dec 18	Prev
$/€	1.092	1.092	€/$	0.916	0.916
$/£	1.264	1.270	£/$	0.791	0.787
£/€	0.863	0.860	€/£	1.158	1.163
¥/$	143.110	141.755	¥/€	156.205	154.732
¥/£	180.934	180.022	£ index	81.919	82.004
SFr/€	0.947	0.946	SFr/£	1.097	1.101

CRYPTO

	Dec 18	Prev	%chg
Bitcoin ($)	41369.90	41347.37	0.05
Ethereum	2157.55	2194.43	-1.68

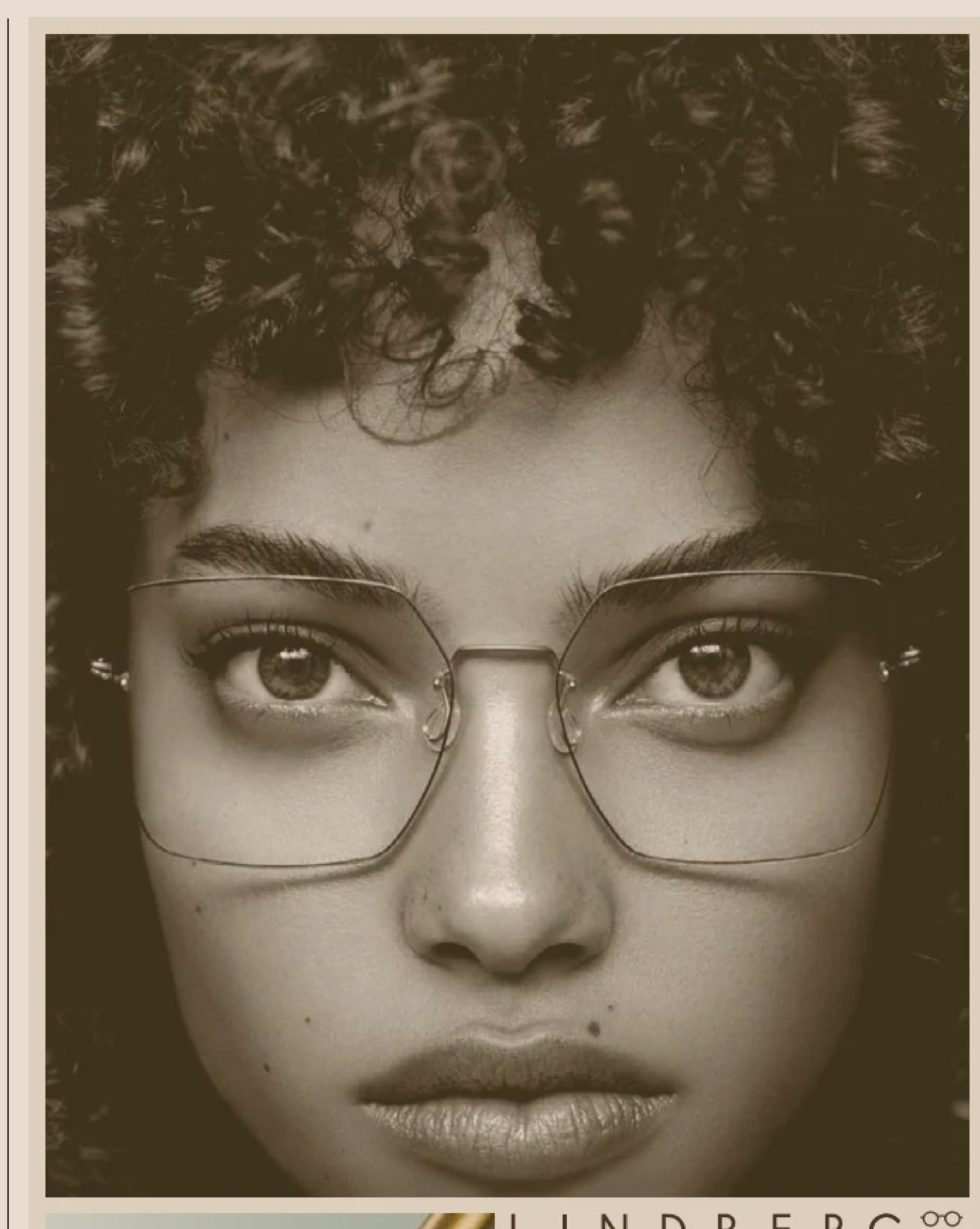
COMMODITIES

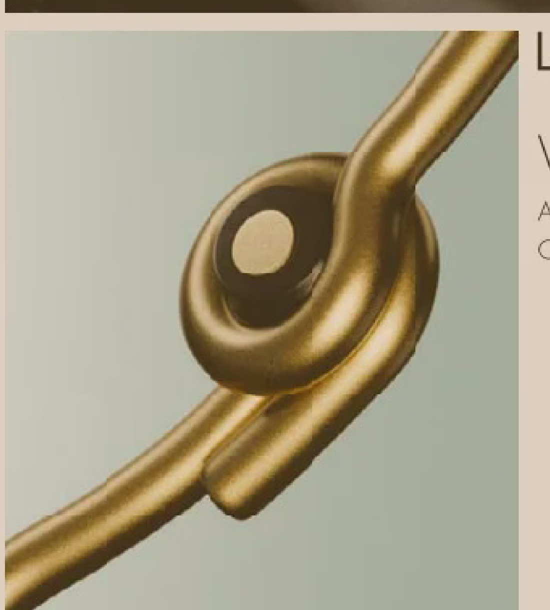
	Dec 18	Prev	%chg
Oil WTI $	73.68	71.78	2.65
Oil Brent $	78.59	76.55	2.66
Gold $	2032.30	2046.10	-0.67

GOVERNMENT BONDS

Yield (%)	Dec 18	Prev	Chg
US 2 yr	4.45	4.39	0.06
US 10 yr	3.96	3.91	0.05
US 30 yr	4.07	4.02	0.05
UK 2 yr	4.30	4.26	0.05
UK 10 yr	3.87	3.86	0.01
UK 30 yr	4.17	4.17	0.00
JPN 2 yr	0.07	0.08	-0.01
JPN 10 yr	0.66	0.70	-0.04
JPN 30 yr	1.60	1.62	-0.02
GER 2 yr	2.55	2.50	0.05
GER 10 yr	2.08	2.02	0.06
GER 30 yr	2.28	2.21	0.06

Prices are latest for edition
Data provided by Morningstar





LINDBERG
Visionary by design
Aliana wears Spirit Titanium.
Crafted in Denmark.

NATIONAL

Border tax

Industry calls for carbon levy before 2027

Manufacturers urge plans to be speeded up to avoid dumping by foreign rivals

RACHEL MILLARD AND JIM PICKARD

The introduction of a carbon border tax by 2027 to protect manufacturers and match similar measures in the EU should be speeded up, industry has told ministers.

Imports of iron, steel, ceramics, cement and other goods from countries with weaker climate regulations than Britain will be subject to a levy to prevent UK companies from being undercut by foreign rivals. Ministers also view the levy as key to preventing the UK from becoming a dumping ground for carbon-intensive goods once the EU brings in its own levy in 2026.

Jeremy Hunt, chancellor, said yesterday the new rules, which are subject to further consultation next year, should "give the industry confidence to invest in net zero". He added: "This levy will make sure carbon-intensive products from overseas — like steel and ceramics — face a comparable carbon price to those produced in the UK, so that our decarbonisation efforts translate into reductions in global emissions."

But Make UK, which represents British industry, said the scheme should be implemented "as soon as possible" to align with the timescale of the EU.

Steel UK, the sector trade body, warned the delayed implementation would leave its members at risk from the "dumping" of high-emission exports from third countries that had previously gone to the EU.

"Despite the steel sector repeatedly warning officials how exposed the UK would be if it did not mirror the EU implementation timetable, government today seems to be actively planning for just that scenario," said Gareth Stace, director-general of UK Steel.

Gareth Davies, a Treasury minister, said the delay was due to efforts to ensure businesses had time to adapt to the new scheme. "We want to work with industry to make sure we get this right, and it will take some time," he added.

Under current rules, heavy industries have to pay to pollute by buying credits through the UK's carbon trading scheme, which is designed to encourage manufacturers to reduce emissions. But it also creates the risk that they will be undercut by rivals from abroad governed by weaker climate regulations.

The government said 85 per cent of respondents to a recent survey were concerned about the risk of so-called carbon leakage given other countries were moving more slowly in emissions reductions. A carbon border tax would add a levy to imports designed to equalise the cost of polluting under a third country's emissions trading scheme.

UK carbon credits are currently trading well below those in the EU and if that differential remains British companies would face paying a levy on any exports to the bloc when Brussels brings its scheme into force in 2026.

That issue could be resolved if the EU and UK, which set up its own scheme after Brexit, ended up merging their carbon markets, an idea that Davies said was "on the table" in the longer term.

Tackling climate change globally could eventually require a "unified pricing system", he said.

Jess Ralston, head of energy at the Energy and Climate Intelligence Unit, said the scheme made sense given the EU was pressing ahead and said it sent a more positive message following Prime Minister Rishi Sunak's decision this year to water down green policies.

See Lex

Covid contract

Sunak clashes with Mone over pandemic PPE profits

GEORGE PARKER AND LUCY FISHER

Rishi Sunak has become embroiled in a row with Baroness Michelle Mone, a former Conservative peer, over her role in a medical equipment company that won state contracts worth more than £200mn during the pandemic.

The prime minister said he took the affair "incredibly seriously", after Mone, a lingerie entrepreneur, admitted that she stood to gain from profits of about £60mn made by PPE Medpro, which sold personal protective equipment to the government from May 2020.

Mone, who on Sunday admitted lying to the media over her involvement in PPE Medpro, wrote on X: "What is Rishi Sunak talking about? I was honest with the Cabinet Office, the government and the NHS in my dealings with them. They all knew about my involvement from the very beginning."

Labour is seeking to portray the affair as a case of Tory cronyism and evidence of ministers diverting funds from a cash-starved NHS to pay for dubious Covid contracts.

Mone told the BBC on Sunday that she approached Michael Gove, then minister for the Cabinet Office, offering PPE Medpro's services in 2020. Over several years, spokespeople and lawyers for Mone denied she had any involvement with the company, as did people representing her husband, Doug Barrowman.

Michelle Mone: peer says she was upfront with the government about her links with PPE Medpro

Mone admitted she stood to gain from profits of about £60mn. She said she and her children were beneficiaries of trusts where the money was held, adding: "It's my husband's money."

Sunak tried to distance himself from Mone yesterday, saying: "The government takes these things incredibly seriously, which is why we're pursuing legal action against the company concerned in these matters."

Speaking on a visit to Scotland, he added: "That's how seriously I take it and the government takes it. But it is also subject to an ongoing criminal investigation and, because of that, there's not much further that I can add."

Lord James Bethell, a health minister during the pandemic, said on X that Mone was not "honest about her financial interest" when discussing the PPE Medpro bid for a Covid contract with him. "She didn't explain 'from the very beginning' about her financial 'involvement'," he said.

Mone was contacted for comment.

The government started legal proceedings against PPE Medpro last year, claiming breach of contract over the quality of £122mn worth of protective gowns provided by the company. PPE Medpro denies the goods were faulty. The National Crime Agency is also conducting an investigation.

Sunak's problems increased yesterday when it was announced that Tory MP Miriam Cates was under investigation by the parliamentary standards watchdog over allegations she caused "significant damage" to the reputation of the Commons. No further details of the probe have been published. Cates was approached for comment.

Campaign rules

Critics fear data bill will let parties harass voters

LUCY FISHER

The government is paving the way for political parties to "bombard" voters with unsolicited calls, texts and emails ahead of the next general election with changes to data protection laws, critics have warned.

Ministers introduced provisions in the data protection and digital information bill that would allow it to "tear up" long-standing campaigning rules, transforming the backdrop of British elections.

The legislation contains new exemptions to safeguards against "direct marketing" when communications are "carried out for the purposes of democratic engagement" and targets are aged 14 or above.

Sir Chris Bryant, Labour's shadow digital minister, claimed the government was "trying to tear up the rules in a run-up to an election so they can bombard voters with calls, texts and personalised social media messages without their explicit consent".

The bill has already passed through the House of Commons and is set to face its first debate in the House of Lords today. The proposals raise the prospect of ballots increasingly resembling those in the US, where direct marketing is used to spread campaign messages and solicit donations.

Opposition parties want to block the changes, which have so far escaped wider notice despite warnings from the data protection watchdog. The Information Commissioner said during consultation there were "significant potential risks to people if any future policy is not implemented very carefully".

Under the bill, the government would need to consult the watchdog before any data rule changes. It would also need to gain approval for specific changes via an "affirmative" vote in both the Commons and the Lords. The commissioner has urged ministers to "start any consultation process as soon as possible" so it can influence any proposals.

Political parties are currently banned from sending emails, texts, picture messages, video messages, voicemails, as well as direct messages via social media, to people without their specific consent.

Noir Kringle Santa's grotto spreads festive cheer in East End

Olufemi Makanjuola performs the role of Noir Kringle at the Black Santa's Grotto Experience, which opened yesterday in Hackney, London. Founder Charlotte Lewis began the pop-up in 2018 after her hunt for a UK grotto with a black Santa for her young daughter proved fruitless. Lewis was born and raised by black British parents of Jamaican heritage and says all children deserve to have the option to see a reflection of themselves in such traditions Alishia Abodunde/Getty Images

Local government

Councils warn of tax rises and service cuts under funding offer

WILLIAM WALLIS AND ANNA GROSS

English councils will be forced to raise taxes and cut frontline services to avoid effective bankruptcy, local governments have said, as they criticised the latest funding offer from ministers.

Michael Gove, secretary of state for levelling up, housing and communities, yesterday announced a £64bn offer for local authorities in 2024-25, representing an increase of 6.5 per cent with an additional £1bn in grants for social care.

The County Councils Network, representing the largest local authorities in England, described the proposed settlement as "bitterly disappointing" in light of the soaring costs and rising demand for services that have hit councils hard.

"With no additional funding announced, our councils will have no choice but to implement more severe reductions to services and to levy higher council tax rises," said Barry Lewis, CCN vice-chair and finance spokesperson, yesterday.

He added that an increasing number of local authorities would "struggle to deliver a balanced budget next year" if the government failed to improve its offer. A record number of councils have been forced in recent years to issue "section 114" notices declaring their inability to meet a legal requirement to balance their books.

A survey by the Local Government Association, another cross-party body representing local authorities, found earlier this month that one in five senior executives in England's 317 councils thought it "likely or fairly likely" they would have to issue a section 114 notice this year or next. Shaun Davies, LGA chair, said it was "unthinkable that government has not provided desperately needed new funding", adding that the settlement had left councils facing a deficit of £4bn this year and next.

Gove said yesterday that he recognised the challenges facing local government. "That is why we have announced a £64bn funding package to ensure they can continue making a difference."

Simon Hoare, minister for local government, said the settlement was above inflation and "good news".

Separately, Gove is expected to clamp down today on poorly performing council planning departments, whose delays he will claim have held up house building in their areas. But housebuilders have argued that Gove is attempting deflect attention from the government's own failure to relax stringent planning permission rules and kowtowing to the "not in my back yard" lobby.

In a speech, Gove will criticise local authorities that are falling behind and say that where expectations for the planning system are not met, he will intervene.

His department said: "We have been clear that the government is on the side of the builders and not the blockers — councils must play their part and deliver the homes this country needs, without concreting over the countryside.

"The housing secretary has already told councils that they need to step up, and we are providing a lot of support to help them do so — so those that continue to drag their feet can expect to face government intervention."

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Healthcare

US drone company to pioneer delivery of NHS medical supplies

MICHAEL ACTON — SAN FRANCISCO

Silicon Valley-based Zipline is to deliver medical supplies by drone for the NHS in a pioneering move aimed at cutting costs and improving services to hundreds of thousands of patients.

The world's largest drone logistics service expects to deliver medical and surgical supplies to more than 30 NHS hospitals and clinics in the north of England in the second half of next year. Its fixed-wing drones can travel up to 130 miles and parachute packages on to landing zones.

Zipline has allied with the Northumbria Healthcare NHS Foundation Trust, which provides care to more than 500,000 people in Northumberland and North Tyneside, and UK logistics company Apian to build on a drone trial held earlier this year.

The partnership "is an opportunity to try to improve experiences for the hundreds of thousands of people we serve", Sir James Mackey, the trust's outgoing chief executive, said. "We hope it will help reduce cancelled appointments and supply chain complexities, while saving money for our healthcare system."

Zipline said drones could be in the air within two minutes of receiving a request, cutting delivery times by hours and allowing for more effective use of inventory, particularly in an area such as the one served by the Northumbria trust, geographically one of the largest in England's NHS.

The company is awaiting final regulatory approval for the service from the Civil Aviation Authority.

The partnership to supply a drone service comes as the NHS is looking to cut costs and improve services as it faces one of its toughest winters, with figures showing people waiting for about 7.7mn non-emergency appointments.

The trust has been conscious of potential concerns about noise and safety, said Andrew Edmunds, its director of innovation.

The trial scheme, run by Apian in February and May, initially drew criticism over the closure of local airspace, with pilots and airstrip owners warning that a "temporary danger area" would hit their operations, prompting Apian to revise its plans.

"This is where we come back to doing things by the book, following the process and being totally consistent with the regulations," Edmunds said. "It's natural that there are going to be questions about new technology."

Zipline's move into the UK is the latest expansion for the US drone delivery company, which includes Cleveland Clinic, Intermountain Healthcare and Walmart among its partners. The company, which at its latest funding round this year was reported to have a $4.2bn valuation, counts Sequoia Capital, Andreessen Horowitz, Baillie Gifford, Temasek and Fidelity among its backers.

Keller Rinaudo Cliffton, Zipline's chief executive, pointed to a "crazy explosion of demand", especially in the US, for its next-generation platform, which uses a "droid" attached to a drone that hovers at an altitude of about 300ft and can deliver a package to areas as small as the front step of a home. Zipline plans to introduce that service to the UK at a later stage.

Air care: Zipline says its drones can cut delivery times by hours

The company received clearance in 2023 from the US Federal Aviation Administration to carry out flights "beyond visual line of sight", waiving a requirement to have humans on the ground monitoring each flight.

Zipline has helped to ease the transition of healthcare systems to an automated instant drone delivery process, driven in part by disruption from the pandemic, Rinaudo Cliffton said.

The company now served 3,000 hospitals and health facilities globally and had delivered more than 14mn vaccine doses over the past few years, he added. It recently passed 60mn miles of autonomous flights with zero safety incidents.

Apian was founded by former NHS doctors and operates a platform for the NHS to place orders with Zipline.

Additional reporting by Sarah Neville

Monetary policy

BoE seeks wage growth clarity before rate cuts

Poor data has muddied picture for policymakers, warns deputy governor

DELPHINE STRAUSS AND SAM FLEMING

Uncertainty over the state of the UK's labour market will force the Bank of England to wait longer before it can safely conclude inflation is on the way down and cut interest rates, according to a senior official.

Ben Broadbent, a deputy governor of the central bank, said yesterday that volatile, inconsistent data had made it hard to tell how fast wages were growing and why, crucial questions for the BoE's Monetary Policy Committee to gauge underlying inflationary pressures.

This kind of uncertainty could be "very costly" for the economy, he told a meeting at the London Business School, as it affected the setting of interest rates. "One implication . . . is that, in response to any given shock, the reaction of policy is likely to be somewhat more delayed than in a world of perfect and complete information," said Broadbent.

His comments underline the frustration of policymakers over data problems that have left them unable to answer key questions about the forces driving the economy.

The BoE held interest rates at a 15-year high of 5.25 per cent last week and struck a more hawkish note on the outlook for the cost of borrowing than either the US Federal Reserve or European Central Bank, warning there was still "some way to go" before it could be confident inflation was under control.

Financial markets are at present pricing in about 1.15 percentage points of cuts by the BoE by December next year.

The most important question for the BoE is whether rapid wage growth will continue to fuel prices of labour-intensive services, even as global energy and goods price inflation continues to ease.

To answer this, Broadbent argued, policymakers needed to know whether wages had been rising mostly as a one-off response to the sharp rise in consumer prices or mostly because the jobs market had been so tight, with workers in short supply.

If the former was true, wage growth should soon slow, Broadbent said. If the latter was true, the UK would need "a longer period of below-trend growth, possibly with corresponding consequences for monetary policy, to bring it back to a more sustainable position".

But at present, the BoE does not know how many in the UK are looking for work, as the Office for National Statistics is not publishing its usual estimates of unemployment, which are based on a faulty survey. Business surveys had filled some gaps in the data but could not answer this question, he added.

In addition, official estimates of wage growth, while underpinned by a more reliable survey, had been volatile and at odds with other figures in recent months, Broadbent pointed out.

He said this might be explained by unusual patterns in bonuses, and in the generosity of pay deals for existing employees versus new recruits.

But given the "slightly muddy" picture, the MPC would want to see "further evidence, across several indicators, before concluding things are on a clear downward trend", he added.

Broadbent made clear this uncertainty could have a real-world cost, comparing it with the late 1980s boom when early estimates of gross domestic product growth underrated the strength of the economy, and policymakers failed to head off a burst of inflation.

Raghuram Rajan see Opinion

Mind the gap
TfL secures half the funds it requested

Ageing systems: older trains and signals are making the Central Line less reliable. Inset, Siemens will build new trains for the Piccadilly Line — Tolga Akmen/EPA-EFE

Transport for London warned yesterday it was facing a funding shortfall after securing just half of the £500mn grant it had asked for from central government for the capital's transport network next year.

The £250mn deal is the latest in a series of bailouts by the government to help TfL recover from the pandemic after its finances were hit hard.

The transport body, which runs London's extensive bus and surface rail networks as well as the London Underground, has struggled to recover as traffic remains below pre-pandemic levels with a switch to hybrid working from home.

TfL said it remained on course to cover the costs of day-to-day operations by the end of the financial year in March 2024 but had been seeking £500mn over the following 12 months to help fund the modernisation of parts of the metro system, the world's oldest.

Andy Lord, London's transport commissioner, said he welcomed the agreement with the government but warned that TfL needs to "reassess" its business plan to "address the impact of the continued shortfall in funding".

He added that work was under way to "confirm as soon as possible what we will deliver for London".

Sadiq Khan, the Labour mayor of London who oversees the transport body, said he was "relieved" a deal for next year had been reached, but warned it was "still vitally important that we agree a decent long-term funding settlement from the government that allows us to plan and invest for the infrastructure London will need over the coming decades".

> 'This investment must be well managed in a way that doesn't unfairly burden taxpayers and motorists'

Rail minister Huw Merriman said the funding agreement balanced the interests of both Londoners and taxpayers.

"We have invested billions into the capital's transport system in recent years. This investment must be well managed in a way that doesn't unfairly burden the pockets of taxpayers and motorists," he said.

The new funding round takes the total provided by central government to TfL to nearly £6.4bn since the pandemic struck in early 2020.

Relations between Khan and the ruling Conservative party have been strained over the past few years as successive bailouts have come with conditions attached and fallen well short of what TfL claimed was needed.

The £250mn funding for next year will be enough to finance new trains for the Piccadilly Line, which are being built by Siemens in Goole in East Yorkshire, and support 2,700 jobs around the country.

But TfL had been pushing for more cash to fund other upgrades, including an order for new rolling stock for other parts of the Underground, such as replacing the 50-year-old trains used on the Bakerloo Line.

Ageing trains and signalling systems are already leading to less reliable services on parts of the Underground, including the Central Line, one of the system's busiest.

Philip Georgiadis and Jim Pickard

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INTERNATIONAL

US central bank

Rate cut hopes a 'bit ahead', says Fed official

Regional president joins efforts to calm exuberance driving up stocks and bonds

COLBY SMITH — NEW YORK

A senior official at the Federal Reserve has warned that markets have jumped "a little bit ahead" by pencilling in early interest rate cuts next year, in the latest attempt to rein in the exuberance that has driven up stocks and bonds.

Loretta Mester, president of the Cleveland Fed and a voting member on the Federal Open Market Committee next year, challenged expectations that the central bank would abruptly pivot towards lowering borrowing costs now it was more confident it had lifted its benchmark interest rate to a level restrictive enough to bring inflation under control.

Her comments align with two other 2024 voting FOMC members, John Williams of the New York Fed and Atlanta's Raphael Bostic, who have stressed rate cuts were not imminent.

"The next phase is not when to reduce rates, even though that's where the markets are at," Mester said. "It's about how long do we need monetary policy to remain restrictive in order to be assured that inflation is on that sustainable and timely path back to 2 per cent.

"The markets are a little bit ahead," she added. "They jumped to the end part, which is 'we're going to normalise quickly', and I don't see that."

Since the central bank's final meeting of 2023, traders in futures markets have stepped up bets that rate-setters will lower their benchmark interest rate as early as March and reduce it over next year to just below 4 per cent from its 22-year high of 5.25 to 5.5 per cent.

> 'It's not what you say or what the chair says. It's what do they hear and what do they want to hear'

The catalyst was a dovish message from Fed chair Jay Powell, who struck a confident tone about the bank's grip on inflation and conceded that a nascent debate was under way among officials about rate cuts.

Chicago Fed president Austan Goolsbee said yesterday he was "confused" about markets' response to last week's Fed meeting. He told CNBC that markets' interpretation of the Fed chair's remarks was wishful thinking. "It's not what you say or what the chair says," he said. "It's what do they hear and what do they want to hear."

New projections also out last week showed most policymakers backed lowering the federal funds rate by 0.75 percentage points in 2024 and another full percentage point in 2025 before it falls below 3 per cent the year after.

Mester, who is set to retire in June after a decade as president of the Cleveland Fed, said she was among officials to forecast three quarter-point rate cuts next year given her view that inflation would continue to moderate as growth cooled further and unemployment rose slightly, which she said amounted to a soft landing. That backdrop would require the Fed to begin "normalising policy and bringing it back to a more neutral stance over time".

With the Fed's policy settings now in a "good place", Mester said officials would not to wait too long to lower rates so that they did not cause excessive job losses.

"We're not going to be content with inflation settling in at a level above [our] goal . . . but we're not going to ignore the maximum employment part of the mandate," she said. "Balancing those risks is going to be important and will change with how the economy is going."

Additional reporting by Claire Jones

Raghuram Rajan see Opinion

Hungary. Leaders' summit

Orbán's obstinacy stirs shift in Brussels' tactics

Fiasco over Ukraine package takes ties to new low and prompts calls for punishment

BEN HALL — LONDON
HENRY FOY — BRUSSELS
MARTON DUNAI — BUDAPEST

Reading the room: EU leaders at the Brussels summit on Thursday. Hungary's Viktor Orbán, fourth from right, vetoed a €50bn aid package for Ukraine — Yves Herman/Reuters

Leaders of EU countries have been left brainstorming ways to stop Viktor Orbán from blunting Brussels' support for Kyiv, officials and diplomats said, after the Hungarian leader's intransigence over Ukraine aid took his relations with the bloc to a new low.

At the EU leaders' summit on Thursday, Orbán unexpectedly relented on accession talks after being persuaded by German Chancellor Olaf Scholz to leave the room for a coffee, in effect abstaining having signalled for weeks he would resist any move to start negotiations.

But a few hours later he ruined Kyiv's moment of celebration — and delighted the Kremlin — by vetoing the €50bn, four-year financial aid package.

Even by Orbán's standards it was a striking performance that wrongfooted his partners. His refusal to seek a compromise on a core EU security issue dismayed even those who have sparred with him for years.

Daniel Hegedüs, senior fellow at the German Marshall Fund think-tank, said: "It was a low point for the EU and a new high point of escalation."

For much of his 13 years in power Orbán has used antagonism with the EU to galvanise voters and extract financial concessions from Brussels. His current beef is the suspension of €20bn of funding over concerns relating to the rule of law and fundamental rights, but EU officials are moving to limit his ability to thwart the bloc's agenda.

"He is adopting a behaviour and we are all learning it. We all see what it takes to trigger him, and that's money," said a senior EU diplomat.

In 2019, Orbán launched a billboard campaign against the EU depicting Jean-Claude Juncker, then European Commission president, as a puppet of George Soros, the Hungary-born billionaire philanthropist. With European parliament elections to be held in June, posters that have appeared on the streets of Budapest feature Ursula von der Leyen, Juncker's successor, and Alex Soros, the philanthropist's son.

A longtime Eurosceptic and self-styled "illiberal democrat", he has played hardball at previous summits, vowing to block the EU's €1.8tn budget and pandemic recovery fund in 2020 or an €18bn aid package to Ukraine a year ago, only to retreat.

"He is always transactional, never ideological," said a European diplomat. "And we shouldn't underestimate that he likes being at the centre of attention."

But in the run-up to last week's summit, EU leaders struggled to fathom what Orbán wanted. Was he doing Russian President Vladimir Putin's bidding or was he trying to push Brussels to release frozen funds?

The day before EU leaders gathered in Brussels, the commission agreed to release €10bn of the funds, arguing Hungary had enacted reforms strengthening judicial independence. EU officials said the concession was merit-based but the timing was helpful.

Orbán and his allies had insisted his opposition to help for Ukraine was not linked to Hungary's EU funding. But as the summit drew to a close on Friday, he named his price: the remaining €20bn.

"This is a great opportunity for Hungary to make it clear that it should get what it deserves," Orbán told Hungarian public radio. "Not half or a quarter but the whole thing. We demand fair treatment, and now we have a good chance to achieve this."

Orbán noted he still has 75 opportunities to block Ukraine's accession process since every stage requires unanimous approval. Further complicating matters, Hungary assumes the bloc's six-month rotating presidency in July, another potential source of leverage.

However, any further release of funds is likely to face stiff opposition.

MEPs rounded on the commission for the €10bn payment. "It's extortion. Nothing less," said Daniel Freund, a German Green MEP, on the X platform.

The €20bn is being withheld under a new "conditionality" mechanism that empowers Brussels to reverse rule of law and democratic breaches. Giving in to Budapest would badly damage its credibility, officials said.

"If we move in this direction too far we must recognise where that will take us," said the senior EU diplomat. "We must protect the integrity of the process."

> 'He is adopting a behaviour and we are all learning it. We all see what it takes to trigger him, and that's money'

Some officials have considered reactivating the so-called Article 7 procedure for rule of law breaches, which can result in the suspension of voting rights. It can be blocked by another member state but a change of government in Poland means Hungary no longer has a guaranteed protector. Still, many capitals are nervous about using what is essentially the EU's biggest weapon against a member state.

Instead, officials said, the priority was to persuade Orbán to back down on funding by making clear what one described as the "full costs" of his isolation. If that fails, the EU's 26 other members could strike a deal on their own, although it would take time and offer only a short-term fix.

"Maybe Hungary can create more trouble," said a third EU senior official present at the summit. "Maybe Hungary can force us to use a few different tools. But, ultimately, Hungary cannot stop us providing money to Ukraine.

"He's not Putin's puppet, as some may think. And many do."

Gideon Rachman & FT View see Opinion

Business sentiment

Survey points to further contraction for German industry

VALENTINA ROMEI — LONDON

German business morale fell more than expected in December, adding to recent evidence that the eurozone's largest economy is set to contract for the second consecutive quarter at the end of 2023.

A widely watched business climate index produced by the Ifo Institute in Munich fell to 86.4 in December, figures published yesterday showed, down from 87.2 in the previous month and well below the 87.8 figure forecast by analysts in a Reuters poll.

The Ifo survey measures of the health of German industry several months before official statistics. Together with a decline in the December purchasing managers' index published last week, the findings suggest that Germany closed the year with declining activity.

Morale was particularly low in construction, with current and future sentiment at its lowest since September 2005 and with about half of builders expecting business to deteriorate further.

Separate data published yesterday by Destatis, the federal statistics office, showed the increasing pressure on Germany's construction sector. The number of permits for residential buildings from January to October fell 26.7 per cent from the same period a year earlier to 218,100, Destatis said.

The Ifo and PMI measures pointed "unequivocally to a continued downturn", said Andrew Kenningham, chief Europe economist at Capital Economics. "It looks very likely that [gross domestic product] will contract for a second successive quarter in Q4 and the outlook for 2024 does not look much better."

German economic output fell 0.1 per cent in the three months to September compared with the previous three months, according to official statistics.

The Ifo index had risen from September to November but the latest result wiped out most of those gains. Melanie Debono, an economist at Pantheon Macroeconomics, said the drop "confirms that the eurozone's largest economy entered a technical recession at the end of the year".

The assessment of the current business situation fell noticeably in energy-intensive industries, according to Ifo, but improved slightly in the services sector. In restaurants and catering, expectations for the next six months took a nosedive.

The property sector has been hit by rising interest rates. The Destatis data showed that building permits for the construction of single-family homes were down at an annual rate of 38.2 per cent, those for two-family homes were down 50.5 per cent and multi-family homes down 25.2 per cent. House prices fell by an annual rate of almost 10 per cent in the second quarter.

Carsten Brzeski, global head of macro at ING, said it had been "another turbulent year in which the economy seems to have been in permanent crisis mode".

"Supply chain frictions resulting from the pandemic lockdowns and war in Ukraine, an energy crisis, surging inflation, tightening of monetary policy and several structural shortcomings — the list of crises and challenges facing the German economy is long," he added.

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Balkans

Fraud claims after Vučić wins majority of seats in Serbia poll

MARTON DUNAI — BUDAPEST

Serbian president Aleksandar Vučić's ruling party defied election forecasts by winning enough seats in parliament to govern without partners, prompting accusations of electoral fraud from his opponents.

Near-complete results yesterday showed the incumbent Serbian Progressive party had won 47 per cent of the vote, while the main opposition Serbia Against Violence was a distant second, with less than a quarter of votes.

Pollsters Ipsos and CeSID said Vučić's SNS would command about 128 of the parliament's 250 seats and be able to reinforce its majority with various allies.

The ruling party also came out on top in a separate vote for the mayor and city council in the capital Belgrade, where the opposition had been strongest and hoped to unseat the president's allies to challenge Serbia's increasingly monolithic power structure.

Vučić cut his teeth as the propaganda minister of Yugoslav leader Slobodan Milošević during the 1990s Balkan wars. Accused of building an authoritarian state modelled on Viktor Orbán's Hungary, Vučić controls much of the media and state procurement contracts.

"This is an absolute victory and it makes me happy," the president said.

Vučić's opponents alleged fraud, particularly in Belgrade, where there were allegations of thousands of SNS supporters being bussed into the capital to sway the vote. The opposition SPN rejected the result, saying 40,000 from outside the city had been bussed in to vote. This "drastically changed the electoral will of Belgrade, [so] we demand the annulment of the elections in the city", it said.

The Center for Research, Transparency and Accountability, a rights group whose teams were attacked on election day, backed claims of fraud. "Concentration of buses, pick-up vans and cars was observed on several spots in Belgrade, transferring voters to polling stations across the city to vote," it said.

Prime minister Ana Brnabić dismissed the claims as "fake news".

Germany

Far-right AfD sees off coalition parties in Saxony mayor vote

MARTIN ARNOLD — FRANKFURT

The far-right Alternative for Germany has won a mayoral election in a mid-sized town, a milestone in the rising popularity of a party boosted by disillusionment with the ruling coalition.

Tim Lochner won 38.5 per cent of votes in Sunday's ballot in Pirna, a town in the eastern state of Saxony close to the Czech border, seeing off candidates from the centre-right Christian Democratic Union and the liberal Free Voters. Lochner is not a member of the AfD but stood as the party's candidate.

Jörg Urban, head of the AfD in Saxony, said the result provided a "template" for next year's regional elections, when the party aims to win 40 per cent of the vote. "It can be done," he said.

Kathrin Dollinger-Knuth, the CDU candidate, put the result down to a failure of more moderate parties to unite against the AfD. "Unfortunately, the Free Voters decided to carry on alone and thereby paved the way for AfD."

The victory for the AfD in Pirna, a town of 40,000 people, followed a strong showing in regional elections in October, when it garnered 18.6 per cent in Hesse and 14.6 per cent in Bavaria.

Sections of the AfD have been designated extremist by German intelligence services: one of its leaders is to stand trial for allegedly using banned Nazi slogans; a former AfD MP was arrested last year over her role in an alleged plot to overthrow the government; and an AfD member of Bavaria's state parliament was arrested in October for sedition and possession of Nazi materials.

Voters are turning against the ruling coalition over issues including high inflation, a stagnant economy, surging energy costs and irregular immigration.

The AfD is polling at 22 per cent in national surveys, ahead of all three parties in Scholz's coalition: the Social Democrats, Greens and Free Democrats.

Despite the gains the AfD remains a fringe movement. Traditional parties have insisted they will never co-operate or form coalitions with the AfD at a federal or regional level.

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INTERNATIONAL

Cobre Panama is to close in line with an order from the Supreme Court, where environment activists, above, gathered to celebrate — Luis Acosta/AFP/Getty Images/Aris Martinez/Reuters

Panama copper mine rejection reveals risks to green transition

Grassroots campaign to halt project shows challenge of securing supplies

CHRISTINE MURRAY AND HARRY DEMPSEY — LONDON

As protests escalated in Panama last month against one of the world's largest copper mines, including appeals from Hollywood star Leonardo DiCaprio and climate activist Greta Thunberg, support from the country's political class evaporated quickly.

Just weeks after congress renewed the Cobre Panama mine's contract, street blockades and social media claims of irreversible environmental damage and land sales to foreigners had turned the project, which supplied 1.5 per cent of world copper, into political kryptonite.

In late November, the court voided the 20-year concession for Canada's First Quantum Minerals, while the government, which faces polls next May, said it would shut the site and lawmakers banned all future mining projects.

The project's unravelling highlights the challenge of securing the raw materials crucial for the green transition amid rising anti-mining sentiment and calls to protect the environment — and the cost to developing countries of cancelling lucrative extraction projects.

"It makes getting the supply response for the metals the world needs to go green even harder," said Colin Hamilton, managing director of commodities research at BMO. "Emerging markets in election years are hard. The trend among governments is to look to the short term rather than the long term."

Now Panama's government faces what could be one of the largest arbitration cases and has to plug a large financial hole at a time of growing strains in the Central American country's growth model. The mine contributed 5 per cent of Panama's gross domestic product.

"I'm still asking myself . . . how did this change happen?" said Lina Vega, president of Fundación Libertad Ciudadana, a Panama non-profit. "We've won a battle that was almost beautiful — but at some point we'll have to pay the bill, and the bill will be expensive."

Panama has slashed poverty rates in the past few decades with an open, business-friendly investment model. Its GDP per capita is now higher than several eastern European nations.

But the mass protests coincided with a historic drought that has limited freight traffic through the Panama Canal, a valuable source of revenue. Congress is yet to approve a budget for next year, while the country's 2036-maturing sovereign bond hit a 14-year low last month.

President Laurentino Cortizo's government is now rushing to close the mine in an environmentally responsible way while limiting damage to its business-friendly reputation. The mining industry was stunned at the rapid pace of the social media campaign, as well as protests, that led the country to close its largest foreign investment.

The shutdown of the site, 200km west of Panama City, the capital, has been cast as a "victory for the people", said Orlando Pérez, professor of political science at the University of North Texas.

"[But] courts aren't supposed to react to protests," he added. "I'd imagine a lot of the multinationals and corporations that are thinking of investing in Panama are also thinking: 'Am I going to get caught up in this?'"

First Quantum acquired Cobre Panama in 2013 through a takeover but four years later the Supreme Court invalidated the law governing the original concession. Talks stalled until a new agreement was approved by congress in October, stipulating a minimum annual revenue of $375mn for the country. Now the court has overturned that deal, Panama faces arbitration claims of up to $50bn related to the mine.

"We're looking at something that by some standards could be the largest arbitration claim ever," said Damien Nyer, international disputes partner at White & Case, a law firm.

In Panama, many hope the two separate Supreme Court decisions against the project are enough to protect the government from claims. But Nyer, who is not involved in the case, said arbitration lawyers could tell a different story: the court was mostly political appointees acting fast under public pressure.

> 'Emerging markets in election years are hard. The trend . . . is to look to the short term'

"It's a fairly classic case of an indirect expropriation," he said. "It has all the makings of a fairly strong claim."

Panama's government did not respond to a request for comment.

The scale of protests raised questions about whether First Quantum mishandled its interactions with local communities. "We could have done a better job improving our communication engagement with stakeholders further afield, particularly in . . . Panama City, in Colón," Tristan Pascall, chief executive, told the Financial Times. "We recognise mining has an environmental impact."

Pascall said the mine covers less than 4 per cent of the rainforest cleared in the country over the previous 25 years yet generated enough copper last year for 6mn electric vehicles. As calls grew to close the site, copper rallied 6 per cent in the past five weeks to $8,550 a tonne.

In the 1980s similar protests forced Rio Tinto and Texasgulf to halt plans to develop copper deposits at Cerro Colorado, 250km west of the capital. Ministers and companies were criticised for failing to engage effectively with the region's indigenous population.

Decades later, the same mistakes were made, a former Cobre Panama executive said. "The whole appearance of mining companies justifying developments through employment, GDP and taxes is lecturing and patronising. The communities should look and say: 'We own this, and this is us.'"

Additional reporting by Mary McDougall in London

Latin America

Chileans spurn rightwing draft of constitution in referendum

CIARA NUGENT — BUENOS AIRES

Chileans have voted to reject a new constitution drafted by rightwing political parties, leaving the existing version in place and marking the failure of a four-year effort to rewrite the charter in what is a deeply polarised country.

With more than 90 per cent of votes in after Sunday's referendum, 55.7 per cent of voters chose not to adopt the new text and 44.3 per cent voted for it. The result comes just over a year after a radical proposal drafted by leftists and independents was rejected by a 24-point margin.

The 2023 draft was more conservative on some points than the existing probusiness constitution adopted in 1980 under dictator Augusto Pinochet, although it was later overhauled. It included articles that would have protected the private sector's role in health, pensions and education, promoted the expulsion of undocumented migrants and limited the right to strike only to workers who engage in collective talks.

Approval would have been a defeat for leftist President Gabriel Boric, who had driven the 2022 proposal. Rightwing politicians had framed Sunday's vote as one on his presidency, which has been rocked by a corruption scandal.

Chile's leaders began rewriting the constitution in 2019 following protests over inequality and the cost of living. But they have struggled to overcome polarisation, prompting uncertainty that has hurt the economy, which will shrink 0.1 per cent this year, according to the OECD.

Boric has pledged not to try another rewrite but his coalition might seek further reforms to the constitution, said Kenneth Bunker, a professor at Santiago's San Sebastián University. "There is a hope that this will be the final nail in the coffin of the wider constitutional debate, and we can get back on the path to growth and [gradual] development we were on," he added. "But, for now, we are where we were four years ago."

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INTERNATIONAL

Security crackdown

Hong Kong democracy advocate goes on trial

Dissident media tycoon faces rest of life in jail after being accused of sedition

CHAN HO-HIM — HONG KONG

Jimmy Lai, the Hong Kong media tycoon and former owner of the now defunct Apple Daily newspaper, appeared in court yesterday for a trial that could put him in prison for life.

The 76-year-old mogul, who has spent almost three years in prison, was among the territory's best known democracy champions and a prominent critic of the Chinese Communist party. He faces charges of colluding with foreign forces and conspiracy to publish seditious material. The trial began with a heavy security presence around the courthouse, including an armoured vehicle, a bomb disposal vehicle and police dogs.

Dozens of people queued for hours to enter the court. "The fact that I can still choose to attend the hearing today is itself an exercise of some form of resistance," said a man in his 40s named Sung.

The trial, which is being held without a jury, was delayed for months after Hong Kong's government barred Lai's lawyer, UK barrister Tim Owen, in 2022 on the basis that foreign representation might pose a national security threat.

The US, UK and European parliament have called for Lai's release, with UK foreign secretary Lord David Cameron criticising the "politically motivated prosecution". Hong Kong's Roman Catholic Cardinal Joseph Zen, a veteran human rights advocate, and several foreign diplomats attended the hearing.

Lai, a British citizen, appeared visibly thinner in court as he waved to the public gallery from the dock.

Observers have warned that the case represents a test for the city's deteriorating freedoms, once a cherished part of Hong Kong's identity after the former British colony's 1997 handover to China.

Beijing has cracked down following pro-democracy protests in 2019, imposing the sweeping national security law under which opposition activists and politicians have been jailed and driving more to flee the territory. Mass demonstrations have been snuffed out and civil society groups and media outlets, including Apple Daily, forced to close.

A verdict is also expected soon in the trial of 47 prominent opposition figures, the largest trial under the national security law. Last week, in an effort to stifle dissent overseas, authorities offered HK$1mn ($128,000) rewards for information leading to the arrests of five self-exiled activists.

Prosecutors have accused Lai of conspiring to publish seditious material in Apple Daily as well as colluding with foreign elements to "impose sanctions . . . or engage in other hostile activities" against Hong Kong and Beijing.

China's foreign ministry dismissed UK and US statements calling for Lai's release as "blatant political manipulation", and described him as an "agent of anti-China forces" who had disrupted the city's order. He has been in jail since December 2020 and was sentenced last year to five years and nine months on fraud charges related to the lease of Apple Daily's headquarters.

"Lai could be sentenced to a decade or more in prison, and that might be enough to ensure that he spends the rest of his days in prison," said Thomas E Kellogg, executive director at Georgetown University's Center for Asian Law.

See FT Big Read

East Asia. Elections

Chipmaker's outsized role clouds Taiwan poll

Voters fear 'crown jewel' tech group TSMC's economic heft is holding other sectors back

KATHRIN HILLE — TAIPEI

As Eddie Kung ponders who to vote for in Taiwan's January elections, the physics student's foremost concern is Taiwan Semiconductor Manufacturing Company.

Crown jewel of the economy, the world's largest contract chipmaker has emerged as a global strategic asset that the US, Japan and European governments all court for local fabrication plants to reduce supply chain risks, but which Taiwan hopes to keep at home.

Many citizens see it differently. "The government is beholden to TSMC as the company totally dominates our stock market. That's a problem as TSMC's interests are not necessarily what's best for our economy overall," said Kung. As of December 8, TSMC accounted for 26.8 per cent of the Taiwan Stock Exchange's market capitalisation.

Pointing to the huge amounts of energy and water needed to produce chips, he said the company's expansion in Taiwan was not sustainable and clashed with global efforts to reduce carbon emissions. "Do you want to choose TSMC or the climate? Wouldn't it be better to put these plants in a location with ample supply of renewable energy?"

Kung feels strongly, as air pollution in the Taichung area, his home, is often worse than elsewhere because Taiwan's largest coal-fired power plant is in the city. But the outsized role TSMC and the chip sector overall play in the economy has become a concern for many voters.

"Taiwan is getting stronger in global tech manufacturing and especially in chips," said Wu Chun-han, an electronics engineer. "[But] it is resulting in the Dutch disease," he added, referring to economies where a boom in one sector impedes development in others.

Ko Wen-je, the former Taipei mayor who is challenging Taiwan's two main parties, the Democratic Progressive party and opposition Kuomintang, in the presidential race, also claimed Taiwan was suffering from Dutch disease.

He pointed to a growing gap in investment and incomes between its tech sector and the rest of the economy. He has appealed to swing voters that Taiwan must tackle its "five shortages" of power, water, land, workers and jobs for highly qualified professionals.

Looming poll: a Democratic Progressive party supporter at a campaign rally in Kaohsiung city this month
Ritchie B Tongo/EPA-EFE/Shutterstock

Economists agree the economy is too lopsided. In the past two years, semiconductors accounted for almost 42 per cent of exports, from about 33 per cent in 2016 when President Tsai Ing-wen and her DPP came to power.

The shift was driven by fresh global demand for more and higher-end chips to power artificial intelligence applications and 5G mobile services, while many of Taiwan's traditional industries, squeezed out of China by rising costs, were losing their competitive edge.

Meanwhile, the services sector that provides most jobs — it employs 4.8mn compared with 663,000 in the chip sector — is languishing because sluggish consumption during the pandemic has weakened its mostly small companies.

"It doesn't affect me, but it's true that our industry is siphoning up all the resources, so surviving becomes more difficult for everyone else," Wu said.

According to TSMC's 2022 ESG report, the company, including a few overseas plants, consumed 21,056GWh of electricity, equal to 7.5 per cent of Taiwan's power consumption last year.

TSMC said it was "committed to sustainable practices in its use of resources while contributing positively to the economy". It said its chips helped save 4kWh of energy for each kWh of energy spent on output, and the water recycling rate at its plants was close to 90 per cent.

According to Wang Chien-chuan, deputy director of the Chunghua Institution for Economic Research, a government think-tank, the polarisation meant that even at times of brisk growth, such as in 2021 and 2022, people outside the sector still felt the economy was sluggish.

The government has rejected suggestions the industry's strength was crowding out other sectors. Tsai and other DPP politicians have emphasised that TSMC was here to stay. The government was concerned Washington's push to move some chipmaking out of Taiwan made voters question US support, officials said. Tsai's government prides itself on strengthening its ties with the US.

> 'It's true that our industry is siphoning up all the resources, so surviving becomes more difficult for everyone else'

In a survey for the Institute for European and American Studies at Academia Sinica in September, only 39 per cent of respondents agreed that TSMC investments in production in the US made Washington less likely to send troops to counter a Chinese attack, while 52 per cent disagreed. While 45 per cent said they felt TSMC's importance to the US would make such military aid more likely, 48 per cent did not.

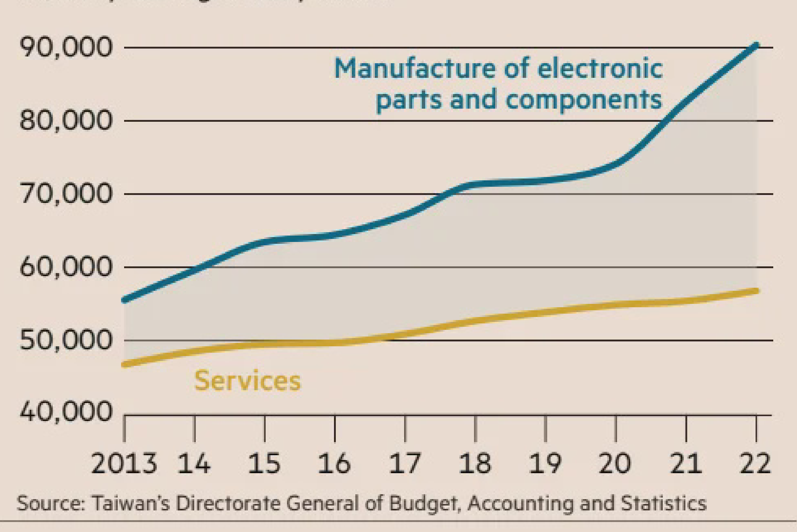
As Ko and Hou Yu-ih, the KMT's presidential candidate, campaign about what they call the weak economy, balancing the chip industry with the rest of the economy has become a more important topic of debate than TSMC's link to national security. The government last month cut its 2023 gross domestic product growth forecast to 1.42 per cent.

Tsai's government has already been fostering sectors including smart manufacturing, green energy, medical tech and defence, offering incentives to upgrade technology and boost jobs, policies Lai Ching-te, the DPP candidate to succeed Tsai, has pledged to continue.

"It is still not enough," said Wang. "We need to find a way to create spillover effects from the industry into a broader range of sectors."

Wage gap widens between Taiwan's electronics manufacturing sector and services

Monthly average salary (NT$)



Source: Taiwan's Directorate General of Budget, Accounting and Statistics

Military

China curtails 'risky' fighter jet moves after Xi's summit with Biden

KANA INAGAKI — TOKYO
EDWARD WHITE — SHANGHAI

China has cut back on "dangerous" fighter jet intercepts against US aircraft since last month's summit between presidents Joe Biden and Xi Jinping, according to the US military commander in the Indo-Pacific.

The apparent reduction in the manoeuvres followed an agreement last month between the US and Chinese leaders in San Francisco to restore military relations. Beijing had cut formal communication channels between the militaries in August 2022 in response to a visit by the then US House Speaker Nancy Pelosi to Taiwan.

Last month, the Pentagon said the Chinese jets undertook 180 "risky and coercive" manoeuvres against US aircraft and 100 against planes flown by Washington's allies and partners over the past two years, which it said had raised the chances of an aerial accident.

"Since the summit, those seem to have stopped. That would be an incredibly positive outcome if that were to continue," Admiral John Aquilino, head of US Indo-Pacific Command, said in Tokyo yesterday.

Intercepts are the military description for when an aircraft comes close to a plane from another country's military, usually as part of a shadowing action, especially when the intercepted plane is near another country's airspace.

China has accused the US of spying with surveillance aircraft, while Washington has stressed it has flown legally in international airspace.

Aquilino said Beijing's behaviour had not changed in other respects and criticised China's military for using water cannon and ramming Philippine supply vessels near the Second Thomas Shoal, a sandbank in the South China Sea that is also claimed by China.

"This is about deeds," Aquilino said. "I just see no change to the behaviour against the Philippines."

The Chinese foreign ministry did not respond to a request for comment.

Separately, Taiwan's defence ministry reported yesterday that two Chinese balloons had crossed the median line of the Taiwan Strait on Sunday and six Chinese aircraft and two navy vessels entered the area around Taiwan.

The US has been trying to arrange a meeting between Aquilino and his Chinese counterparts for almost three years. Aquilino said there had been no positive response from Beijing but he was "hopeful that they will respond shortly and we can have a conversation".

Expectations for a meeting have risen after Michael Chase, the top US defence official for China policy, met Major General Liu Zhan, Beijing's defence attaché in Washington, before the Xi-Biden summit, according to people familiar with the meeting.

The people familiar with the situation said the US and China were negotiating a series of senior-level military engagements for 2024 after the Pentagon submitted an initial proposal to Beijing.

But they cautioned that the arrangements would take time. The situation has been complicated by the fact that Beijing has not replaced Li Shangfu as defence minister after he was formally removed from his post in October.

Additional reporting by Wenjie Ding in Beijing

Universities

Academics push back against donors' influence after antisemitism claims at Penn

ANDREW JACK — NEW YORK

Marc Rowan helped force the resignation this month of Liz Magill, president of the University of Pennsylvania, over her response to antisemitism claims on campus. Now the chief executive of Apollo Global Management is stoking a fierce debate about how the institution itself is governed.

"Trustees, including myself, failed to do our job. We, like faculty, have distinct responsibilities and have simply abdicated those responsibilities for the last two decades," he wrote to members of Penn's board last week, attaching a list of questions about their future role.

A graduate of the university, Rowan has queried how Penn's trustees are selected and operate, and whether they should have greater powers over students and faculty members.

This has triggered resistance from faculty members, who argue that academic independence is under assault because of the outsized influence of wealthy donors in US higher education.

"Universities need to be very careful of the influence of money, especially one like Penn, which has a business school with a brand larger than that of the university itself," said Scott Bok, chief executive of investment bank Greenhill, in an article in the Philadelphia Inquirer. "Donors should not be able to decide campus policies or determine what is taught."

Bok resigned as Penn's chair of trustees alongside Magill following criticism of the university president's testimony to a congressional hearing on campus antisemitism. Bok left despite rejecting the claims of critics that the harassment of Jewish students had become widespread on Penn's campus even before the mounting death toll from Israel's war against Hamas in Gaza sparked widespread protests. He warned the "longtime consensus had evaporated" between the board, donors, alumni, faculty and administration.

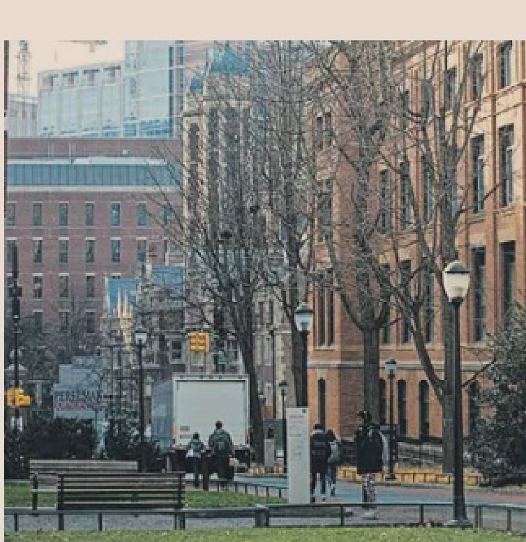
"Penn is ground zero right now," said Irene Mulvey, president of the American Association of University Professors.

"What's happened in the Middle East with the pain and grief everyone is feeling is being used to gain more control over teaching. Donors are trying to influence what can even be said, thought and taught on our campuses. It's taking advantage of a terrible situation to undermine higher education."

In recent days, Penn's faculty senate has collected hundreds of signatures among its academics in response to Rowan's letter, which it warns "threatens the freedom of the faculty to conduct independent and academically rigorous research and teaching."

That mirrors similar statements on freedom of expression by staff at MIT, Columbia, Harvard and other universities in the spotlight.

But Rowan's comments have also reignited a longer-running discussion about the operation of university boards, including who is selected, how long they should serve, what their responsibilities should be and how their relationships should be managed with a larger circle of donors.



Questions have been asked over how Penn's trustees are selected

One factor is the funding of US higher education, with once state-funded public institutions increasingly reliant on powerful donors like their elite, private non-profit peers in the Ivy League. The Council for Advancement and Support of Education calculates donations to US universities in 2022 were $60bn, including 14 per cent from those who gave at least $25mn each.

Many universities have established sprawling boards with dozens of members, partly to cultivate donations. MIT has 74 board members, while Cornell has 64. Harvard has a 12-strong corporation and a board of 32 overseers.

Board members sometimes come from a narrow range of fields and many do not have academic backgrounds.

"When people on the board have had experience of leading universities and pressure from multiple constituencies, that makes a difference," said Lynn Pasquerella, president of the American Association of Colleges and Universities and former head of Mount Holyoke College. "Often people from the corporate world don't understand the culture of collegiality, transparency and shared governance."

Mary Papazian, executive vice-president of the Association of Governing Boards of Universities and Colleges, said: "Donors make a choice to support an institution. They have every right to express themselves. The key for the board is to listen and understand the best interests of the university. It has to be strong and not be a tool of donors."

Penn's board has 48 voting participants, and a further 36 longstanding emeritus members who have reached the retirement age of 70. Many made fortunes on Wall Street.

"That is preposterously large by corporate standards," said one person with knowledge of the board. "Trustees do have a bit of a conflict between their business, social and personal lives."

Pasquerella warns of the dangers of US universities being drawn into wider "anti-woke" debates across the country.

"Attacks on higher education indicate there isn't a full appreciation of the value of academic freedom and what depends on it."

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15 December 2023 00:00:00 UTC
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No shortcuts Fed should resist pressure to cut rates too quickly as inflation risks persist in a changed world MOHAMED EL-ERIAN, PAGE 14

Companies & Markets

BP pauses oil shipments in Red Sea amid rebel attacks

- Major cites 'deteriorating security'
- Benchmark energy prices jump

LUKANYO MNYANDA — EDINBURGH
GEORGE STEER, SHOTARO TANI AND TOM WILSON — LONDON

BP yesterday became the first oil major to pause all shipments through the Red Sea, citing a "deteriorating security situation" because of escalating Yemeni rebel attacks on ships using a route that handles about one-tenth of global trade.

Brent crude, the international benchmark, jumped 2.8 per cent to $78.66 a barrel on the news. The US equivalent, West Texas Intermediate, advanced 2.7 per cent to $73.42 a barrel.

The UK's benchmark gas price jumped as much as 14 per cent, while its European peer rose close to 13 per cent on concerns about the shipment of liquefied natural gas.

> 'This precautionary pause will be kept under review, subject to circumstances evolving in the region'

The UK oil group's decision comes as Iran-backed Houthi rebels have intensified their campaign against ships passing through the Suez Canal following the outbreak of the Israel-Hamas war.

"We will keep this precautionary pause under ongoing review, subject to circumstances as they evolve in the region," BP said yesterday.

Shares in some of the biggest shipping companies also climbed yesterday, extending gains from last week as investors expect that disruptions will cause freight rates to rise, boosting earnings.

AP Møller-Mærsk, which operates the second-largest container shipping fleet, rose 3 per cent, while Hapag-Lloyd, the fifth-largest, rose 8 per cent by late afternoon. Both companies last week also paused transit through the Red Sea because of the threat of attacks. Longer routes around Africa could in turn delay the delivery of commodities, consumer goods and oil between Europe and Asia.

Traders will also be watching whether other companies follow BP. Privately held Trafigura, one of the world's biggest independent traders of oil and LNG, said it was monitoring the situation.

Shell declined to comment.

The price of oil could jump "at least" $10-$15 for Brent crude if all shipments from the Middle East to Europe avoided the Red Sea and travelled around Africa, said Henning Gloystein, a director at consultancy Eurasia Group.

Prices for TTF, Europe's main gas trading benchmark, could rise 25-30 per cent, he added.

"BP is the first global portfolio player to [pause shipments]," Gloystein said. "[It will be] crucial to see now how strong the US and European naval task force response is."

Ship owners have called for protection and the US, which suffered attacks on a warship this month, is expected to make an announcement soon about setting up a task force for safe passage.

"There's a lot of push and pull, with some in the US favouring naval strikes into Yemen, and others, mostly from Europe, fearing that would further escalate [things], so they prefer a focus on naval air defence," said Gloystein.

LNG flows via the Red Sea accounted for about 8 per cent of global trade in the first half of this year, according to the US Energy Information Administration.

BP's statement came hours after the UK's maritime authority said it had received reports of "incidents" in the Red Sea and advised vessels to proceed with "caution".

Marine underwriters in London said the area designated higher risk had been expanded. This is likely to increase the cost of insuring vessels.

Additional reporting by Ian Smith

Luxury rescue South Korea's Coupang to acquire struggling online retailer Farfetch

Farfetch aimed to work with luxury brands such as Dolce & Gabbana but met resistance — Deonté Lee/BFA.com/Shutterstock

IVAN LEVINGSTON — LONDON
ADRIENNE KLASA — PARIS

South Korean ecommerce group Coupang has agreed to acquire Farfetch, providing a lifeline for the luxury-focused online retailer that had been battling to avoid insolvency.

Investment group Greenoaks Capital Partners will also take part in the rescue deal that gives Farfetch a $500mn bridge loan to continue offering its services, according to a statement.

"Farfetch will rededicate itself to providing the most elevated experience for the world's most exclusive brands, while pursuing steady and thoughtful growth as a private company," said Bom Kim, chief executive of Coupang.

Coupang, which operates in food delivery, video streaming and online shopping in Japan, Korea and elsewhere, negotiated the deal with a group of debtholders who held most of a term loan that was owed by Farfetch, according to a disclosure filed with the SEC. The business is expected to be acquired through a prepack administration process. Greenoaks is a San Francisco-based group that invested early in Coupang.

The deal is a blow to Farfetch's founder José Neves, who had pitched the group to investors as a growth story that married tech knowhow with luxury knowledge to attract fans of brands such as Gucci and Burberry.

London-headquartered Farfetch's market value peaked at around $24bn in early 2021 as online shopping boomed during the pandemic but its shares have plunged since as concerns mounted over its debt and outlook. They have fallen more than 97 per cent since Farfetch went public in New York in 2018.

Farfetch struggled to become profitable and to secure products because luxury brands such as Hermès and Chanel refuse to sell through third parties, preferring to maintain control and avoid the discounting on which online retailers rely to attract clients.

Additionally, the company faced $1.6bn in debt repayments between 2027 and 2030, with investors worried that it did not have the funds to cover its costs in the shorter term. Credit rating agency Moody's cut the company's rating this month to Caa2, deep in junk territory.

Neves had in recent weeks explored the option of taking it private. He owned 15 per cent of Farfetch but controlled 77 per cent of the voting rights because of a dual-class share structure. Other investors included Alibaba, the Chinese ecommerce group, and Artemis, the family holding company of the billionaire Pinault family.

The Coupang rescue ends Farfetch's plan to buy lossmaking luxury online site Yoox Net-a-Porter from Swiss group Richemont, a deal that was signed in 2020 but had yet to close.

Richemont, which owns jewellers Cartier and Van Cleef & Arpels, said it would seek other options for YNAP without providing specifics. Richemont added that it did not expect to recover €300mn in convertible debt that Farfetch had earlier issued to it.

Additional reporting by Leila Abboud

Apple to halt smartwatch US sales after patent setback

TIM BRADSHAW

Apple will stop selling its smartwatches through its own US stores before Christmas after losing a patent infringement case, dealing it a blow during the holiday sales season.

The iPhone maker said it would "pre-emptively" halt US sales of two of its latest Apple Watch models, the Series 9 and Ultra 2, on December 21 through its own website and after December 24 in physical stores.

The move comes after the US International Trade Commission issued a "limited exclusion order" against the products in October, threatening a ban on imports of the devices.

A US judge found in January that a headline feature of Apple's latest watches, a blood oxygen sensor, infringed patents owned by medical device maker Masimo. Apple is appealing against the ITC ruling as it awaits the outcome of a presidential review by Joe Biden, who can veto the ban.

Such vetoes are rare, but president Barack Obama intervened in Apple's favour in 2013 to allow iPhone imports to continue after the company lost an ITC case against Samsung.

The presidential review period ends on December 25 and the devices will still be available until then from other US retailers. Sales in other countries are not affected by the ITC ruling.

If Biden sides with Masimo and Apple's appeals are unsuccessful, it may have to modify the Watch's software to remove the blood oxygen feature to resume sales.

"Apple strongly disagrees with the order and is pursuing a range of legal and technical options to ensure that Apple Watch is available to customers," the company said. "Should the order stand, Apple will continue to take all measures to return Apple Watch Series 9 and Apple Watch Ultra 2 to customers in the US as soon as possible."

Masimo chief executive Joe Kiani said in October that the ITC's ruling "sends a powerful message that even the world's largest company is not above the law". Last year, Apple sued Masimo, saying its smartwatch infringed on the iPhone maker's patents.

Apple is also embroiled in another legal battle over smartwatch patents with medical device maker AliveCor.

Shares in Apple, which hit new all-time highs last week, were down 1 per cent by lunchtime yesterday in New York.

Financial literacy can benefit us all and deserves your charity

INSIDE BUSINESS
FT FLIC
Patrick Jenkins

Amid all the excitement about inflation falling and the cautiously optimistic COP28 deal, last week's report from the OECD into international financial literacy levels unsurprisingly garnered few headlines.

And yet for most people the humble topic of whether they understand inflation, interest and financial risk at a personal level is as powerful an influence on personal wellbeing as any globally dominant news event.

The OECD report, which covered 39 countries, including most of the organisation's members and a clutch of other G20 and developing nations, reveals some alarming truths. (The UK did not participate but did not say why.)

Only 34 per cent of adults across participating countries met the criteria to be deemed financially literate. Nearly one in six has been a victim of financial fraud. And fewer than half (41 per cent) know that crypto is not legal tender.

The study confirms the kind of earlier research that underpinned the Financial Times's decision three years ago to try to do something about the issue. In September 2021, the board of the FT backed the creation of a charity, the FT Financial Literacy and Inclusion Campaign. FLIC had two priorities: to lobby policymakers to take financial education more seriously, and in the meantime to do our best to educate people within the existing system. For the vast majority of FT readers, understanding the basics of finance is a given. That made it all the more appropriate that we should recognise the gap between the "haves" and "have-nots" of financial understanding.

FLIC is still a young charity (we turned two and a half last month), but we are extremely ambitious. We want financial education to be a compulsory element of curricula in schools in the UK and around the world.

Over the past year, we believe we were instrumental in getting financial literacy into the mainstream policy debate in the UK, in part via powerful journalism such as Miranda Green's film on why the UK has a problem with maths.

The just-outgone lord mayor of London Nicholas Lyons made the topic a core campaigning issue, and the House of Commons education select committee recently launched an inquiry. Alongside thorough trials of schoolroom lessons, FLIC has produced a suite of punchy social media videos. And among our work for adults, we've helped women to think about their financial priorities.

> We will also be radically ramping up the work we have done with low-paid workers with employers and unions

Next year will be a crucial one for us as we take the financial education modules that we have tested in pilot programmes across the UK, and roll them out nationwide. By the end of the year, we aim to have begun the next phase of adapting those materials and striking partnership arrangements with organisations in other countries around the world. Much of the focus in 2024 will be on our UK secondary schools programme. But we will also be radically ramping up the work we have done with low-paid workers, in partnership with employers and unions representing low-paid staff.

The FT has backed us, covering a portion of our operating overheads. But the vast majority of our work has only been possible thanks to the generous donations of FT readers. Our latest funding drive is via an auction of lunches with 19 star FT journalists (plus me!). If you think this would make a good gift for a family or friend, or for yourself, do submit a bid at ft.com/appeal.

Financial literacy as a charitable cause cannot compete with the vital aid campaigns for victims of war or rough sleepers. But it is a crucial issue in its own right — research has shown the wide-ranging societal benefits that go hand in hand with better financial literacy levels. There is a boost to physical and mental health, as stress is reduced.

There are economic and productivity pluses, as people escape debt traps or are empowered to invest more effectively, or maximise the potential success of their own businesses.

As the OECD said in its report: "Individual financial wellbeing [is] the ultimate goal of financial literacy policies and programmes." Measuring that benefit is hard. But according to its research, there is typically a 10 percentage point uplift in people's financial wellbeing scores, (against an average of 42 per cent) when financial literacy scores beat the passmark. (Germany is a standout performer on both counts.)

More research on correlation and causation in these areas is vital. But in the meantime there is a straightforward maxim: the more you understand about money, the better your all-round wellbeing is likely to be. Merry Christmas.

Patrick Jenkins is the FT's deputy editor and chair of FT FLIC

PAPER LOVES TREES

European forests, which provide wood for making paper, paper packaging and many other products, have been growing by 1,500 football pitches every day!

Source: Food and Agriculture Organisation of the United Nations (FAO), 2005 - 2020
European Forests: EU27 + Norway, Switzerland and the UK

Industrials

Nippon Steel in $14.9bn deal for US peer

Japanese group targets American market with biggest-ever acquisition

LEO LEWIS AND KANA INAGAKI
TOKYO
SYLVIA PFEIFER — LONDON

Nippon Steel has agreed to buy US Steel in a $14.9bn deal, as the Japanese group targets the American market with its largest-ever acquisition.

The Japanese company, which ranks as the world's fourth-biggest steelmaker by production, said yesterday that it would pay $55 a share in cash for the Pittsburgh-based group. The price represents a 40 per cent premium to US Steel's closing price on Friday, but is more than 140 per cent higher than where the stock was trading before domestic rival Cleveland-Cliffs offered $7.3bn for US Steel in August.

US Steel had rebuffed Cleveland's offer and said it would examine its strategic options. The offer from Nippon Steel, which values US Steel's equity at $14.1bn, follows a tradition of Japanese companies paying handsomely for overseas acquisitions. Including debt, the transaction values US Steel at $14.9bn.

Shares in US Steel surged 27 per cent to just over $50 by lunchtime yesterday.

The company, with almost 23,000 employees, has been a symbol of US manufacturing since it was formed in 1901. Financier John Pierpont Morgan bought Andrew Carnegie's steel group and merged it with rivals to form what was then the world's largest company.

One fund manager who holds Nippon Steel shares said the deal looked, on the face of it, "terrible" for shareholders, arguing that it was another example of Japanese companies failing to act in their own investors' interests.

Eiji Hashimoto, Nippon Steel's president, said: "We are excited that this transaction brings together two companies with world-leading technologies and manufacturing capabilities."

The deal drew a furious response from the United Steelworkers trade union. "We remained open throughout this process to working with US Steel to keep this iconic American company domestically owned and operated, but instead it chose to push aside the concerns of its dedicated workforce and sell to a foreign-owned company," said USW president David McCall.

According to one person familiar with the deal, Nippon Steel, which employs more than 106,000 people, was approached after the rejection of Cleveland's offer. "The bet had to be on the US market," the person said, pointing to the opportunities created by President Joe Biden's Inflation Reduction Act and the political obstacles to expanding in the countries such as China or Russia.

The acquisition is the latest in what bankers say is a growing wave of Japanese companies pushing for overseas acquisitions as a response to their shrinking domestic market and the geopolitical constraints Chinese companies now face in buying US corporations.

The deal will need to be approved by US competition authorities.

Josh Spoores, principal steel analyst at commodities consultancy CRU, said that while Nippon Steel's offer was "at the high end of valuations . . . [it] isn't unreasonable". It "properly values" US Steel's expected 2024 earnings of $2bn, he said, and the incremental earnings from strategic investments the company promised to deliver by 2026.

See Lex

Sport. Baseball contracts

Big hit that led to Ohtani's $700mn home run

Dodgers' record 10-year agreement to secure star takes pay deals into new ballpark

SARA GERMANO AND SUJEET INDAP
NEW YORK

Hundreds of reporters congregated outside Dodger Stadium in Los Angeles last week to greet Shohei Ohtani and ask how the Japanese superstar made the choice to suit up in Dodger blue.

Donning his crisp No 17 uniform for the first time, Ohtani said that during his meeting with the team's owners, "they said when they look back at the last 10 years, they made the playoffs every year and even won one World Series, but they considered that a failure", he said. "When I heard that, I knew they were all about winning."

Enormous ambition has powered Ohtani and the Dodgers into the record books with the 10-year, $700mn playing contract announced last week. The deal trumps other record signings, including the 10-year, $450mn extension for NFL quarterback Patrick Mahomes and Cristiano Ronaldo's two-year agreement to join Saudi Arabian soccer team Al Nassr FC at more than $200mn per year.

$680mn	$300bn
Deferred sum that Ohtani will receive after his playing days	Guggenheim currently manages almost this figure

Unveiling: Los Angeles Dodgers' Shohei Ohtani, pictured between owner and chair Mark Walter, left, and president and chief executive Stan Kasten last week at Dodger Stadium, below
Ashley Landis/AP; Marcio Jose Sanchez/AP

Such sums are the extension of a modern sports industry where club valuations have skyrocketed, powered by exponential growth in broadcast rights contracts and the addition of lucrative new revenue streams through luxury stadium refurbishments and, in the US, the legalisation of sports betting.

There are perhaps no two entities better poised to capitalise on this phenomenon than Ohtani, a once-in-a-century talent at both pitching and hitting not seen since Babe Ruth, and the Dodgers, one of US baseball's most beloved clubs with a consortium of savvy financiers occupying the owners' suite since 2012.

In 2012, the Dodgers franchise was bought at auction by an affiliate of Guggenheim Partners, a then-obscure, newish money manager with headquarters in Chicago and a large office in Santa Monica, California. Guggenheim shocked the baseball world by paying a then-record $2.15bn sum for a Major League franchise.

The Guggenheim executives — Mark Walter, Todd Boehly and Scott Minerd — had devised a clever arrangement to justify the hefty valuation: the group, appreciating that the demand for media rights for sports would soon explode, signed a lucrative 25-year pay-TV contract worth more than $8bn with Charter Communications' Time Warner Cable that ensured the club a steady and sizeable stream of cash flow.

Guggenheim currently manages nearly $300bn and is considered one of the savviest credit market investors in the world. In particular, it has pioneered the practice of creative debt investing using life insurance premiums as a base. Such a strategy involves a precise matching of long-dated assets and liabilities, not unlike a player contract with obligations stretching out decades.

In fact, the Dodgers now have three star players with deferred contracts — Ohtani, second baseman Mookie Betts and first baseman Freddie Freeman.

Altogether, the Dodgers will owe $857mn in deferred salary and bonuses to the trio when their playing terms expire, due to be paid from 2028-2044, according to Spotrac, a sport financial information website.

Terms of the Dodgers' current broadcast rights deal with Charter extend to the end of 2038, insulating the club from the disruption of income from smaller regional sports networks, the largest holder of which, Diamond Sports, registered for Chapter 11 bankruptcy this year. The fine print of the Ohtani agreement reveals sophisticated financial engineering for both sides: Ohtani has opted to defer $680mn of his deal until after his playing days, taking just $2mn in salary per year over the 10-year playing life of the contract, according to a person familiar with the deal. Using a present-value discount rate as specified in the MLB collective bargaining agreement with players, the value of Ohtani's decade-long playing contract for calculating the Dodgers' payroll is just $460mn.

The benefits are twofold: the Dodgers have additional space on their payroll to go after more World Series championships and add more stars — the front office was still negotiating trades for other players during the Ohtani news conference; and Ohtani can reduce his overall tax burden over the lifetime of the deal, particularly while he pulls in endorsements during the prime of his career.

> 'Athletes are being paid this money not to play but because baseball revenues have quintupled'

Ohtani is represented by Creative Artists Agency, the Hollywood talent giant acquired this year by the Pinault family. Michael Levine, a CAA board member and co-head of its sports division, told the Financial Times that the firm spent years preparing for Ohtani's free agency and how it would vet competing teams' interest in the two-way talent.

"For somebody who was in a position to completely change the pay scale of a team sport in general, to also include this selfless approach to deferment of capital, represents a core tenet of who he is as a teammate and a competitor," Levine said of Ohtani.

The record sticker price and unique structure of the deal — which includes a no-trade clause and an opt-out for Ohtani if some top Dodgers executives were to leave — is a byproduct of what Levine said was a conscious decision not to feed a "media frenzy" that surrounds other highly sought free agents. And by all accounts, the deferral structure was suggested by Ohtani.

"I would not have had the guts to propose a deal with 97 per cent deferrals", Andrew Friedman, the Dodgers president of baseball operations, told *MLB Tonight* on Thursday. "I said to Mark [Walter], 'You're going to think I put this in there. I didn't!'"

"Any time a major contractual breakthrough occurs, people look at it as the end of civilisation as we know it", said Leigh Steinberg, an independent sports agent best known as the inspiration for the film *Jerry Maguire*, who was not involved in the Ohtani transaction. "People think that athletes are being paid this money to play a game. No, they are being paid this money because baseball revenues have quintupled [over the last 30 years]," he added.

Steinberg said Ohtani had "more leverage than any player I can remember entering free agency" based on talent alone.

Deferred contract payments have occasionally become punchlines. The most famous belongs to Bobby Bonilla, a former All-Star who has not played since 2001 yet still earns more than $1mn each year in deferred payments from the New York Mets. The payouts have become a symbol of ill-advised financial decisions by the previous club owners, who also invested in Bernard Madoff's Ponzi scheme. Each year millions of Mets fans, as well as new owner Steve Cohen, ironically celebrate the July 1 payday as "Bobby Bonilla Day".

For his part, Levine of CAA said "this was not an irrational or emotionally driven process. The reports were that there were multiple teams that were interested in and willing to make comparable deals [to Ohtani] which I think speaks to the merits of this being a win- win."

Telecoms

Iliad proposes merger of operations in Italy with Vodafone Italia

SILVIA SCIORILLI BORRELLI — MILAN
YASEMIN CRAGGS MERSINOGLU — LONDON
ADRIENNE KLASA — PARIS

French billionaire Xavier Niel's telecoms company Iliad has proposed merging its Italian operations with Vodafone Italia, less than two years after the UK-based group rejected a previous offer of more than €11bn.

Under the offer, which now values Vodafone Italia at €10.45bn, Vodafone would receive €6.5bn in cash, a shareholder loan of €2bn and a 50 per cent stake in the new business. Iliad would receive €500mn in cash and 50 per cent of the new business.

The plan also includes an option for Iliad to buy an extra 10 per cent of the venture's shares every year, paving the way for it to take control. Iliad could choose top executives after the first block of options are exercised.

Iliad said the new company "would become the leading actor for investment in cutting-edge technology" in Italy, creating the country's second-biggest telecoms operator by turnover behind Telecom Italia.

Iliad said the offer "benefits from the unanimous support of Iliad's board of directors and its main shareholder Xavier Niel". An earlier bid was rebuffed by Vodafone in February 2022, when the UK-based group said it was "not in the best interests of shareholders".

Since then Vodafone's share price has sunk and new chief executive Margherita Della Valle has a mandate to cut costs and simplify holdings. Vodafone shares are down nearly 20 per cent in the year to date, giving it a market capitalisation of £18.65bn. Vodafone yesterday said it was "supportive of in-market consolidation in countries where it is not achieving appropriate returns on invested capital" and was "exploring options with several parties to achieve this in Italy, including via a merger or disposal".

> Vodafone was 'supportive of in-market consolidation in countries where it is not getting appropriate returns'

Vodafone's shares closed up almost 4 per cent in London yesterday.

Iliad entered the Italian market in 2018 as a low-cost challenger, sparking a price war that put pressure on incumbents including former state monopoly Telecom Italia. In the first quarter of this year, Iliad was the fourth mobile operator in Italy, with a market share of 9.2 per cent, based on the number of sim cards, data from regulator AGCOM found. Vodafone was second, after Telecom Italia, with a 27.5 per cent share.

Speculation on a possible merger increased after Telecom Italia agreed to split its services business from the network, selling the latter to KKR for €22bn. People close to Vodafone said it had been reluctant to accept a takeover offer from a much smaller group.

A November report by Mediobanca said the Italian telecoms market was "one of the most highly fragmented and competitive in Europe", adding that revenues had decreased by about €15bn compared with 2010. Vodafone's Italian arm made up 11 per cent of the group's service revenue in its first half, bringing in just over €2bn, a decline on an organic basis of 1.3 per cent year on year.

"Vodafone Italia's performance has not become any better [since the first offer], but the multiple is higher than what it was last year," said one other person.

The person said the earlier offer was refused without a shareholder vote, but talks had resumed and they wanted to illustrate the proposal to the market.

Additional reporting by Leila Abboud in Paris

See Lex

Industrials

Tycoon Jindal denies sex assault allegations

CHLOE CORNISH — MUMBAI

Indian steel tycoon Sajjan Jindal has denied sexual assault accusations, after a court last week ordered police to investigate a complaint made against him.

The billionaire chair of the JSW Group described the allegations as "false and baseless" and said he would co-operate with the police investigation.

"As the investigation is ongoing, we will refrain from commenting further at this stage," Jindal said in a statement given in his personal capacity.

Indian media reported on Sunday that Mumbai police were investigating sexual assault allegations made against the 64-year-old industrialist, including rape. Shares in JSW Steel were down 1.4 per cent, the first day of trading since the allegations were made public.

Mumbai police confirmed that a first information report — a police document that notes details of an alleged offence and marks the start of an investigation — had been filed against Jindal.

The complainant, who remains anonymous under Indian law, had sought judicial intervention after police did not immediately take up the case, Indian media reported.

Jindal is one of India's most prominent corporate leaders, and his family — headed by matriarch Savitri Jindal — is worth $29bn, according to Forbes.

The JSW empire encompasses cement, steel, energy and logistics businesses, and last month expanded into automobiles when it signed an Indian joint venture agreement with China's SAIC Motor.

The group, chaired by Jindal since 2011, is expected to profit from India's rapid infrastructure push that has made the country one of the fastest-growing markets for steel.

It is one of a handful of family conglomerates that has influence over large parts of the economy, along with Reliance Industries and the Tata Group.

Technology

Software AG sells data platform to IBM for €2.1bn

PATRICIA NILSSON — FRANKFURT

German technology group Software AG has struck a deal to sell a key business to IBM for €2.1bn a little more than six months after agreeing to a takeover by US private equity firm Silver Lake.

Software AG, Germany's second-largest software company, said yesterday that IBM would acquire a business that helps companies integrate applications and data. The business, Super iPaaS, was formed just two months ago by Software AG through combining two existing divisions. At the time, the Frankfurt-listed company said the move would launch it into "a new phase of growth".

Announcing the sale, Software AG's chief executive Sanjay Brahmawar said that the roughly 2,000 employees working on the platform would "have a fantastic opportunity to develop the Super iPaaS proposition with [IBM]".

The disposal was a "major validation of our strategy", he added. Software AG now plans to focus and invest in its Adabas & Natural business, a high performance database product, according to a person familiar with its strategy.

Silver Lake agreed a €2.6bn takeover of Software AG in May after seeing off a rival offer from US buyout group Bain Capital.

Schroders, a big shareholder in Software AG, claimed Silver Lake's offer undervalued the company.

Silver Lake first backed Darmstadt-based Software AG in 2021 via a €344mn investment. Silver Lake disclosed yesterday that it now owned 93 per cent of Software AG's shares and planned to delist the group next year.

The deal with IBM is expected to be completed by the second quarter of 2024. After the sale, Software AG will be made up of several businesses, including its database divisions that boast a profit margin of about 70 per cent of sales and €178.5mn operating profit. Last year, Software AG made €958.2mn in sales and €178.5mn operating profit.

Additional reporting by Ivan Levingston

Microsoft on course for big profits in complex alliance with OpenAI

As regulators circle, start-up casts light on deal in which tech giant has no equity despite $13bn investment

Partners: OpenAI chief executive Sam Altman (left) and Microsoft boss Satya Nadella at an OpenAI developer conference in San Francisco last month Justin Sullivan/Getty Images

TIM BRADSHAW AND MADHUMITA MURGIA — LONDON
GEORGE HAMMOND AND CAMILLA HODGSON — SAN FRANCISCO

After UK competition officials said they were preparing to investigate Microsoft's multibillion-dollar alliance with OpenAI last week, the San Francisco-based start-up quietly made a change to its website.

Having previously described the tech giant as a "minority owner" in OpenAI, the wording was changed over the weekend to describe Microsoft as only holding a "minority economic interest".

The distinction may prove crucial as antitrust authorities attempt to shine a light on Silicon Valley's most-watched — yet least understood — partnership.

The looming investigation comes after the artificial intelligence start-up was engulfed by chaos last month. Chief executive Sam Altman was fired by OpenAI's board, only to be reinstated days later after pressure from the company's employees and investors, including Microsoft chief Satya Nadella.

However, neither Microsoft nor OpenAI's other backers — which include Thrive Capital and Sequoia Capital — own any conventional equity shareholding in the company. Instead, they are entitled to receive a share of its profits from a specific subsidiary of OpenAI, up to a certain limit.

Investors who may choose to participate in a continuing $1bn tender offer that would value OpenAI at $86bn will get the same deal, according to people familiar with the matter.

The peculiar structure of these deals shows how the altruistic origins of Silicon Valley's most-prominent start-up are now colliding with the huge commercial promise of AI.

OpenAI was founded in 2015 as a not-for-profit organisation, which now owns the for-profit subsidiaries created in 2019 to facilitate Microsoft's investment. But, at least until recently, many of the details of its structure have been obscure to outsiders.

People familiar with the deal say Microsoft has in total committed up to $13bn to OpenAI, including a $10bn expansion announced in January this year. But until the past week, it was never clear about what kind of return its own shareholders might expect from the investment.

The graphic detailing OpenAI's complex ownership structure on its website was amended a few days ago without renewing the web page's timestamp, which indicates that the last update was made in June. OpenAI confirmed the language was altered to clarify Microsoft's position and did not reflect any change to their underlying agreement.

With regulators circling, Microsoft has also sought to reshape perceptions of its deal. "While details of our agreement remain confidential, it is important to note that Microsoft does not own any portion of OpenAI and is simply entitled to share of profit distributions," Microsoft said on Friday.

Reports before, and for months after, January's announcement of what the two companies described as a "multi-year, multibillion-dollar investment" had suggested that Microsoft could end up with a 49 per cent stake.

In fact, Microsoft's billions — which include huge investments in data centre infrastructure as OpenAI's "exclusive cloud provider" — entitle it to up to 49 per cent of the profit generated by a subsidiary of OpenAI, according to people familiar with the deal.

This "capped profit" subsidiary is majority owned by a holding company, owned by OpenAI's employees and other investors. This holding company, in turn, is owned and controlled by a charity controlled by OpenAI's board, according to the company's website.

Rather than a direct equity stake, "Microsoft, employees and investors own an economic interest in the for-profit, which entitles them to a share of the profits," according to a person with knowledge of the arrangement.

$13bn
The sum Microsoft has committed to OpenAI, according to people familiar with the deal

49%
Proportion of the profit generated by a subsidiary of OpenAI to which Microsoft could be entitled

$86bn
The prospective valuation of OpenAI under a continuing $1bn tender offer

OpenAI's structure originates from its founding mission of "ensuring that safe artificial general intelligence is developed and benefits all of humanity", rather than only a small group of employees and investors. AGI refers to software that is as intelligent as humans.

The arrangement means all OpenAI investors are subject to an upper limit on the returns they can make, according to people familiar with the matter. How and when those returns are paid out remains unclear.

For the very first investors in the subsidiary, that limit was 100 times their investment, according to a 2019 OpenAI blog post, which said the multiple would be lower for future funding rounds.

"This structure only makes sense because . . . the company thinks the upside from AGI could be so huge, that it could go beyond these profit caps," said one person familiar with the workings of the company.

In addition to being its exclusive cloud provider, Microsoft's deal also granted it an exclusive licence to OpenAI's intellectual property, according to people familiar with the matter. The deal excludes any AGI that OpenAI might eventually create and only OpenAI's board can declare when that breakthrough has been achieved.

Those IP rights could have been significant if Altman and other OpenAI employees had gone to work at Microsoft, as was proposed by Nadella before Altman's reinstatement. "A lot of relevant technology could have gone with him," this person said. "Microsoft is technically a competitor but has all the IP, which puts it in a stronger position."

Microsoft declined to comment on the details of its agreement with OpenAI. It is unclear how long any exclusivity agreements may last.

Transactions involving non-profit organisations are often exempt from the usual pre-merger notification requirements under the US Hart-Scott-Rodino Antitrust Improvements Act, which may have helped to shield Microsoft's investment from regulatory scrutiny.

> 'This structure only makes sense because . . . the company thinks the upside from AGI could be so huge'

But the US Federal Trade Commission is now looking into Microsoft's investment, according to a person familiar with the matter, although no formal investigation has begun.

Any US probe and that of the UK Competition and Markets Authority, which is expected to begin formally next year, are likely to hinge on whether Microsoft's influence over OpenAI has grown in recent months, either as a result of January's expansion of their alliance or last month's boardroom bust-up.

Ever since the launch of ChatGPT in November last year, OpenAI has been divided internally over its commercial direction, including which products to pursue and invest in.

According to one person close to the leadership's deliberations, some OpenAI executives felt pressured by Microsoft to commercialise faster, as it "really wanted to be deploying AI products and be an AI leader and make money".

During the leadership crisis at OpenAI last month, Microsoft was given no warning from the board about the coming ructions and raced to re-establish stability. "They wanted more visibility, but everyone realised that them having an actual board seat would be a non-starter," this person said.

It was eventually agreed that Microsoft would take a non-voting observer role on a reconfigured board. This would "certainly give [Microsoft] some level of additional influence", this person added, but suggested that would be a positive step for the start-up's governance. "There would be more of an expectation that things at OpenAI be done by the book."

Automobiles

UAE fund injects $2.2bn into Chinese EV maker Nio

EDWARD WHITE — SHANGHAI
PETER CAMPBELL — LONDON

Tesla rival Nio has secured a $2.2bn investment from Abu Dhabi-backed CYVN Holdings in a boost for the Chinese electric vehicle maker as Middle East groups and Beijing increasingly join forces in the clean tech transition.

The deal, which follows CYVN's more than $1bn injection in Nio in July, will give the UAE investment vehicle 20 per cent of the Chinese group's shares and is intended to ease worries among some analysts over the lossmaking company's finances.

The strengthening corporate ties between China, the world's biggest car market, and the Middle East is a growing trend as Beijing steps up its challenge to Washington's dominance in the region.

Nio listed in 2018 on New York's Nasdaq exchange, but has struggled with heavy financial losses, production problems and the high costs of rolling out its battery-swapping system — the technology at the heart of its business plan — and luxury showrooms.

The battery-swapping system involves unscrewing the bottom of the car and replacing the battery through a hatch in the floor, which takes about five minutes.

Nio believes the technology, which could be sold to other groups, offers a way to overcome worries among consumers about EV charging times and long-term battery health.

Despite a strong end of the year for China's EV market, Nio has been hit by price cuts as the fight for market share intensifies.

The CYVN injection comes days after co-founder and president Lihong Qin said higher interest rates were making it harder to raise money.

"We are looking for new investors, and financing is one of our daily jobs," he said last week. "It never stops, it's just that currently the global financial policy environment has made this work more challenging."

He added that Nio had "not become profitable yet" and lost about $12,000 for every car it sold.

"We definitely face a lot of challenges, but do not have concerns for short-term survival," he stressed.

The company is expanding among a clutch of Chinese auto groups in Europe, with plans to launch a cheaper brand in the region in 2025.

The business, however, had also deferred plans to enter the US market because of the "urgency of profitability" as well as the tariffs and the costs of certifying vehicles, Qin added.

Nio will focus exports on Europe, where auto regulations are much closer to those in China, which lowers the costs of adapting its vehicles for the market.

It has also entered a partnership with Geely and Chang'an in China to work together on battery swapping.

Analysts have argued that it will be hard for the company to make battery swapping viable without extensive partnerships to widen the system's appeal.

Monthly sales of plug-in hybrid and pure battery cars in China rose above 1mn for the first time in November, according to data from Automobility, a Shanghai consultancy.

China produced 8.3mn EVs in the first 11 months of the year, with pure battery EVs rising to 5.9mn and plug-in hybrids to 2.4mn.

Technology

Tokyo Electron offsets chip export controls

QIANER LIU AND KANA INAGAKI — TOKYO

Asia's largest semiconductor equipment maker Tokyo Electron says it has largely managed to offset the impact of controls on exports to China by expanding its sales of less-advanced products to the country's chip industry.

The Japanese group has been navigating geopolitical tensions between Washington and Beijing with a two-track strategy of focusing on regulation-complying products for China while deepening technology development with cutting-edge clients in other key markets.

"Of course, we had some impact [from the Japanese and US export controls], but it was much smaller than we expected," said Junko Takagi, head of investor relations, in an interview on the sidelines of the Semicon Japan trade show held in the capital last week.

Takagi added that demand for less-advanced semiconductor equipment was "really big", with Tokyo Electron generating 43 per cent of its revenues from China in the third quarter, compared with 24 per cent a year earlier.

The Tokyo-based company is a crucial company in the semiconductor supply chain, providing chipmaking equipment for industry leaders Taiwan Semiconductor Manufacturing Company, South Korea's Samsung Electronics, and Intel in the US.

Since July, some shipments to China

> 'It's extremely difficult to choose sides . . . China's market is huge, but US technology is the future'

have required clearance from export control officials, after Japan expanded restrictions on exports of 23 types of advanced chipmaking technology. It was aligning itself with the US and the Netherlands, where leading chip equipment makers Applied Materials and ASML respectively are also under pressure not to give China access to the latest semiconductor technology.

The measures forced more Chinese companies to focus on older technology not subject to the restrictions, resulting in more orders for Tokyo Electron.

Meanwhile, the company has leveraged its tech expertise to accelerate research with cutting-edge clients in the US, Taiwan, Europe and Japan. It says it has also developed new technology for etching channels in 3D Nand flash memory, competing with US-based rival Lam Research and aiming to increase its market share in the $500mn etching channel market.

Tokyo Electron's resilience comes as other Japanese companies are struggling to handle US-China tensions.

"Japanese industry leaders do believe overwhelmingly that the global supply chain is bifurcating and splitting into two separate supply chains, one for the US and one for China," said Christopher Thomas, chair of strategy advisory firm Integrated Insights, in a geopolitics session at Semicon Japan.

But a senior manager at a Japanese chip equipment maker, who declined to be named, said: "It's extremely difficult to choose sides . . . China's market is huge, but US technology is the future."

Support services

Lawyer admits failures in 'cum-ex' tax scandal

OLAF STORBECK — FRANKFURT

Law firm Freshfields Bruckhaus Deringer's former global head of tax has told a Frankfurt court he "totally failed" as a lawyer and "glossed over the fact that my legal advice was used for illegal means", as he stands trial for his alleged role in a dividend scandal.

Ulf Johannemann, who until 2019 earned €1.9mn a year as the "magic circle" firm's most senior tax expert, faces allegations of aiding and abetting tax fraud by giving flawed legal advice to Maple Bank, a defunct German subsidiary of Canada's Maple Financial.

Yesterday, he addressed the court in a brief statement. "With regard to the Maple mandate, I totally failed as a legal adviser," he said. "I take full responsibility for my mistakes." He has been on trial since September.

From 2006 to 2009, Maple Bank duped German tax authorities into refunding more than €388mn in dividend taxes that were never actually paid. Johannemann had argued that the "cum-ex" transactions were legal.

Earlier this month, the judge stated that the 52-year-old was "highly likely" to be found guilty on most charges.

Johannemann, who has not addressed specific charges in court, said he now realised his "basic approach to legal consulting" fell short of professional standards. "As a young lawyer, I learnt

> 'I totally failed as a legal adviser . . . I take full responsibility for my mistakes'

from experienced partners to align the legal advice closely to the client's demands," he said, adding that he learnt to put aside "my own legal opinion if more experienced colleagues took different views".

Johannemann left Freshfields in November 2019 after Frankfurt prosecutors briefly arrested him as part of a broader probe. He told the judge that he hoped to work as a lawyer again, but had focused on his family and his personal legal issues for the past four years. The lawyer acknowledged that from 2006 he considered it possible Maple Bank did not share "the full truth" of its cum-ex transactions with him, admitting that "I did not want to know it." He conceded he had "switched off my common sense" as he focused on a formalistic application of the law.

"I glossed over the fact that my legal advice was used for illegal means," he said, adding that his professional career was in tatters. "My approach was wrong, and I should not have kept quiet."

Several former Maple employees have already been sentenced to jail terms over the bank's conduct. A verdict in this case is likely to be reached by the end of next month.

Freshfields has avoided direct prosecution over its advice to Maple, striking a deal in 2021 involving a voluntary payment of €10mn to the German tax authority. The firm has also paid €50mn to the administrator of Maple Bank.

The law firm has previously said it would not be commenting as it "is not a party to these proceedings".

Retail & consumer

Unilever unloads slow-growing brands

Streamlining leads to sale of Elida Beauty label to private equity group

MADELEINE SPEED

Unilever has announced it will sell a group of more than 20 brands including Q-tips, Timotei shampoo and Impulse body spray to private equity group Yellow Wood Partners, the latest in a series of sales of its slower-growth labels.

The disposal of the brands, which were grouped together under the name Elida Beauty in 2021 and generate approximately £700mn in annual turnover, is the first under Unilever's new chief executive Hein Schumacher, who has set out to streamline the consumer goods giant's portfolio following investor pressure to boost growth. The value of the deal was not disclosed.

Schumacher, who stepped into the role in July this year, said in a recent trading update that he would focus on improving the profitability of Unilever's top 30 brands that made up 70 per cent of group revenues.

The group has about 450 brands spanning food, toiletries, cleaning products and ice cream.

The sale is the latest in a string of disposals of slower-growth brands to private equity groups, including the sale of its tea business, Ekaterra, now Lipton, to CVC last year, and its spreads business, Upfield, to KKR in 2018.

Unilever reportedly tried to sell Elida when the brands were isolated from the rest of the portfolio in 2021, but the deal fell through. The Magnum and Marmite maker has also reportedly considered the sale of some of its North American ice cream brands, excluding Ben & Jerry's and Magnum.

Yellow Wood Partners invests exclusively in the consumer industry and previously acquired Unilever's low-cost shampoo and moisturiser brand, Suave, in North America. In 2021 it acquired footcare brand Scholl from Reckitt.

> '[The deal will] help to shift Unilever's portfolio out of underperforming categories and brands'

Bernstein analyst Bruno Monteyne said the acquisition was "a step in the right direction," and would "help to shift Unilever's portfolio out of underperforming categories and brands", but added that investors were yet to see evidence that the company's turnaround plans were working.

Unilever has been criticised for a period of disappointing performance over the past decade, as well as for its acquisition mis-steps, including its botched bid for GSK and Pfizer's consumer health division in 2021 and its acquisition of Dollar Shave Club in 2016, which it sold this year.

As a result, the group was left vulnerable to targeting by activist investor Nelson Peltz, who joined the Unilever board last year and is, according to Schumacher, supportive of his growth plan.

During its previous trading update, Unilever said it would not carry out any "major or transformational" acquisitions, but would instead "selectively optimise the portfolio".

Investors have speculated over the past few years as to whether Unilever would spin off an entire low-growth division such as nutrition or ice cream.

"This marks another step towards the optimisation of our personal care portfolio," said Unilever's president of personal care, Fabian Garcia.

"Our priority is to step up the growth of our power brands by investing behind key strategic focus areas such as driving unmissable brand superiority and scaling multiyear innovations."

Unilever said the completion of the sale of Elida Beauty was subject to regulatory requirements and was expected to be completed by the middle of next year.

Retail & consumer

Bang & Olufsen banks on rich amid luxury slowdown

LAURA ONITA

High-end Danish speaker and television maker Bang & Olufsen is confident it can defy a slowdown in the luxury goods sector partly because "the rich will only become richer".

The brand, which counts musicians Alicia Keys and Lenny Kravitz among its customers, is seeking to become a big luxury performer despite lacklustre sales among premium goods groups. A three-year boom in luxury demand has come to an end as customers cut spending on expensive items.

Chief executive Kristian Teär said the fact that the retailer, whose Beolab 90 speakers cost £110,000, had no meaningful competition in the premium space was an advantage that "will make us more resilient in downturns", although he recognised he had to increase awareness of the brand.

"If you go to jewellery, you have a few brands, if you go to fashion, you have a few brands, if you go to cars, you have a few brands," he said during an interview in London. "In audio luxury, there is nobody else."

He is on a drive to recruit Generation Z and millennial shoppers with a penchant for design and technology who increasingly stream music as well as wealthy individuals who "don't want to have something ugly" in their homes and "have enough funds". Bang & Olufsen sells its products in 400 locations, including its own stores and concessions in other retailers.

"The rich will only become richer, and . . . we know they want to also express themselves, and they don't want to have what everybody else has," he said. "The reason why we aren't bigger than we are is because we've tried to be everywhere for everybody all the time, and we were struggling. Now the direction is set, the focus is clear, we know what we're doing, and that's also why we show good growth in London because we try to serve the customers who we are targeting."

The group recorded DKr2.75bn ($400mn) revenue for the year to May, a decline of 7 per cent on the prior year.

Warhammer Game on for Amazon film and TV deal

The Warhammer 40,000 series by Games Workshop offers fantasy war game miniatures, which players use to enact complex battles — Oli Scarff/AFP/Getty Images

Games Workshop has finalised a deal with Amazon to develop films and television series based on the games company's Warhammer 40,000 series.

The deal, which was first announced in December last year, gives Amazon exclusive rights in relation to content set in the Warhammer 40,000 universe, as well as an option to license equivalent rights in the Warhammer Fantasy universe following the release of the initial production.

Games Workshop creates fantasy war game miniatures, which players use to enact complex battles. The agreement with Amazon will bring the fantasy worlds of Warhammer to the screen for the first time, which the games company hopes will help recruit new players.

The agreement is a "game changer" for Games Workshop, according to analysts at investment bank Peel Hunt. "It has taken a fair bit of time to go through the legal process, and was not helped by the writers' and authors' strikes." They added that as Games Workshop had said its full-year forecasts were unchanged, "any upfront payment is modest". "This is in line with our expectations, as the value in this relationship is bringing the Warhammer world to life and to a wider audience."

> 'The deal offers substantial long-term upside for Warhammer to build its global brand exposure'

The Nottingham-based company, which has 530 stores, was started nearly 50 years ago by three school friends. The retailer's sales were boosted during the pandemic and it has continued to do well despite cost of living pressures.

Games Workshop and Amazon will work together for 12 months to agree creative guidelines for the films and television series.

Analyst Andrew Wade at Jefferies said: "Fundamentally, we think the deal offers substantial long-term upside for Warhammer to build its global brand exposure."

But he warned it could be three years before a first TV series was aired on Amazon and there could be a two-year gap between seasons, unless the schedule was "well planned in advance".

"The process will include hiring a writer, preparing scripts, finding locations, building sets, filming, production and post-production," he added.

Jefferies has estimated that the company could earn $1mn per episode based on a budget of $20mn to £30mn and assuming a 10-part series, plus higher fees and bonuses in follow-on seasons. *Amy Bell and Laura Onita*

See Lex

Property

LondonMetric in talks to buy Alton Towers owner LXI

JOSHUA OLIVER

LondonMetric is in talks to buy LXI, owner of Warwick Castle and Alton Towers, in a deal that would create a £6.4bn real estate group as UK property investors seek scale to weather the downturn.

If the transaction goes ahead, LondonMetric, a FTSE 250 landlord focused on logistics, would acquire all outstanding shares in LXI. The combined group would benefit from "economies of scale and operating efficiencies", the two groups said yesterday.

Listed property companies have been trading at substantial discounts to the value of their assets, as commercial property valuations take a hit from rising interest rates. The UK has had a spate of deals in recent years as smaller real estate investment trusts are taken private or try to expand to appeal to more investors.

The LondonMetric LXI deal would create one of the UK's largest listed landlords with a combined market capitalisation of £3.9bn.

"One of the biggest challenges for the UK-listed property [sector] is lack of scale," said Colm Lauder, principal at consultancy Lingard Capital Advisers. He said the deal would create "another vehicle with scale out of two vehicles that are subscale".

LondonMetric, led by chief executive Andrew Jones, has in recent years shifted from retail parks, offices and residential property to focus on warehouses. Shares in LondonMetric fell 1 per cent while LXI rallied about 5 per cent after news of the potential deal came out yesterday.

> A deal would create one of the UK's largest listed landlords with a combined market cap of £3.9bn

If the transaction goes ahead, the combined group will be internally managed, meaning an end to LXI's relationship with Alvarium Fund Managers, which currently hold the contract to manage the Reit.

Alvarium previously managed Home Reit, an affordable housing group that came under attack by short seller Viceroy Capital. An internal probe flagged "undeclared potential conflicts of interest" and inaccurate disclosures related to Home Reit's annual impact report.

LXI's portfolio, valued at about £3bn, ranges from garden centres to a collection of theme parks — run by Merlin Entertainments — which were formerly owned by property investor Nick Leslau's Secure Income Reit, which merged with LXI last year. It also owns budget hotels operated by Travelodge.

Lauder said there was "a logical combination here between the portfolios" of LXI and LondonMetric because both companies focused on long-term income and had a substantial number of inflation-linked leases. The companies said their joint portfolio was 93 per cent concentrated within the "logistics, healthcare, convenience, entertainment and leisure sectors . . . with income longevity and security".

An offer from London Metric was contingent on conditions including approvals from each group's lenders and due diligence, the statement said. Bloomberg and React News first reported the talks.

Support services

PwC seeks looser rules on board members

STEPHEN FOLEY — NEW YORK
SIMON FOY — LONDON

PwC is asking audit regulators around the world to reconsider strict rules on conflicts of interest to allow it to hire more independent board members, as the Big Four accounting firm seeks to improve its governance following a scandal at its Australian operation.

The company has promised to install an independent chair to oversee its Australian business and is also trying to expand its recruitment of outside board members elsewhere in the world.

However, it is running into problems finding experienced candidates who are unaffiliated with the firm's audit business or are prepared to commit to limiting their other engagements to comply with independence rules.

"By adding independent, external voices to our boardroom discussions, it not only makes debate less insular, but ultimately enhances the performance of the boards themselves," said PwC global chair Bob Moritz.

"Given some of the structural complexities and the varying regulatory requirements on a country-by-country basis, our industry faces some inherent challenges in bringing in a sufficient number of qualified independent candidates," Moritz added.

Unlike public companies that are typically expected to have a board that includes a majority of independent directors, the Big Four are structured as a network of locally owned partnerships with governance arrangements that vary from country to country. Only some national audit regulators demand any independent board members at all, but those that do typically require them to be unaffiliated with a firm's clients.

> 'Our industry faces inherent challenges in bringing in a sufficient number of candidates'

Under Moritz, PwC's global leadership has for the past six years encouraged its local partnerships to increase their use of independent board members. The firm also has a governance board at the global level, where two seats out of 20 are reserved for outside members — although only one is currently filled.

In September, PwC's Australian business said it would hire three independent members to its local board, including a new chair, after a damning report into the firm's culture and management. The report was commissioned after revelations that a partner had shared tax policy secrets gleaned from his work advising the Australian government.

PwC discussed its plans for improving governance in Australia on a call with audit regulators from around the world on November 27. The event, co-ordinated by the International Forum of Independent Audit Regulators, was a "factual information session", according to IFIAR executive director Carl Renner.

Negotiations on making it easier to recruit independent board members will have to be conducted with IFIAR members individually, Renner said, as regulations are set on a national level.

Financials

SEC charges fintech Tingo's chief with fraud

AANU ADEOYE — LAGOS
AKILA QUINIO — LONDON

The US Securities and Exchange Commission has charged the Nigerian businessman who bid for an English Premier League club with "massive fraud", alleging that he and his three companies inflated the financial metrics of his publicly listed companies to defraud investors.

The SEC alleged yesterday that Dozy Mmobuosi, head of Tingo Group, Agri-Fintech Holdings and Tingo International Holdings, had led a scheme that fabricated financial statements of the companies and their Nigerian affiliates, Tingo Mobile Limited and Tingo Foods.

"The scope of the fraud is staggering," the SEC wrote. "Since 2019, defendants have booked billions of dollars' worth of fictitious transactions through two Nigerian subsidiary companies Mmobuosi founded and controls."

The charges were filed a month after the SEC suspended trading in the securities of Tingo Group and Agri-Fintech Holdings because of "questions and concerns regarding the adequacy and accuracy of publicly available information" about both companies. In addition to Mmobuosi, Agri-Fintech, Tingo International Holdings and Tingo Group Inc. were also charged.

Mmobuosi and his representatives, as well as Tingo Group, the parent company of the three charged entities, could not be reached for comment. Tingo is a fintech company that says it services 9mn users in Nigeria, who it says are mostly farmers, in addition to running a food processing business. But a report by US-based short seller Hindenburg in June alleging it was a fraud sent its stock price crashing.

Dozy Mmobuosi: the SEC alleges that he led a scheme that fabricated financial statements

Hindenburg revealed it had placed a bet against the fintech and raised a number of "red flags" about the company which it described as an "exceptionally obvious scam". Shares in Tingo, which had a market value of more than $400mn before the report, fell by as much as 60 per cent that day.

According to the SEC, the group reported cash and cash equivalents of $461.7mn for 2022 in the bank accounts of its Nigerian subsidiary, Tingo Mobile. But it alleges that the actual balance was less than $50 for that financial year.

Hindenburg had questioned the existence of the majority of Tingo's 9mn users, saying it did not have the mobile licence required to operate the business.

Mmobuosi gained attention in the UK earlier this year after submitting a bid to buy football club Sheffield United in February. That bid ultimately failed.

Big Four auditor Deloitte gave the fintech a clean, unqualified audit for its 2022 accounts, leading Hindenburg to question whether the firm had "missed or rushed through procedures". Deloitte Israel, which conducted the audit, did not respond to requests for comments.

Additional reporting by Stefania Palma in Washington

COMPANIES & MARKETS

Fixed income. Sliding yields

Investors abandon 'higher for longer' interest rates outlook

Cold front: economic pressures experienced by US shoppers are indications of lower growth and inflation heading into next year
Bing Guan/Bloomberg

Fed's dovish message is being interpreted by bond traders as a full-speed-ahead signal

HARRIET CLARFELT AND KATE DUGUID
NEW YORK

The rally in global bond markets has shattered investors' months-long assumption that interest rates in the US and elsewhere will remain higher for longer.

The benchmark 10-year US Treasury yield, seen as a proxy for borrowing costs around the world, fell below 4 per cent for the first time since August.

Meanwhile, the policy-sensitive two-year yield — which closely tracks rate expectations — slipped to its lowest point since May.

Other government bond markets have also undergone a dramatic about-turn in recent days with Germany's 10-year Bund yield, a benchmark for the eurozone, sliding to its lowest level in nine months as its price shot higher.

The sharp moves came after the US Federal Reserve gave its clearest indication yet that it would not raise borrowing costs again and signalled that it expected three quarter-point cuts in 2024.

Fed chair Jay Powell noted that the benchmark rate was "likely at or near its peak for this tightening cycle".

Kristina Hooper, chief global markets strategist at Invesco, said: "Higher for longer is dead. Powell wrote the epitaph [last week]."

As recently as early November, markets had been bracing for an extended period of elevated borrowing costs as central banks continued their battle to tame inflation.

In recent weeks, signs of a cooling economy and softer price growth data had helped to ease those concerns — lifting bond and stock markets.

But the Fed's closely watched "dot plot" projections on Wednesday were seen by many as the most official sign yet that "higher for longer" was over.

By Friday, markets were reflecting investors' expectations of six US interest rate cuts in 2024 — beginning as soon as March.

Those predictions would take borrowing costs in the world's biggest economy from a current range of 5.25 to 5.5 per cent down to roughly 3.9 per cent.

"A dovish pivot from the Fed is a full-speed-ahead signal for the bond market," said Bob Michele, chief investment officer and head of the global fixed income, currency and commodities group at JPMorgan Asset Management.

While New York Fed president John Williams said on Friday that talk of rate cuts as soon as March was "premature", his note of caution was not enough to halt the rally.

The upbeat narrative also persisted in Europe and the UK — where inflation has been far more stubborn than in the US — even as European Central Bank president Christine Lagarde and Bank of England governor Andrew Bailey pushed back against the prospect of imminent rate cuts.

Buoyant investor sentiment also lifted stock markets last week with Wall Street's S&P 500 closing out its seventh straight week of gains and edging closer to a fresh record high.

Some strategists noted that US inflation was still far from the central bank's long-term target of 2 per cent — meaning that rates were unlikely to come down rapidly.

The US headline consumer price index reading for November came in at 3.1 per cent — down from October's figure of 3.2 per cent and in line with consensus forecasts.

But Michael Kushma, chief investment officer of broad markets fixed income at Morgan Stanley, said: "The Fed has switched its focus from inflation to growth."

If the Fed is satisfied with waiting for price growth to return to 2 per cent, he added, "there's no reason to have too weak an economy in 2024. The Fed has decided that inflation is behaving, so off to the races we go".

The sharp drop in government bond yields last week has also translated into much lower debt funding costs for corporate borrowers.

The average bond yield for junk-rated US companies has fallen to less than 8 per cent, according to an Ice BofA index, around levels last seen in February — with Thursday marking its biggest daily drop in 13 months.

> 'The Fed has decided that inflation is behaving, so off to the races we go'

The spread or premium paid by risky borrowers over the US government also narrowed by a sizeable 0.33 percentage points on Thursday to 3.47 percentage points.

Concerns have intensified this year that some of the lowest-rated companies on both sides of the Atlantic will struggle to refinance their debt in an environment of much higher funding costs, potentially sparking an uptick in defaults.

Junk-rated US companies alone are staring down a $1.87tn maturity wall over the next five years, according to Moody's.

But "even though we haven't seen one rate cut yet . . . There has been a significant easing in financial conditions that is giving companies breathing room," said Hooper.

The prospect of cuts has more pronounced implications for floating-rate loan issuers than for fixed-coupon bond issuers, said Andrzej Skiba, head of Bluebay US fixed income at RBC Gam.

"Unlike in US high-yield bonds, where it's a marginal positive, in the leveraged loan space and private credit [space] it could make the difference between a company getting into trouble and not," he added.

Still, Skiba noted that a further slowing of the US economy could start to weigh on corporate profits.

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Retail

Intermarché and Auchan in talks over acquiring Casino stores

ADRIENNE KLASA

French retailers Intermarché and Auchan have entered exclusive negotiations to buy Casino's hyper and supermarket stores as the indebted group rushes to shed the lossmaking assets ahead of a bailout led by Czech billionaire Daniel Křetínský.

The deal, which could close before the end of the year, values the network of 313 stores at €1.35bn, excluding real estate, though certain assets could come to be included in the transaction, Casino said.

The deal would be subject to the completion of the group's financial restructuring, which is expected to take place in the first quarter of next year, as well as approval from regulators.

"The proceeds will be used to support the planned financial restructuring, investment in the retained perimeter and social support for the concerned employees," Casino said in a statement, adding that Křetínský and his partners had given their blessing to the talks.

Employees of the stores involved, which had sales of €3.6bn in 2022 excluding VAT, will transfer to Auchan and Groupement Les Mousquetaires, Intermarché's parent company.

Casino said that it had received preliminary offers for its hyper and supermarket stores from several interested parties at the end of last month.

> 'The proceeds will be used to support financial restructuring, investment and social support'

Intermarché had already agreed to an earlier deal to buy some 60 stores. Rival retailers including Carrefour and Lidl were among those who had initially expressed interest, according to people with knowledge of the process.

Casino shares were suspended yesterday pending an announcement and will resume trading today. They have already lost over 92 per cent of their value so far this year to give the company a market value of just €90mn today.

Křetínský, who will take control of the company once a debt restructuring and rescue deal are finalised, had pushed Casino's management to sell the retailer's largest stores months before his planned bailout, the Financial Times reported last month.

Once completed, the divestments will radically reduce the size of the group, capping years of asset sales that chief executive Jean-Charles Naouri undertook to pay down debt.

The group's remaining assets would mostly comprise smaller inner-city stores such as Monoprix in Paris.

Some 2,000 people protested near the company's headquarters in Saint-Etienne on Sunday.

Finance ministry officials had also been wary about how the changes at the group will affect jobs. Casino employs more than 50,000 people in France

Crypto

Novogratz's Galaxy seeks to snap up more digital assets after FTX deal

NIKOU ASGARI

Galaxy Digital, US billionaire Mike Novogratz's cryptocurrency group, is hunting for more asset sales by bankrupt digital assets companies after a deal to sell coins held by FTX trebled its funds under management.

Galaxy was chosen in August by administrators of the collapsed crypto exchange to sell, hedge and stake FTX's bitcoins and ether coins, as well as its holdings of Grayscale's bitcoin trust.

The win has helped swell New York based Galaxy's assets under management from $1.7bn a year ago to $5.3bn, the company told the Financial Times.

The surge in assets comes as welcome news to Galaxy, one of the largest crypto financial services groups, with extensive business in trading and investment banking.

The company has struggled to recover from last year's crypto market crash and in the third quarter of this year it recorded a $94mn loss.

Its asset management arm has been slowly selling FTX's tokens on to the open market to help the failed exchange's administrators recover the value of assets and pay back creditors.

In September, a US court mandated that FTX assets could be sold in lots of $100mn per week but said that sales should be carried out without disrupting market prices or tipping off other traders.

Steve Kurz, global head of asset management at Galaxy, said the firm would be interested in acquiring the assets of other bankrupt companies.

Mike Novogratz's firm had struggled to recover from the crypto crash

Among potential targets is FTX's vast venture capital portfolio of real estate and technology companies, including a stake in artificial intelligence start-up Anthropic, which was last valued at nearly $5bn in a funding round earlier this year.

"We have a crypto venture team that has been investing off our balance sheet for five years," he said, referring to a subsidiary that has invested in companies such as digital asset security firm Fireblocks and blockchain platform Polygon.

"The record that we have on that side of our asset management business means we'd be a good candidate for something like that," he said, referring to FTX's venture portfolio.

Andrew Bond, senior research analyst at Rosenblatt Securities, said winning the FTX mandate was "massive" for Galaxy, adding that "it opens them up to win other mandates that will potentially be much more profitable".

Galaxy, which is seeking to move its stock market listing from the Toronto stock exchange to New York's Nasdaq, runs about a dozen funds spanning passive, active and venture capital.

Financials

Europe's buyout firms raise salaries despite worst conditions for a decade

WILL LOUCH

European private equity firms increased pay for staff this year, underlining the resilience of the industry's lucrative business model in the face of the toughest market conditions in more than a decade.

Salaries rose by at least 6 per cent across the ranks of employees, according to an annual survey by headhunter Heidrick & Struggles.

Associates, the most junior level of employee surveyed, had the biggest pay bump with salaries rising 12 per cent on average to €109,000 from a year ago as the battle for younger staff intensified.

Base pay for partners climbed from €307,000 to more than €325,000.

Buyout firms operating in Europe handed out bigger rewards even as higher interest rates ended the industry's boom.

A slump in dealmaking and a lacklustre market for initial public offerings has left buyout groups facing the worst year in a decade for selling their portfolio companies.

In the first nine months of the year, buyout groups generated $584bn from selling their investments, according to the latest data from PitchBook — over $100bn less than in the same period in 2022.

Many of the industry's biggest names including Blackstone, Apollo Global Management and Carlyle Group have all had to cut targets for their flagship buyout funds this year.

However, the increase in salaries underscores how financially rewarding the industry's business model can be given firms lock up investors' cash for at least a decade and earn money from management fees even if performance is mediocre.

> 'If a firm continues to deploy capital, all things being equal, compensation levels will be maintained'

Private equity executives typically get paid be 1-2 per cent of the assets they manage as well as 20 per cent of the profits from successful deals.

"PE compensation is predominantly derived from the P&L of the firm — which is based on the management fee of the fund and this is locked in for the life of the fund," said Tom Thackeray, a partner at Heidrick & Struggles, which surveyed 212 European private equity professionals. "If a firm continues to deploy capital, all things being equal, compensation levels will be maintained."

Although private equity executives are among the best paid in finance, women in senior roles earn considerably less than their male counterparts.

In 2023, women who held a managing partner or partner role, earned €377,000 in salary and bonus combined, according to the report. Men in the same position made almost double this, taking home €631,000.

At a more junior level, women earned more than their male counterparts for the second consecutive year.

The percentage of women in senior investment roles at firms with more than £100mn in assets under management stands at just 11 per cent, according to a June report published by Level20 and industry group the British Private Equity and Venture Capital Association.

Fed should resist pressure to make early rate cuts

Mohamed El-Erian

Markets Insight

'It turns out inflation was transitory after all; it just took longer." Such a view is being heard a lot following the sharp fall in US consumer price index inflation from a high of 9.1 per cent in June 2022 to its latest November reading of 3.1 per cent. Yet it is an interpretation that is misleading, and it is one that puts even more pressure on the US Federal Reserve to prematurely pursue big and early cuts in its policy interest rates.

My discomfort with the return of the transitory narrative is not because of the complexity of "the last mile" in the battle of inflation. Yes, the outright deflation in the goods sector could well reverse before the disinflation in services accelerates sufficiently to ensure a smooth convergence to the Fed's 2 per cent inflation rate. Yes, core inflation is proving more stubborn than the energy-led fall in headline inflation. And yes, there are genuine questions about the lagged impact of past rate rises and the appropriate inflation target for an economy with an insufficiently flexible supply side over the medium term.

These are all valid issues that are insufficiently internalised by markets. But even if the path to the Fed's 2 per cent target was smooth from here, which it won't be, the "it just took longer" formulation is flawed. At the most fundamental level, it ignores the consequential changes that have been caused by the persistency of high inflation for more than two years.

Simply put, the transitory characterisation should be viewed through a behavioural analysis rather than a narrow time lens. By deeming it temporary and quickly reversible, a transitory phenomenon calls for policymakers and economic actors to "look through it" — that is, not alter their behaviour meaningfully. That is not what happened in response to the latest inflation shock.

There is no doubt that high inflation has changed a lot already. Despite being inherently dovish, the Fed was forced to raise interest rates some 5 percentage points in the most compressed cycle of rises in decades. Some banks failed due to mismanagement of the impact of higher rates on their balance sheets. Highly leveraged sectors, such as commercial real estate, are suffering. Transaction volumes in the housing market collapsed with many owners reluctant to sell because it would mean taking on a mortgage with higher rates for their replacement homes. The list goes on.

> Deflation in the goods sector could reverse before the disinflation in services accelerates sufficiently

The forward-looking aspect of "it just took longer" is also problematic. In the past few weeks, it encouraged a huge market-led loosening of financial conditions. And this was before the fall in yields was further turbocharged last Wednesday by Fed chair Jay Powell's surprisingly dovish remarks at a press conference that constituted a reversal of his comments just 12 days earlier.

The risk is that the Fed, uncomfortable with the disconnection between its forward policy guidance and market pricing, is pressured into policy actions that please markets but prove inconsistent longer term with the central bank's mandate. That would not be new. It played out in January 2019 with a policy U-turn when Powell revealed new language that opened up the possibility that the next move in rates would be down, six weeks after the central bank put markets on notice of further rises. There was also the April 2020 decision to purchase exchange traded funds of high-yield, or junk, bonds. And in November 2021 to March 2022, there was the slow winding down of large-scale asset purchases. The specific risk today is that, wishing to avoid unsettling market volatility, the Fed validates the market loosening with big rate cuts but then has to reverse course later.

The more the Fed gives in to investor expectations for sizeable and early rate cuts in 2024 — including getting closer to the six cuts priced in for next year — the more the markets will press for an even more dovish policy stance. If investors price in additional rate cuts, it is harder for the Fed to pursue its mandate without a big market reaction.

The Fed's divergence with the market will prove hard to fix quickly while its policy divergence with the Bank of England and European Central Bank will widen. The more this continues, the greater the risks to economic wellbeing and financial stability.

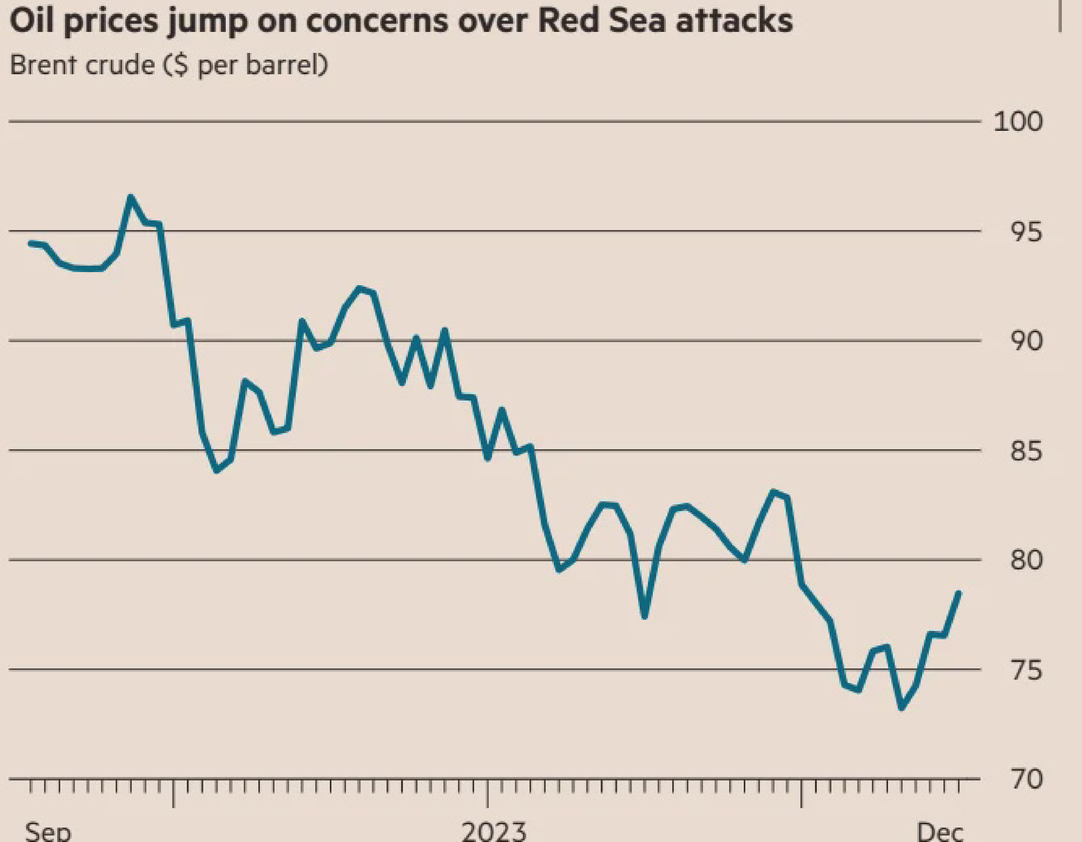
Rather than being inclined to opt for the easy shortcut associated with the "it just took longer" narrative, both markets and policymakers would be well advised to focus on how much the world has changed. The inflation round-trip is neither simple nor complete. The resulting shift in the configuration of the global economy and financial markets will be felt for several years.

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

- Crude oil and gas prices climb amid fears over shipments
- Wall Street extends gains despite Fed officials' pushback on dovish outlook
- European stocks retreat after declines for consumer cyclicals



Energy prices jumped yesterday after oil major BP paused shipments through the Red Sea following a series of attacks on passing vessels by Yemeni rebels.

Brent crude, the international oil benchmark, climbed 2.7 per cent to $78.60 a barrel while the US equivalent, West Texas Intermediate, advanced 2.6 per cent to $73.32 a barrel.

Gas prices also surged on concerns about the shipment of liquefied natural gas with the UK's benchmark gas price rising 7 per cent and the European benchmark up 6.8 per cent.

BP's decision to pause all transits through one of the world's busiest trade chokepoints came after AP Møller-Mærsk and Hapag-Lloyd, two of the world's largest container shipping companies, last week also paused voyages through the Red Sea because of the threat of attacks.

Renewed supply chain disruptions and a jump in energy prices could yet pose a problem for central bank officials who have in recent weeks grown more confident that inflation is on a sustainable downward path.

"If we have goods inflation coming back as well as energy inflation, that may complicate the outlook for policymakers," said Torsten Slok, chief economist at Apollo Global Management.

The US Federal Reserve's "almost 180 degree turn" last Wednesday — which sparked a rally in stocks and bonds — was itself an "upside risk" to inflation as it eases financial conditions, Slok added.

US stocks continued to rise yesterday even as a growing chorus of Fed officials sought to push back against the market's dovish interpretation of the central bank's latest policy meeting.

Wall Street's benchmark S&P 500 index added 0.5 per cent, having last week climbed to its highest level since January 2022, as did the technology-dominated Nasdaq Composite.

US rates were last week kept on hold, although Fed officials now expect three rate cuts by the end of 2024.

The European Central Bank and the Bank of England were less sanguine about the possibility of rate cuts.

European stocks closed lower as declines for consumer cyclical stocks outweighed rises among energy groups.

The region-wide Stoxx Europe 600 index lost 0.3 per cent, the CAC 40 in Paris retreated 0.4 per cent and Frankfurt's Xetra Dax fell 0.6 per cent.

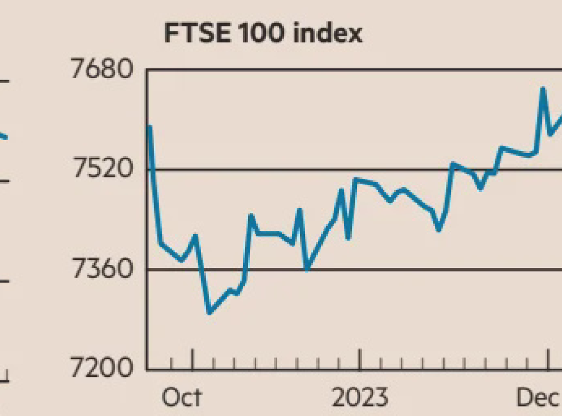
London's FTSE 100 rose 0.5 per cent, thanks in part to its preponderance of energy groups. **George Steer**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4740.33	1875.11	32758.98	7614.48	2930.80	131255.49
% change on day	0.45	-0.30	-0.64	0.50	-0.40	0.81
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	102.435	1.092	143.110	1.264	7.132	4.937
% change on day	-0.112	0.000	0.956	-0.472	0.465	-0.164
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.960	2.076	0.665	3.870	2.639	10.396
Basis point change on day	4.750	6.000	-4.030	1.000	-0.400	-0.600
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	472.76	78.59	73.68	2032.30	24.19	3711.50
% change on day	0.07	2.66	2.65	-0.67	0.83	0.44

Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets



Biggest movers

%	US		Eurozone		UK	
Ups	Etsy	4.39	Oci	20.78	Entain	4.11
	Meta Platforms	3.27	Casino Guichard	5.81	Vodafone	3.88
	Valero Energy	3.03	Arcelormittal	5.23	Airtel Africa	2.63
	Alphabet	3.02	Telecom Italia	4.50	Astrazeneca	1.67
	Alphabet	3.02	A.p. Moller - Maersk B	3.09	Gsk	1.65
Downs	Vf	-7.96	Bouygues	-2.96	Fresnillo	-5.23
	Solaredge	-3.85	Infineon Tech	-2.90	Berkeley Holdings (the)	-3.37
	Paramount Global	-3.69	Asml Holding	-2.82	Barratt Developments	-2.54
	Exelon	-3.23	Vinci	-2.58	Rs	-2.20
	United Airlines Holdings	-2.75	Saint Gobain	-2.55	Kingfisher	-2.13

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone.

All data provided by Morningstar unless otherwise noted.

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Ashraf Mallak
AVP & Managing Director, *MSD GCC*

Veronica Foote
Head of Policy and Consulting, *Working With Cancer® (WWC)*

Dr Syed Hammad Tirmazy
Consultant Clinical Oncologist and Head of the Medical Oncology Department, *Dubai Hospital, Dubai Health*

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Energy

Octopus Energy raises $800mn to fund expansion and lift valuation near $8bn

RACHEL MILLARD

Octopus Energy has raised $800mn from investors in a fundraising round that has boosted its valuation to almost $8bn.

The UK-based energy retail, generation and software company now values itself at $7.8bn, up from $4.6bn in 2021.

The Canada Pension Plan Investment Board is putting in $326mn, the largest amount, to raise its stake from 6 to 11 per cent while Origin Energy is investing $305mn to increase its stake from 20 to 23 per cent.

Octopus was founded in 2015 by chief executive Greg Jackson and has grown rapidly to become the UK's second-largest household energy supplier after it bought Shell's UK household supply division this year.

As well as its retail arm, it has a growing portfolio of renewable energy projects, which it said was worth £6bn, and licenses its Kraken software that helps energy retailers manage their accounts.

Overall, it now has a presence in 18 countries including Spain and the US.

Jackson said the money would help with expanding globally "every part of the ecosystem" with a particular push on accelerating the rollout of heat pumps, a lower-carbon alternative to heating than gas-fired boilers.

"We will invest to accelerate our growth and create a truly global clean energy giant," he added.

> 'We will invest to accelerate our growth and create a truly global clean energy giant'

Frank Calabria, chief executive of Origin Energy, said the company's success since it first invested in May 2020 had "exceeded all expectations".

Octopus' rising valuation was cited as Origin Energy shareholders this month blocked a near-$13bn takeover bid led by Canadian asset manager Brookfield.

Shareholders complained the bid did not recognise the value of Origin's stake in Octopus.

Bill Rogers, global head of sustainable energies at CPP Investments, said it was "delighted to further our investment in Octopus and enable the expansion of their future energy solutions".

In November, Octopus launched a new fund to invest £3bn in offshore wind by the end of the decade with a £190mn cornerstone investment from Tokyo Gas, the Japanese utility that owns almost 10 per cent of Octopus.

Octopus's international expansion comes amid a tough environment in the UK retail energy market.

Last week, Ofgem, Britain's energy regulator, opened a consultation on allowing suppliers to raise bills to help them cope with record levels of customer debt.

Although wholesale prices have come down since record highs last winter, bills are still higher than before the start of the late-2021 energy crisis while blanket state support for consumers has ended.

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
0.45%	0.39%	0.16%	0.50%	-0.30%	-0.64%	-0.97%	0.07%	No change	-0.472%	0.956%	0.349%	2.19%	-0.67%

Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison

STOCK MARKET: BIGGEST MOVERS

UK MARKET WINNERS AND LOSERS

CURRENCIES

FTSE ACTUARIES SHARE INDICES

FT 30 INDEX

FT WILSHIRE 5000 INDEX SERIES

FTSE GLOBAL EQUITY INDEX SERIES

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Aerospace & Defense	62.20	Support Services	7.18	Beverages	31.66
Software & Comp Serv	33.55	Utilities	6.49	Equity Invest Instr	-0.21
Construct & Material	30.49	Industrial Eng	6.45	Health Care Eq & Srv	-3.02
General Retailers	28.92	Household Goods & Ho	5.93	Health Care	-5.14
Food Producers	26.66	Real Est Invest & Se	4.91	Pharmace & Biotech	-5.27
Food & Drug Retailer	24.60	Financials	4.86	Oil Equipment & Serv	-7.16
Media	21.54	Real Est Invest & Tr	4.86	Personal Goods	-11.57
Technology	21.19	Fixed Line Telecomms	4.49	Industrial Metals &	-11.58
Industrials	20.81	Oil & Gas Producers	4.42	Telecommunications	-12.26
Consumer Services	20.41	Oil & Gas	4.25	Consumer Goods	-12.47
Financial Services	18.73	Electricity	2.71	Life Insurance	-13.42
Leisure Goods	15.73	FTSE 100 Index	2.18	Mining	-15.45
Travel & Leisure	15.32	FTSE All{HY-}Share Index	2.11	Basic Materials	-15.85
Electronic & Elec Eq	10.36	FTSE 250 Index	1.95	Mobile Telecomms	-18.74
Industrial Transport	10.12	Automobiles & Parts	1.42	Beverages	-19.50
Banks	8.40	NON FINANCIALS Index	1.33	Chemicals	-20.46
Gas Water & Multi	7.92	Nonlife Insurance	0.85	Tobacco	-25.69
		FTSE SmallCap Index	0.32	Tech Hardware & Eq	-45.26

FTSE 100 SUMMARY

UK STOCK MARKET TRADING DATA

	Dec 18	Dec 15	Dec 14	Dec 13	Dec 12	Yr Ago
Order Book Turnover (m)	228.57	102.11	102.11	477.25	548.38	373.49
Order Book Bargains	548029.00	915347.00	915347.00	983005.00	589848.00	638185.00
Order Book Shares Traded (m)	1331.00	2559.00	2559.00	2086.00	1526.00	1535.00
Total Equity Turnover (£m)	10984.04	9457.89	9457.89	15625.45	10919.49	7300.83
Total Mkt Bargains	1162442.00	1550332.00	1550332.00	1884487.00	1208890.00	1209274.00
Total Shares Traded (m)	6307.00	7818.00	7818.00	7773.00	7896.00	7001.00

† Excluding intra-market and overseas turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover. (u) Unavaliable. (c) Market closed.

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UK COMPANY RESULTS

UK RECENT EQUITY ISSUES

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
CanNatRs	85.42	1.97	93.44	67.13	4.01	12.42	69079.15
CanNatRy♦	162.14	1.13	168.80	143.13	1.89	20.65	78146.64
Enbridge	47.62	0.26	56.29	42.75	7.39	25.16	75554.11
GtWesLif	42.74	-0.26	44.24	29.82	4.76	17.67	29751.35
ImpOil♦	76.08	2.10	85.11	60.19	2.54	8.33	30429.55
Manulife	28.23	-0.03	28.68	23.69	4.96	4.18	38190.48
Nutrien	73.67	0.14	113.27	70.69	3.90	12.07	27195.12
RylBkC	132.85	1.46	140.18	107.92	3.97	12.83	139063.91
SHOP	103.08	0.05	104.34	44.06	-	-48.97	92761.03
Suncor En	42.12	0.74	48.26	37.09	4.85	9.04	40811.29
ThmReut	186.98	1.08	195.51	156.67	1.38	32.01	63572.23
TntoDom	83.33	-0.19	94.05	75.89	4.52	10.78	112087.84
TrnCan	52.30	0.30	58.56	43.70	7.05	57.72	40502.06
China (HK$)							
AgricBkCh	2.90	-0.02	3.28	2.50	8.38	3.69	11434.53
Bk China	2.89	-0.03	3.45	2.60	8.92	3.58	30999.61
BkofComm	4.67	-0.01	5.65	4.23	8.93	3.67	20973.16
BOE Tech	0.57	-0.02	0.87	0.47	-	8.86	14.55
Ch Coms Cons	3.39	-0.06	5.52	3.36	7.46	2.74	1921.33
Ch Evrbrght	2.24	-0.01	2.78	2.15	9.17	3.09	3642.98
Ch Rail Cons	4.42	-0.01	7.46	4.33	6.97	2.20	1177.18
Ch Rail Gp	3.31	-0.03	6.30	3.26	6.63	2.41	1786.37
ChConstBk	4.51	-0.03	5.70	4.01	9.57	3.11	139083.82
China Vanke	7.26	-0.11	17.64	6.92	10.26	4.02	2054.82
ChinaCitic	3.57	-0.01	4.74	3.34	10.32	2.86	6814.99
ChinaLife	9.85	-0.05	15.84	9.55	5.35	8.96	9401.78
ChinaMBank	25.60	-0.25	53.00	24.20	7.55	4.17	15075.42
ChinaMob	61.65	-0.50	70.20	50.85	6.82	9.39	162005.64
ChinaPcIns	14.90	-0.24	26.50	14.62	7.61	7.53	5304.29
ChMinsheng	2.59	-0.03	3.52	2.48	9.31	3.35	2764.17
ChMrchSecs	13.84	-0.03	15.91	13.02	1.35	15.55	14402.77
Chna Utd Coms	4.33	-	6.45	4.22	2.55	17.06	18799.87
ChShenEgy	25.25	0.35	28.70	21.45	11.79	7.74	10939.19
ChShpbldng	4.04	-	5.32	3.46	0.07	-63.64	12509.59
ChStConEng	4.70	-0.03	7.35	4.68	5.44	3.78	27230.14
ChUncHK	4.70	-0.10	6.58	4.45	7.46	7.07	18447
CNNC Intl	7.35	0.15	7.58	5.92	2.34	13.66	19460.55
CSR	3.28	-0.06	5.26	3.06	6.85	7.24	1839.04
Daqin	7.21	0.02	8.21	6.51	6.73	11.31	15539.56
GuosenSec	8.81	-0.05	10.90	8.56	3.10	16.75	11289.03
HaitongSecs	4.09	-0.05	6.01	4.01	5.76	10.28	1788.76
Hngzh HikVDT	33.14	-0.17	48.84	31.21	2.06	25.52	42323.79
Hunng Pwr	4.13	0.07	5.28	3.04	-	-96.77	2490.08
IM Baotou Stl	1.42	-0.04	2.14	1.42	-	130.15	6271.08
In&CmBkCh	3.69	-0.01	4.73	3.35	9.13	3.44	41081.36
IndstrlBk	14.36	0.05	18.27	13.95	8.08	3.90	41828.2
Kweichow	1662	17.00	1935	1616.25	1.52	31.03	292737.11
Midea	0.34	0.01	0.44	0.26	-	-1.21	12.94
New Ch Life Ins	14.52	-0.30	25.00	14.24	8.30	5.07	1926.04
PetroChina	4.92	-0.01	6.05	3.46	9.47	5.49	13315.52
PingAnIns	33.40	-0.80	64.15	32.65	8.33	6.96	31907.5
PngAnBnk	9.13	-0.08	15.74	9.09	3.16	3.82	24842.01
Pwr Cons Corp	4.77	-0.06	8.15	4.76	2.55	7.20	8742.5
SaicMtr	13.47	-0.02	15.65	13.09	2.53	10.30	22066.2
ShenwanHong	0.07	-0.01	0.15	0.07	-	4.86	79.64
ShgPdgBk	6.58	0.01	8.22	6.51	4.92	6.14	27080.32
Sinopec Corp	3.90	-0.01	5.47	3.65	10.09	7.60	12380.56
Sinopec Oil	1.83	-0.02	2.39	1.83	-	62.45	3481.77
Denmark (kr)							
DanskeBk	177.00	-2.70	181.80	128.45	3.97	7.80	22344.07
MollerMrsk	12185	365.00	17265	9800	16.32	1.82	13314
NovoB	678.10	14.30	742.20	448.25	0.91	45.78	341055.86
Finland (€)							
Nokia	2.99	-0.02	4.65	2.70	3.36	4.31	18566.36
SampoA	39.93	0.46	45.46	34.55	4.48	28.26	21861.4
France (€)							
Airbus Grpe	139.18	-0.34	143.98	108.88	1.29	28.58	120082.68
AirLiquide	175.98	-	180.30	131.86	1.67	29.17	100604.56
AXA	29.11	-0.06	30.34	24.60	5.80	10.17	72103.41
BNP Parib	62.39	-0.70	67.02	47.02	6.21	8.94	78141.74
ChristianDior	714.50	-3.00	872.00	621.50	1.67	19.58	140773.68
Cred Agr	12.83	-0.10	13.03	9.36	8.13	7.12	42757.05
Danone	58.27	0.29	61.88	48.30	3.41	28.74	43107.54
EDF	12.00	-	12.05	7.27	2.41	-2.31	53889.44
Engie SA	16.09	-0.13	16.52	12.55	8.65	-5.07	42758.44
EssilorLuxottica	183.76	-1.48	188.84	155.15	1.75	35.42	90979.89
Hermes Intl	1996.8	-26.70	2063.5	1432	0.65	53.27	230089.4
LOreal	447.45	0.90	455.25	330.00	1.33	41.45	261155.59
LVMH	741.80	-6.60	904.60	655.00	1.61	23.34	406496.07
Orange	10.45	-0.11	11.87	9.10	6.66	17.24	30346.88
PernodRic	162.05	-1.00	218.00	154.65	2.61	16.92	45215.54
Renault	39.21	-0.07	43.96	31.05	0.63	3.47	12654.63
Safran	160.76	0.60	168.76	114.96	0.83	22.03	74971.24
Sanofi	88.61	0.91	105.18	80.60	4.04	12.21	122327.8
Sant Gbn	65.02	-1.59	67.55	44.05	3.06	12.32	35940.25
Schneider	181.02	-0.12	181.84	129.56	1.73	25.90	113182.87
SocGen	24.19	-0.24	28.39	19.33	6.99	5.26	21201.4
Total	62.35	0.72	64.80	50.55	4.69	8.37	164165.94
UnibailR	49.68	0.06	73.09	39.68	-	-7.39	7615.7
Vinci	112.96	-2.62	117.08	91.88	3.52	14.46	73699.95
Vivendi	9.57	-0.03	10.22	7.99	2.60	-9.93	10758.17
Germany (€)							
Allianz	240.70	0.50	246.25	192.48	4.71	11.03	102914.04
BASF	48.27	0.10	53.77	40.25	7.00	-23.80	47024.07
Bayer	32.11	0.01	65.66	30.22	7.43	21.98	34432.08
BMW	101.02	-2.04	113.46	82.16	8.36	5.85	66378.03
Continental	76.00	-0.14	79.24	54.74	1.96	22.89	16591.3
Deut Bank	11.99	-0.11	12.36	7.95	2.51	5.30	26696.4
Deut Tlkm	21.54	-0.06	23.13	18.50	3.23	19.52	117209
DeutsPost	44.73	0.54	45.03	29.68	4.14	12.32	60466.66
E.ON	12.24	-0.29	12.80	8.89	4.14	55.95	35273.52
Fresenius Med	37.65	-0.69	49.62	28.82	2.96	18.66	12057.82
Fresenius SE	27.74	-0.35	31.22	23.29	3.30	15.68	16910.45
HenkelKgaA	64.72	0.28	70.10	58.36	2.81	20.10	18352.48
Linde	374.85	1.25	402.55	286.40	1.26	32.67	198392.44
Mercedes-Benz	63.54	-0.83	76.10	55.08	8.13	4.44	74197.44
MuenchRkv	377.80	1.70	400.40	292.40	3.05	18.50	56275.22
SAP	141.20	-0.28	149.12	96.12	1.46	76.79	189336.91
Siemens	163.40	-3.38	168.26	119.48	2.59	14.82	142680.94
Volkswgn	122.85	-1.75	184.50	105.95	7.04	5.16	39568.84
Hong Kong (HK$)							
AIA	67.05	-0.85	93.65	61.15	2.27	96.96	98040.76
BOC Hold	20.65	-0.30	28.25	20.00	6.50	7.02	28005.29
Ch OSLnd&Inv	13.38	-0.20	23.20	12.50	5.85	6.85	18784.48
ChngKng	38.35	-0.15	51.70	36.95	5.88	7.33	17457.74
Citic Ltd	7.39	-0.27	10.86	6.53	8.71	3.31	27575.53
Citic Secs	15.54	-0.16	19.18	13.54	3.40	10.33	5222.7
CK Hutchison	41.25	-0.05	54.55	38.35	7.02	5.54	20265.57
CNOOC	12.26	-	14.28	9.71	11.20	4.05	70101.86
Denso	2130	40.50	2613.75	1597.25	2.14	18.72	46910.02
EastJpRwy	8138	-87.00	8949	6706	1.21	24.88	21491.26
Fanuc	4071	-40.00	24645	3603	2.59	24.85	28534.09
FastRetail	35160	-420.00	37930	25386.67	0.71	37.71	78182.16
Fuji Hvy Ind	2568	8.00	3115	1980	2.91	8.11	13528.19
Hitachi	9852	-7.00	10510	6295	1.45	13.89	63828.23
HondaMtr	1424.5	0.50	1821	1000.33	2.76	8.41	54092.22
JapanTob	3668	-47.00	3858	2555.5	5.56	14.20	51261.26
KDDI	4426	-22.00	4767	3873	3.00	14.74	71216.58
Keyence	61860	-640.00	71890	49950	0.48	41.35	105127.72
MitsbCp	6615	-89.00	7732	4194	2.68	10.06	66445.54
MitsubEst	1091.98	-2.00	1105.95	948.63	-	-	-
MitsubishiEle	1992	-41.00	2109.5	1273	1.98	17.93	29887.67
MitsuiFud	910.90	-8.29	1147.48	774.38	-	-	-
MitUFJFin	1198.5	-6.00	1344	766.00	2.63	9.53	103324.38
Mizuho Fin	2359.5	-31.00	2724.5	1695.5	3.55	9.47	41865.43
Murata Mfg	2820	-2.00	2994.5	2146	1.75	7.92	39951
Nippon TT	168.90	-0.90	183.40	147.60	2.80	12.11	106868.39
Nissan Mt	558.60	8.10	712.50	408.10	1.76	7.93	16474.68
Nomura	628.20	8.20	661.70	473.50	2.66	17.42	13886.87
Nppn Stl	3239	-35.00	3816	2176.5	5.47	5.32	21508.57
Panasonic	1377	9.50	1808	1074.5	2.15	7.82	23614.83
Seven & I	5381	-106.00	6619	5162	2.00	21.53	33330.62
ShnEtsuCh	5465	6.00	21055	3797	1.80	16.59	77296.01
Softbank	6047	-41.00	7297	4766	0.72	6.44	62113.49
Sony	13075	-290.00	14100	9994	0.56	18.42	115230.29
SumitomoF	6635	-125.00	7849	4702	3.56	11.39	62011.78
Takeda Ph	3929	-66.00	4873	3900	4.65	32.59	43443.59
TokioMarine	3393	-99.00	3799	2511	2.90	18.37	47477.35
Toyota	2619.5	19.00	2911.5	1764	2.26	11.95	298631.16
Mexico (Mex$)							
AmerMvl	16.40	0.11	20.25	15.66	2.62	11.28	41116.45
FEMSA UBD	224.26	1.27	228.15	149.12	1.47	34.98	28102.27
WalMrtMex	69.74	0.93	76.04	59.28	1.47	23.04	70609.02
Netherlands (€)							
ASML Hld	676.60	-18.10	698.10	500.30	0.85	36.32	297721.42
Heineken	90.94	0.38	106.30	81.54	1.89	20.38	57174.62
ING	13.71	-0.03	13.83	9.59	4.05	8.51	54164.08
Unilever	43.64	-0.12	50.93	42.97	3.28	22.40	137880.9
Norway (Kr)							
DNB	210.90	-	224.40	177.45	6.00	8.40	31264.84
Equinor	331.45	8.55	382.85	278.70	3.26	5.54	95655.73
Telenor	119.65	-0.50	134.95	87.60	4.23	22.29	16091.44
Qatar (QR)							
QatarNtBk	15.16	0.36	19.64	14.31	4.14	7.78	38457.63
Saudi Arabia (SR)							
AlRajhiBnk	83.60	0.50	7317	0.00	1.49	20.35	89135.32
Natnlcombnk	38.25	1.25	1552.5	0.00	3.93	11.51	61173.9
SaudiBasic	81.30	1.30	2115	0.00	5.20	61.92	65012.25
SaudiTelec	39.60	-	8480	0.00	4.02	16.12	52777.5
Singapore (S$)							
DBS	31.50	0.44	36.40	30.30	4.85	8.55	60955.52
JardnMt US$	39.59	-0.41	54.79	38.37	5.40	23.42	11449.38
OCBC	12.50	0.13	13.39	11.93	5.33	8.57	42152.3
SingTel	2.40	-	2.68	2.25	4.01	17.47	29730.92
UOB	27.74	-0.08	31.33	26.82	4.77	7.59	34809.01

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change
MollerMrsk	12185.00	11820.00	365.00	3.09	1345.00
Franklin	29.22	29.39	-0.18	-0.60	3.90
VertexPharm	406.40	410.68	-4.28	-1.04	54.39
ShnEtsuCh	5465.00	5459.00	6.00	0.11	564.00
Avago Tech	1143.73	1129.74	13.99	1.24	100.50
Broadcom	1143.73	1129.74	13.99	1.24	100.50
MorganStly	91.53	91.58	-0.06	-0.06	8.76

FT 500: BOTTOM 20

BONDS: HIGH YIELD & EMERGING MARKET

BONDS: GLOBAL INVESTMENT GRADE

INTEREST RATES: OFFICIAL

INTEREST RATES: MARKET

BOND INDICES

VOLATILITY INDICES

BONDS: BENCHMARK GOVERNMENT

GILTS: UK CASH MARKET

GILTS: UK FTSE ACTUARIES INDICES

COMMODITIES

BONDS: INDEX-LINKED

BONDS: TEN YEAR GOVT SPREADS

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FINANCIAL TIMES SHARE SERVICE

Main Market

	Price	+/-Chg	52 Week High	Low	Yld	P/E	Vol 000s
Aerospace & Defence							
Avon Protection	834.00	1.00	1154	582.00	4.35	429.68	145.3
BAE Sys	1068.5	10.50	1129	820.40	2.26	19.53	3372.3
Chemring	338.50	3.50	339.72	253.95	1.24	23.51	1152.4
Automobiles & Parts							
FordMtr $♣	11.95	-0.08	15.42	9.63	5.00	11.66	18335.8
Banks							
ANZ A$♣	25.53	-0.01	26.08	22.39	5.83	10.86	4111.2
BcoSant	322.00	-6.50	343.50	231.46	3.17	6.12	144.3
BnkGeorgia	3605	40.00	3762	2218.14	6.38	3.43	40.0
BankIre Grp €	8.17	0.04	11.03	7.72	2.56	6.48	1006.1
BkNvaS C$♣	62.45	0.46	74.41	55.20	6.65	9.77	996.3
Barclays■	146.50	-0.14	198.86	128.12	5.26	4.33	20615.5
CanImp C$♣	61.06	0.17	63.60	47.44	5.57	12.49	844.3
HSBC■	612.80	3.80	665.60	481.00	5.31	6.49	15194.9
LlydsBkg■	47.00	-0.02	54.33	39.42	5.36	5.00	77433.0
NWG■	219.50	-1.70	310.00	168.00	7.06	4.51	16582.8
PermTSB €	2.35	-0.04	2.81	1.18	-	-27.36	65.9
RylBkC C$♣	132.85	1.46	140.18	107.92	3.97	12.83	782.4
StandCh■	645.80	3.20	799.40	578.80	2.54	12.20	2388.4
..7.375%Pf	104.00	2.10	105.75	94.50	7.09	-	400.0
..8.25%Pf	113.65	0.55	114.50	101.36	7.26	-	140.0
TntoDom C$♣	83.33	-0.19	94.05	75.89	4.52	10.78	1281.4
Westpc A$♣	22.48	-0.01	24.10	20.03	5.69	12.60	3926.9
Chemicals							
Elemntis	122.40	-0.20	131.80	96.60	-	-16.55	392.2
Johnsn Mtthey	1647.5	-8.50	2370	22.00	4.25	20.78	843.1
Victrex	1508	-13.00	1953.15	1282	3.95	17.95	103.5
Construction & Materials							
Boot(H)	205.00	10.00	255.00	170.00	3.25	14.04	67.6
GalfrdT	231.50	-1.00	249.00	151.20	3.80	28.58	22.1
MorgSdl	2135	-10.00	2185	1452	4.73	15.58	24.6
Tyman	299.00	6.00	324.00	214.50	2.68	11.82	404.4
Electronic & Electrical Equip							
Dialight	151.50	7.50	340.00	142.00	-	-13.02	0.1
Discoverie PLC	755.00	-14.00	958.00	586.00	1.34	61.89	238.2
Halma	2250	-11.00	2520.95	1802	0.78	32.58	414.9
Morgan Ad	277.50	1.00	326.50	215.50	4.32	13.54	179.0
OxfordIn	2305	-10.00	2884.8	1634	0.74	31.49	46.6
Renishaw	3604	42.00	4296	2823.42	2.04	22.57	67.2
Spectris	3705	-7.00	3883.85	2917	1.88	12.19	120.3
TT Elect	152.40	-2.60	212.03	140.85	4.27	21.17	209.9
XP Power	1250	-	2750	682.41	7.36	6.68	51.9
Financial General							
3i	2378	29.00	2439	1271	1.62	8.23	980.7

	Price	+/-Chg	52 Week High	Low	Yld	P/E	Vol 000s
abrdn	183.90	0.55	238.00	149.75	7.94	4.00	10447.2
Bridgepoint Grp Plc	281.40	4.60	283.00	164.80	-	17.59	303.1
CtyLonInv	312.00	-7.00	475.00	300.00	10.58	10.54	36.2
CloseBrs	787.50	0.50	1139	721.83	8.44	14.53	102.6
CoinShares Int Ltd SKr	41.30	-1.20	56.10	19.00	-	-0.07	31.2
Hargr Lans	718.80	-1.80	1023.5	676.40	5.36	12.81	2082.9
Indvardn SKr	330.10	-0.10	335.40	249.00	2.14	4.85	270.4
ICG	1692.5	33.50	1727	1067.97	3.31	9.71	1031.9
Investec	521.80	-2.40	556.20	401.00	2.49	13.11	377.4
Jupiter	86.75	-0.35	158.30	71.30	19.71	3.22	362.1
Liontrust	577.50	13.00	1300	519.00	8.14	7.22	470.0
LSE Gp■	9274	74.00	9438	7052	1.15	76.90	354.7
RathbnGrp	1738	-18.00	2245	1436	4.83	23.87	295.9
Record	74.00	-0.80	98.90	61.60	3.11	20.33	33.0
S & U	2090	-10.00	2570	1995	6.36	7.74	1.6
Schroder	435.80	-2.20	507.00	357.20	26.62	2.01	801.9
Shires Income	228.50	4.00	275.00	200.00	5.86	3.19	75.3
StJmsPl	680.80	3.20	1301.5	597.18	9.00	12.97	1152.0
TP ICAP	185.90	-3.60	202.60	140.60	3.23	265.57	2055.9
Vanqus	118.40	0.40	248.40	102.60	-	2.22	443.9
Food & Beverages							
AngloEst	680.00	2.00	886.20	650.50	2.87	7.31	7.7
AscBrFd■	2359	-11.00	2485	1539.5	1.85	24.75	627.7
Barr(AG)	506.00	-3.00	565.60	446.00	2.59	16.82	169.1
Britvic	856.50	-	950.00	742.00	2.83	19.42	459.8
CarrsGroup	95.40	-4.85	152.02	95.00	5.24	11.78	47.2
Coca-Cola HBC	2273	-4.00	2582	1906.5	2.36	18.17	332.3
Cranswk	3836	16.00	4025.91	2850	1.82	20.26	58.9
Diageo■	2847.5	14.00	3779.5	2719	2.73	17.32	1857.5
Grncore	97.05	0.45	103.50	61.00	-	19.41	468.8
HiltonFd	730.00	-9.00	799.00	497.00	4.07	59.35	26.5
Kerry €	74.10	-	100.00	71.05	1.17	17.72	214.1
PremFds	132.40	0.60	139.00	101.00	0.76	13.79	394.3
Tate&Lyl	646.00	9.00	837.50	600.00	4.77	13.83	561.6
Unilever■	3764.5	9.00	4868.64	3716.5	3.95	13.46	2231.5
..NV							
Health Care Equip & Services							
GNStre kr	177.00	-0.65	197.85	110.10	-	52.00	469.8
Smith & Nephew	1046.5	2.00	1316.75	887.00	2.61	23.74	1063.8
House, Leisure & Pers Goods							
BarrttDev	551.60	-14.40	570.20	384.15	6.51	10.49	4302.5
Bellway	2506	-16.00	2592	1832	4.69	7.53	191.1
Berkeley	4705	-164.00	4980	3634	0.19	12.25	197.1
Burberry Gp	1514.5	-9.00	2656	1435.5	2.81	13.03	1380.1
Cairn Homes	108.80	1.60	115.40	74.70	4.81	11.85	705.3
GamesWk	9955	165.00	11850	7295	2.56	27.42	53.4
Gleeson	459.00	-1.00	475.00	331.00	3.27	7.18	52.7

	Price	+/-Chg	52 Week High	Low	Yld	P/E	Vol 000s
Headlam	204.00	-8.00	350.00	176.00	8.53	8.50	28.6
McBride	89.80	2.80	92.00	19.00	-	-13.61	810.7
Philips €	20.63	0.45	20.94	12.22	-	-35.11	2429.7
PZCusns	153.20	-3.20	223.00	124.40	4.18	17.67	1114.9
Redrow	589.50	-7.50	599.50	423.62	5.43	6.49	364.8
Superdry Plc	41.80	-0.20	164.80	33.40	-	-0.23	163.4
Vistry Group	850.00	-6.00	966.50	591.50	6.47	11.89	676.2
Industrial Engineering							
Bodycote	599.00	-1.00	728.50	545.00	3.27	19.20	226.7
Goodwin	5740	30.00	6000	2953.8	1.88	27.75	2.2
Hill&Sm	1862	6.00	1920	1138	1.58	43.81	36.6
IMI	1629	-12.00	1687.1	1273	1.41	22.25	347.1
MelroseInd	555.00	4.80	579.40	350.65	1.26	-231.25	2682.7
Renold	35.80	0.40	35.90	20.60	-	12.79	513.4
RHIM	3402	-12.00	3496	2030	3.70	8.02	34.7
Rotork	316.00	-0.40	344.80	277.20	2.74	34.35	644.9
Severfd	61.80	-0.60	76.20	57.40	4.69	11.04	68.7
Trifast	86.00	-2.00	93.50	46.70	2.50	-40.57	75.9
Weir	1838	15.50	2072	1614.5	0.63	31.05	350.4
Industrial General							
Coats Group	76.90	0.70	82.70	63.00	2.49	33.60	1597.5
Macfrlne	113.00	-1.00	121.00	98.38	3.03	11.10	111.7
Smith DS	306.40	-3.20	367.80	260.50	3.95	17.41	2371.3
Smiths	1725.5	-6.00	1807	1517.5	2.18	27.43	520.5
SmurfKap	3152	8.00	3798.61	2528	3.11	14.38	357.4
Industrial Transportation							
Braemar	282.00	7.00	324.84	215.00	1.77	9.36	3042.3
Fisher J	292.50	-5.50	427.50	257.00	-	69.64	22.9
int'ldistser	279.80	-0.70	290.30	191.20	4.75	-3.06	1146.9
OceanWil	1095	-20.00	1170	816.00	7.31	5.57	14.4
Insurance							
Admiral	2670	15.00	2811	1813.78	3.06	22.16	324.4
Aviva■	429.20	-0.90	467.30	366.00	7.22	-21.68	2316.7
Chesnar	260.00	-4.00	307.00	242.70	8.95	-7.63	154.5
Direct Line	188.90	1.85	238.60	132.11	4.02	-21.97	1788.6
Eccles prf	124.50	-	140.00	115.00	6.93	-	41.7
Hansard	40.10	-0.30	55.02	37.00	11.10	9.78	8.3
Hiscox	1040	5.00	1201	926.04	0.81	25.75	370.1
Lancashire	610.00	5.00	690.00	502.87	1.89	-31.78	394.7
Leg&Gen	244.90	-1.60	311.13	203.10	7.28	7.52	6187.2
Old Mut	51.60	-0.60	58.30	42.90	6.25	8.27	168.2
PhoenixGrp	520.80	1.80	643.20	436.40	9.75	-6.36	5186.5
Prudntl■	864.00	-12.00	1357.5	814.00	1.71	8.71	3217.9
LEISURE							
PhotoMe International Plc	107.00	5.00	109.00	55.70	-	18.67	655.5

	Price	+/-Chg	52 Week High	Low	Yld	P/E	Vol 000s
Media							
4imprint	4535	-110.00	5391.87	4038.55	0.24	76.53	16.0
Auto Trader Group PLC	701.40	4.20	752.60	510.80	0.71	34.60	1722.2
DlyMailA	270.00	-2.50	1178	264.50	8.96	10.31	111.0
Informa	767.40	2.60	798.40	595.10	-	-33.96	1814.0
ITV	62.94	-0.24	96.62	58.36	-	6.77	8620.4
Pearson	940.60	2.40	986.40	749.40	2.11	45.00	1431.6
MEDIA							
Reach PLC	70.15	0.15	111.63	65.20	9.99	77.94	1736.3
Media							
RELX PLC■	3060	36.00	3206	2272	1.78	33.55	2324.1
Rightmove PLC	556.20	-1.00	610.60	457.70	0.81	31.48	2664.5
STV Grp	195.50	5.50	315.00	175.00	5.78	7.70	18.1
WPP■	743.00	-7.60	1082	656.00	5.30	15.23	1560.2
Mining							
AngloAmer■	1821.4	-2.60	3648.5	1630	8.60	13.54	3470.6
AnGoldA R	329.04	-8.95	556.88	287.40	2.65	177.57	2948.7
Antofagasta	1638	22.00	1815	1280	3.25	16.95	682.4
BHP Group	2611	27.00	2862	2157	8.09	13.03	772.4
Ecora Resources	92.10	3.10	159.00	81.40	7.16	-17.74	299.6
Ferrexpo	77.15	1.05	175.31	70.10	18.58	0.60	679.5
Fresnillo	555.00	-30.60	996.80	499.30	2.37	23.68	2129.0
Glencore■	462.65	1.80	583.25	410.95	6.01	7.74	21657.0
Harmony R	110.92	-3.30	120.90	53.86	0.19	14.55	2360.3
PolymtIntl#	215.00	50.00	362.02	125.00	-	5.82	12.0
Rio Tinto■	5765	67.00	6354	4509.5	6.66	13.91	1593.7
Troy Res A$	0.04	0.00	0.20	0.03	-	-0.24	3131.9
Oil & Gas							
BP■	465.20	7.35	570.57	4.75	4.66	4.09	22656.0
Capricorn Energy	144.80	7.40	837.45	133.60	-	-1.33	210.0
ExxonMb $♣	102.55	1.65	120.70	97.48	3.50	8.25	8655.0
Gazprom PJSC ADR $#	0.58	-	10.97	0.02	-	-0.61	3213.3
GeoPark $	8.90	0.10	16.16	8.05	5.75	2.83	143.9
HELLENiQ ENERGY €	7.20	-0.01	8.68	6.55	1.35	6.73	676.0
ImpOil C$♣♦	76.08	2.10	85.11	60.19	2.54	8.33	363.1
TrnCan C$♣	52.30	0.30	58.56	43.70	7.05	57.72	663.4
Wood Group (John) PLC	161.70	3.70	228.66	120.54	-	-1.82	1760.0
Pharmaceuticals & Biotech							
AstraZeneca■	10356	170.00	12828.45	9778	2.17	33.33	1231.4
GlaxoSmh■	1442.6	23.40	1725.81	16.64	3.85	9.74	4824.4
HikmaPhm	1751.5	22.00	2222	1489	2.19	13.13	266.8
Oxfd Bio	195.00	-3.00	575.00	164.29	-	-3.06	70.3
RichterG $	25.40	-	26.60	19.30	2.52	11.74	0.0

	Price	+/-Chg	52 Week High	Low	Yld	P/E	Vol 000s
Real Estate							
REITs							
Assura	45.64	0.88	58.25	38.38	6.35	9.13	7873.8
BritLand	408.50	-0.80	522.29	287.30	5.68	-3.65	3272.4
Cap&Reg	60.20	-0.60	62.28	51.21	8.62	-11.49	96.7
Civitas SH	79.80	-	86.18	51.07	6.81	13.62	115.0
DrwntLdn	2328	-38.00	2724	1766	3.24	10.37	113.4
Great Portland	412.40	-6.60	605.50	363.20	3.06	-5.17	418.2
LandSecs	706.20	-6.40	738.00	551.20	4.81	-18.44	905.3
LondonMtrc	196.00	-1.40	204.60	152.30	4.87	-3.78	2391.2
Palace Cap	228.00	3.00	265.00	195.00	4.82	10.91	8.1
PrimyHth	101.50	1.90	117.00	84.20	6.11	10.36	3233.8
SEGRO	871.00	1.60	909.20	675.00	2.59	2.58	2050.2
Shaftesbury Cap	133.00	0.40	135.80	99.70	0.38	39.12	1006.3
TritaxBBOX	165.50	0.80	171.60	121.80	4.27	-3.23	4016.2
Wkspace	565.50	4.00	617.00	409.40	4.05	-28.42	208.6
Real Estate Inv & Services							
Grainger	267.00	-1.40	278.80	215.40	2.05	16.58	865.7
Harworth Grp	120.50	-2.50	128.50	95.40	1.11	-8.03	50.7
Helical	217.00	2.50	399.00	182.00	4.65	5.24	68.5
Lon&Assc	14.50	-0.50	20.80	7.00	-	-4.12	18.2
Mntview	9700	-	12520	9200	4.38	12.09	0.0
Safestre	847.00	-6.00	1088	641.00	2.38	4.80	125.9
Savills	941.50	7.00	1049	745.00	2.44	9.43	146.7
SiriusRE	89.10	-1.25	93.15	68.50	3.66	6.95	1120.0
Smart(J)	127.50	2.50	177.00	108.00	2.53	3.49	2.3
U+I	148.50	-0.50	151.50	58.51	-	-2.12	98.8
Retailers							
Caffyns	550.00	-	628.00	450.00	-	7.99	2.0
Dunelm	1113	-20.00	1335.53	930.00	3.68	14.84	192.4
Halfords	193.00	0.40	244.80	164.10	2.59	6.43	800.2
Inchcape	690.50	-1.00	941.00	625.00	1.93	23.33	445.9
JDSportsF♦	171.50	-1.65	213.12	113.25	0.47	44.78	4421.2
Kingfisher	239.00	-5.20	296.24	198.30	5.19	13.74	10072.5
Marks&Sp	261.60	0.10	268.80	116.80	-	201.23	3309.2
Ocado	728.00	5.00	1017	342.00	-	-24.12	934.0
Saga	132.40	3.00	198.40	102.20	-	-2.92	235.6
Sainsbury (J)	294.00	0.50	304.70	214.60	3.61	24.71	6879.0
Tesco■	283.50	0.80	307.23	219.96	3.84	14.43	8483.1
Support Services							
AshtdGp	5388	-44.00	6012	4386	1.18	18.32	426.8
Bunzl♦	3137	24.00	3226.48	2680	2.00	21.59	512.7
Capita	21.74	0.30	44.92	15.26	-	-12.49	5160.7
DCC	5674	-6.00	5822	3986	2.82	18.75	195.1
DeLaRue	81.00	7.20	82.12	29.10	-	-2.83	604.6
Diploma	3522	-40.00	3584	2524.5	1.21	63.01	145.9
Essentra PLC	163.00	1.20	246.00	130.20	2.02	-34.68	205.2

	Price	+/-Chg	52 Week High	Low	Yld	P/E	Vol 000s
Experian	3202	3.00	3241	2366	1.09	41.08	850.5
Ferguson	14845	-55.00	14960	9892	2.12	20.94	84.7
Hays	107.30	0.70	130.95	91.70	2.66	12.59	1193.7
HowdenJny	815.00	1.20	829.00	554.80	1.64	15.38	1243.1
Intertek	4068	-21.00	4549	3746	2.60	22.87	209.9
Kin and Carta	115.00	0.20	236.50	55.20	-	-95.83	181.8
Mitie	99.50	0.10	110.00	69.50	-	49.75	937.7
Rentokil	428.80	1.80	663.80	387.80	1.75	30.41	4052.8
Ricardo	490.00	-1.00	619.60	421.00	2.21	-25.39	57.4
RbrtWlts	447.00	-	580.00	344.00	3.67	10.23	24.6
RS Grp	816.60	-18.40	1029	551.20	2.30	13.56	854.0
SIG	33.60	0.80	45.38	25.35	-	112.00	680.1
Vp	627.50	-2.50	730.00	460.00	3.98	15.46	5.3
Tech - Hardware							
SpirentCM	116.00	-1.50	279.80	79.75	3.94	10.81	483.3
Tech - Software & Services							
Computcnt	2702	8.00	2810	1868.2	2.51	16.05	32.6
NCC Grp	126.00	-0.80	215.50	75.80	3.69	-84.00	2270.9
Sage	1174	5.00	1208.5	725.40	1.48	45.02	1730.6
TriadGp	127.00	-8.00	170.00	77.00	1.57	13.94	0.1
Telecommunications							
Airtel Africa	125.00	3.20	135.80	102.20	3.57	18.38	2812.1
BT■	124.65	-0.35	161.40	109.40	6.18	6.60	31922.5
TelePlus	1516	-	2295	1412	3.76	38.87	133.9
Vodafone Gp■	67.23	2.51	103.24	64.65	11.76	1.80	132337.0
Tobacco							
BrAmTob■	2324	12.50	3375.5	2233	7.17	6.00	3671.0
Imperial Br■	1819.5	11.50	2114	1553.5	7.76	10.34	834.6
Travel & Leisure							
Carnival	1317	-12.50	1376.63	554.06	-	-12.94	554.3
Dalata Hotel	373.00	1.00	424.00	270.05	-	10.63	73.5
easyJet	498.30	-2.50	582.71	320.50	-	-3.13	1866.6
FirstGrp	166.80	-1.20	183.50	92.66	-	39.71	388.3
Flutter Entertainment	13445	40.00	16832.1	11240	-	-403.75	247.2
Fuller A	688.00	8.00	712.00	446.00	-	-14.37	27.2
IntCon Htels Gp	7072	-2.00	7124	4685	-	66.24	196.7
Intl Cons Air	156.85	-2.65	173.58	1.60	-	-3.48	7495.8
TUI	607.50	-3.00	766.26	345.66	-	6.37	685.2
Whitbrd	3535	54.00	3709	2567	-	-28.69	806.2
Utilities							
Drax	478.80	5.70	728.50	395.20	3.72	35.47	733.0
Natl Grid■	1048.5	-17.50	1229.21	918.00	4.92	14.21	4002.0
Pennon	730.00	-3.50	975.50	532.83	5.45	19210.53	320.6
Severn Trent	2600	-19.00	2999.02	2243	3.91	-96.65	381.7
SSE	1847.5	-25.50	1932.5	1485	4.38	7.22	1294.0
UtdUtils	1078	-14.00	1139.5	896.76	4.01	98.90	1978.8

AIM

	Price	+/-Chg	52 Week High	Low	Yld	P/E	Vol 000s
Aerospace & Defence							
Cohort	552.00	16.00	560.00	410.00	2.28	19.81	134.2
Velocity Composites PLC	35.00	-0.50	65.00	26.00	-	-11.67	121.0

Investment Companies

Guide to FT Share Service

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MANAGED FUNDS SERVICE

SUMMARY

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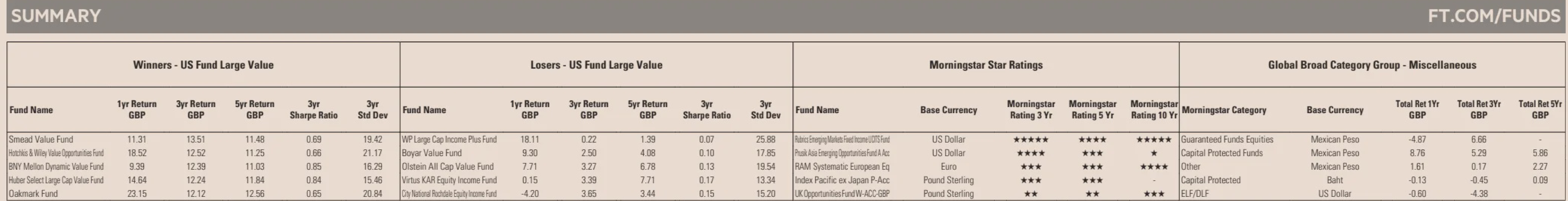


Winners - US Fund Large Value

Fund Name	1yr Return GBP	3yr Return GBP	5yr Return GBP	3yr Sharpe Ratio	3yr Std Dev
Smead Value Fund	11.31	13.51	11.48	0.69	19.42
Hotchkis & Wiley Value Opportunities Fund	18.52	12.52	11.25	0.66	21.17
BNY Mellon Dynamic Value Fund	9.39	12.39	11.03	0.85	16.29
Huber Select Large Cap Value Fund	14.64	12.24	11.84	0.84	15.46
Oakmark Fund	23.15	12.12	12.56	0.65	20.84

Losers - US Fund Large Value

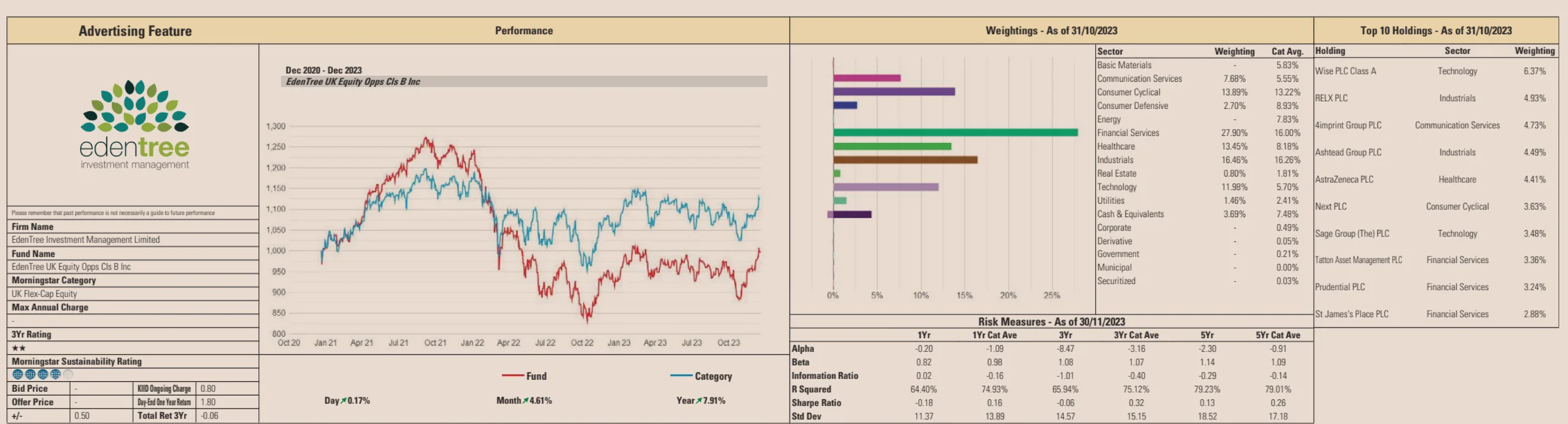
Fund Name	1yr Return GBP	3yr Return GBP	5yr Return GBP	3yr Sharpe Ratio	3yr Std Dev
WP Large Cap Income Plus Fund	18.11	0.22	1.39	0.07	25.88
Boyar Value Fund	9.30	2.50	4.08	0.10	17.85
Olstein All Cap Value Fund	7.71	3.27	6.78	0.13	19.54
Virtus KAR Equity Income Fund	0.15	3.39	7.71	0.17	13.34
City National Rochdale Equity Income Fund	-4.20	3.65	3.44	0.15	15.20

Morningstar Star Ratings

Fund Name	Base Currency	Morningstar Rating 3 Yr	Morningstar Rating 5 Yr	Morningstar Rating 10 Yr
Robeco Emerging Markets Fixed Income UCITS Fund	US Dollar	★★★★★	★★★★	★★★★★
Prusik Asia Emerging Opportunities Fund A Acc	US Dollar	★★★★	★★★	★
RAM Systematic European Eq	Euro	★★★	★★★	★★★★
Index Pacific ex Japan P-Acc	Pound Sterling	★★★	★★★	
UK Opportunities Fund W-ACC-GBP	Pound Sterling	★★	★★	★★★

Global Broad Category Group - Miscellaneous

Morningstar Category	Base Currency	Total Ret 1Yr GBP	Total Ret 3Yr GBP	Total Ret 5Yr GBP
Guaranteed Funds Equities	Mexican Peso	-4.87	6.66	-
Capital Protected Funds	Mexican Peso	8.76	5.29	5.86
Other	Mexican Peso	1.61	0.17	2.27
Capital Protected	Baht	-0.13	-0.45	0.09
ELF/DLF	US Dollar	-0.60	-4.38	-



Advertising Feature

Please remember that past performance is not necessarily a guide to future performance

Firm Name	EdenTree Investment Management Limited
Fund Name	EdenTree UK Equity Opps Cls B Inc
Morningstar Category	UK Flex-Cap Equity
Max Annual Charge	-
3Yr Rating	★★
Morningstar Sustainability Rating	

Bid Price	-	KIID Ongoing Charge	0.80
Offer Price	-	Day End One Year Return	1.80
+/-	0.50	Total Ret 3Yr	-0.06

Performance

Day ↗0.17% Month ↗4.61% Year ↗7.91%

Weightings - As of 31/10/2023

Sector	Weighting	Cat Avg.
Basic Materials	-	5.83%
Communication Services	7.68%	5.55%
Consumer Cyclical	13.89%	13.22%
Consumer Defensive	2.70%	8.93%
Energy	-	7.83%
Financial Services	27.90%	16.00%
Healthcare	13.45%	8.18%
Industrials	16.46%	16.26%
Real Estate	0.80%	1.81%
Technology	11.98%	5.70%
Utilities	1.46%	2.41%
Cash & Equivalents	3.69%	7.48%
Corporate	-	0.49%
Derivative	-	0.05%
Government	-	0.21%
Municipal	-	0.00%
Securitized	-	0.03%

Top 10 Holdings - As of 31/10/2023

Holding	Sector	Weighting
Wise PLC Class A	Technology	6.37%
RELX PLC	Industrials	4.93%
4imprint Group PLC	Communication Services	4.73%
Ashtead Group PLC	Industrials	4.49%
AstraZeneca PLC	Healthcare	4.41%
Next PLC	Consumer Cyclical	3.63%
Sage Group (The) PLC	Technology	3.48%
Tatton Asset Management PLC	Financial Services	3.36%
Prudential PLC	Financial Services	3.24%
St James's Place PLC	Financial Services	2.88%

Risk Measures - As of 30/11/2023

	1Yr	1Yr Cat Ave	3Yr	3Yr Cat Ave	5Yr	5Yr Cat Ave
Alpha	-0.20	-1.09	-8.47	-3.16	-2.30	-0.91
Beta	0.82	0.98	1.08	1.07	1.14	1.09
Information Ratio	0.02	-0.16	-1.01	-0.40	-0.29	-0.14
R Squared	64.40%	74.93%	65.94%	75.12%	79.23%	79.01%
Sharpe Ratio	-0.18	0.16	-0.06	0.32	0.13	0.26
Std Dev	11.37	13.89	14.57	15.15	18.52	17.18

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LGT Wealth Management (CI) Limited (JER)
Sir Walter Raleigh House, 48 - 50 Esplanade, St Helier, Jersey, JE2 3QB
FCA Recognised
Volare Offshore Strategy Fund Limited

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Bridge Fund	£2.2446	-	0.0077	2.35	6.79	2.28
Global Equity Fund	£3.4963	-	0.0140	-	10.86	4.76
Global Fixed Interest Fund	£0.7687	-	0.0010	5.76	7.33	-3.33
Income Fund	£0.6442	-	0.0028	3.30	7.25	3.13
Sterling Fixed Interest Fund	£0.7003	-	0.0045	4.22	6.40	-5.67
UK Equity Fund	£1.8536	-	0.0004	-	-0.23	0.66

Algebris Investments (IRL)
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Algebris Core Italy I EUR	€149.56	-	3.18	0.00	3.98	8.12
Algebris Core Italy R EUR	€140.89	-	2.99	0.00	3.21	8.36
Algebris Financial Credit I EUR	€192.00	-	2.67	0.00	9.51	0.96
Algebris Financial Credit R EUR	€164.01	-	2.28	0.00	8.75	0.33
Algebris Financial Credit Rd EUR	€ 94.22	-	1.31	6.12	8.75	0.37
Algebris Financial Equity B EUR	€192.48	-	1.87	0.00	21.20	20.62
Algebris Financial Equity R EUR	€160.23	-	1.56	0.00	20.00	19.47
Algebris Financial Income I EUR	€202.23	-	2.55	0.00	13.09	9.84
Algebris Financial Income R EUR	€182.33	-	2.29	0.00	12.09	8.85
Algebris Financial Income Rd EUR	€106.16	-	1.34	4.95	12.10	8.85
Algebris Global Credit Opportunities I EUR	€137.75	-	1.15	0.00	9.67	2.16
Algebris Global Credit Opportunities R EUR	€133.98	-	1.11	0.00	9.29	1.77
Algebris Global Credit Opportunities Rd EUR	€113.16	-	0.95	3.94	9.38	1.89
Algebris IG Financial Credit I EUR	€104.74	-	1.10	0.00	8.10	-1.77
Algebris IG Financial Credit R EUR	€102.59	-	1.07	0.00	7.56	-2.26
Algebris Sust. World B	€115.67	-	1.49	0.00	11.17	-
Algebris Sust. World R	€113.95	-	1.46	0.00	9.73	-

The Antares European Fund Limited
Other International

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
AEF Ltd Usd	$512.26	-	-9.70	0.00	-8.27	-2.74
AEF Ltd Eur	€465.37	-	-8.70	0.00	-9.50	-3.69

Artemis Fund Managers Ltd (1200)F (UK)
57 St. James's Street, London SW1A 1LD 0800 092 2051
Authorised Inv Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Artemis SmartGARP UK Eq I Acc	2413.69	-	2.63	-	5.05	12.19
Artemis Corporate Bond I Acc	105.56	-	0.68	-	7.58	-2.28
Artemis SmartGARP Eur Eq I Acc	486.45	-	0.06	-	19.08	11.46
Artemis European Opps I Acc	142.67	-	0.14	-	19.28	5.89
Artemis SmartGARP GloEmr Eq I Acc	175.05	-	0.86	6.16	11.68	6.78
Artemis SmartGARP Glo Eq I Acc	388.75	-	2.05	3.06	5.29	7.15
Artemis Global Income I Inc	114.75	-	0.48	3.43	11.50	10.01
Artemis Global Select I Acc	174.52	-	0.90	0.95	9.31	4.48
Artemis High Income I Q Inc	70.35	-	0.07	6.38	9.66	1.63
Artemis Income I Inc	255.76	-	-0.38	4.08	9.80	8.06
Artemis Monthly Dist I Inc	70.79	-	0.17	-	6.59	4.61
Artemis Positive Future Fund	62.86	-	-0.21	0.00	-4.86	-
Artemis Strategic Assets I Acc	99.77	-	-0.07	-	7.91	6.17
Artemis Strategic Bond I Q Acc	107.79	-	0.36	4.40	5.92	-1.10
Artemis Target Return Bond I Acc	112.44	-	-0.16	4.26	7.28	1.94
Artemis UK Select Fund Class I Acc	841.10	-	-0.67	-	19.93	8.05
Artemis UK Smaller Cos I Acc	2073.49	-	1.81	2.23	4.27	7.49
Artemis UK Special Sits I Acc	820.51	-	-0.32	-	14.51	5.34
Artemis US Abs Return I Hdg Acc	113.41	-	-0.22	0.24	1.35	0.27
Artemis US Extended Alpha I Acc	370.23	-	2.93	0.00	17.69	9.60
Artemis US Select I Acc	338.94	-	3.24	0.15	21.79	7.74
Artemis US Smlr Cos I Acc	327.98	-	0.68	0.00	12.17	1.39

Ashmore Group
61 Aldwych, London WC2B 4AE. Dealing team: +352 27 62 22 233
Authorised Inv Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Emerging Markets Equity Fund	$126.35	-	-0.34	0.00	9.94	-4.31
Emerging Markets Equity ESG Fund	$142.69	-	-0.24	0.00	9.98	-6.51
Emerging Markets Active Equity Fund	$120.85	-	0.47	0.00	4.76	-8.43
Emerging Markets Frontier Equity Fund	$183.41	-	-0.80	0.99	5.18	4.48
Emerging Markets Blended Debt Fund	$ 56.43	-	0.06	4.70	11.76	-7.48
Emerging Markets Blended Debt ESG Fund	$ 87.21	-	-0.99	0.00	5.48	-6.27
Emerging Markets Debt Fund	$ 62.15	-	0.19	5.24	11.91	-7.55
Emerging Markets Corporate Debt Fund	$ 59.05	-	0.11	6.10	3.21	-7.95
Emerging Markets Local Currency Bond Fund	$ 65.00	-	-0.05	4.82	13.53	-2.46

Atlantas Sicav (LUX)
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
American Dynamic	$7213.98	-	74.89	0.00	10.75	3.37
American One	$7903.72	-	137.64	0.00	18.12	7.59
Bond Global	€1575.93	-	5.79	0.00	2.06	1.64
Eurocroissance	€1379.51	-	33.24	-	4.50	4.49
Far East	$948.07	-	3.85	0.00	-5.48	-7.53

Blue Whale Investment Funds ICAV (IRE)
www.bluewhale.co.uk, info@bluewhale.co.uk
FCA Recognised - Ireland UCITS

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Blue Whale Growth USD T	$ 11.39	-	-0.05	-	32.58	1.04

Brooks Macdonald International Fund Managers Limited (JER)
Third Floor, No 1 Grenville Street, St Helier, Jersey, JE2 4UF
+44 (0) 1534 700 104 (Int.) +44 (0) 800 735 8000 (UK)

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Brooks Macdonald International Investment Funds Limited						
Euro High Income	€1.2506	-	0.0013	2.87	5.32	-4.62
High Income	£0.6642	-	0.0033	-	6.07	-4.68
Sterling Bond	£1.2878	-	0.0064	-	5.90	-4.98
Brooks Macdonald International Multi Strategy Fund Limited						
Cautious Balanced Strategy	£1.2808	-	0.0024	1.27	4.86	-0.98
Cautious Balanced Strategy A	£0.9160	-	0.0018	1.77	5.42	-
Balanced Strategy	£0.9526	-	0.0023	1.02	6.36	-
Balanced Strategy A	£0.9537	-	0.0023	0.02	5.32	-
Growth Strategy	£2.0247	-	0.0039	0.64	7.65	1.36
Growth Strategy A	£0.9678	-	0.0019	0.01	7.00	-
High Growth Strategy	£2.8381	-	0.0045	0.25	8.31	1.90
High Growth Strategy A	£0.9680	-	0.0016	0.73	8.87	-
US$ Growth Strategy	$1.8793	-	0.0003	0.00	15.98	-0.53

Dealing Daily. Initial Charge Nil for A classes and up to 2% for other classes

Brown Advisory Funds plc (IRL)
http://www.brownadvisory.com Tel: 020 3301 8130
FCA Recognised

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Global Leaders Fund USD C	$ 24.32	-	0.00	0.00	23.08	6.45
Global Leaders Sustainable Fund USD C	$ 14.64	-	-0.01	0.00	21.70	6.21
Global Sustainable Total Return Bond GBP B	£ 9.39	-	0.00	2.70	1.67	-

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Global Sustainable Total Return Bond USD B	$ 9.96	-	0.00	0.00	2.26	-
US Equity Growth Fund USD B	$ 56.78	-	0.21	0.00	27.77	1.64
US Flexible Equity Fund USD B	$ 28.83	-	0.01	0.00	31.11	9.71
US Mid-Cap Growth Fund USD C	$ 19.28	-	-0.07	0.00	19.83	-1.62
US Small Cap Blend Fund USD B	$ 23.50	-	-0.21	0.00	12.17	4.57
US Smaller Companies Fund USD B	$ 37.09	-	-0.35	0.00	10.16	-0.72
US Sustainable Growth Fund USD C	$ 29.37	-	0.04	0.00	33.74	8.13
US Sustainable Value Fund USD C Acc	$ 11.72	-	-0.04	-	-	-

CG Asset Management Limited (IRL)
25 Moorgate, London, EC2R 6AY
Dealing: Tel. +353 1434 5098 Fax. +353 1542 2859
FCA Recognised
CG Portfolio Fund Plc

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Absolute Return Cls M Inc	£133.49	134.09	0.21	-	1.20	2.37
Capital Gearing Portfolio GBP P	£36685.57	36887.84	71.78	1.79	0.46	2.37
Capital Gearing Portfolio GBP V	£178.40	179.38	0.35	1.80	0.46	2.37
Dollar Fund Cls D Inc	£159.55	160.03	0.56	1.92	-2.76	-0.59
Dollar Hedged GBP Inc	£ 92.98	93.26	-0.11	1.84	0.14	-2.98
Real Return Cls A Inc	£191.01	191.59	0.68	2.40	-2.61	-1.00
UK Index-Linked Bond G Inc	£101.96	102.27	0.62	-	-	-

Chartered Asset Management Pte Ltd
Other International Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
CAM-GTF VCC	$299701.56	299701.56	12981.26	-	-6.36	3.78
CAM GTi VCC	$780.49	-	-32.39	-	12.31	4.69
RAIC VCC	$ 1.64	1.64	0.03	2.06	5.74	-1.66

Consistent Unit Tst Mgt Co Ltd (1200)F (UK)
Stuart House, St John's Street, Peterborough, PE1 5DD
Dealing & Client Services 0345 850 8818
Authorised Inv Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Consistent UT Inc	58.53	58.53	0.25	-	-3.34	2.75
Consistent UT Acc	160.50	160.50	0.70	-	-3.31	2.76
Practical Investment Inc	245.10	245.10	0.30	3.95	9.29	5.89
Practical Investment Acc	1596.00	1596.00	2.00	3.83	9.24	5.27

DODGE & COX®
WORLDWIDE FUNDS

Dodge & Cox Worldwide Funds (IRL)
48-49 Pall Mall, London SW1Y 5JG.
www.dodgeandcox.worldwide.com 020 3713 7664
FCA Recognised

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Dodge & Cox Worldwide Funds plc - Global Bond Fund						
EUR Accumulating Class	€ 16.94	-	0.14	0.00	7.15	4.23
EUR Accumulating Class (H)	€ 11.21	-	-0.01	0.00	7.38	-1.33
EUR Distributing Class	€ 11.84	-	0.10	-	4.64	2.42
EUR Distributing Class (H)	€ 7.76	-	-0.01	2.41	4.74	-3.19
GBP Distributing Class	£ 12.52	-	0.09	2.14	3.22	1.71
GBP Distributing Class (H)	£ 8.43	-	-0.01	2.38	6.22	-2.19
USD Accumulating Class	$ 13.32	-	-0.01	0.00	9.90	0.51
Dodge & Cox Worldwide Funds plc-Global Stock Fund						
USD Accumulating Share Class	$ 33.24	-	-0.20	-	19.05	10.03
GBP Accumulating Share Class	£ 43.14	-	0.07	0.00	14.40	12.22
GBP Distributing Share class	£ 28.70	-	0.05	-	13.08	11.52
EUR Accumulating Share Class	€ 45.82	-	0.13	-	16.12	14.14
GBP Distributing Class (H)	£ 15.11	-	-0.09	0.24	17.00	8.08
Dodge & Cox Worldwide Funds plc-U.S. Stock Fund						
USD Accumulating Share Class	$ 42.83	-	-0.24	-	15.32	11.71
GBP Accumulating Share Class	£ 52.58	-	0.12	0.00	10.81	13.94
GBP Distributing Share Class	£ 31.28	-	0.06	0.83	10.80	13.94
EUR Accumulating Share Class	€ 50.98	-	0.17	-	12.46	15.88
GBP Distributing Class (H)	£ 16.75	-	-0.09	0.16	13.91	9.96

Dragon Capital
www.dragoncapital.com
Fund information:info@dragoncapital.com
Other International Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Vietnam Equity (UCITS) Fund A USD	$ 27.31	-	-0.27	0.00	5.24	3.06

EdenTree Investment Management Ltd (UK)
PO Box 3733, Swindon, SN4 4BG, 0800 358 3010
Authorised Inv Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Amity Balanced For Charities A Inc	93.49	-	-1.58	-	10.97	5.01
Amity Global Equity Inc for Charities A Inc	153.00	-	-0.80	3.10	7.87	7.27
EdenTree European Equity Cls A Inc	343.10	-	-0.10	-	17.29	9.23
EdenTree European Equity Cls B Inc	347.00	-	-0.10	-	17.91	9.84
EdenTree Global Equity Cls A Inc	346.70	-	1.20	0.70	14.22	3.29
EdenTree Global Equity Cls B Inc	349.90	-	1.30	1.26	14.87	3.84
EdenTree Responsible and Sust S Dtd Bd B	95.25	-	0.22	2.46	4.76	-0.52
EdenTree Sterling Bond Cls A Inc	87.22	-	0.54	4.38	5.35	-3.05
EdenTree Sterling Bond Cls B Inc	99.05	-	0.61	4.38	6.00	-2.45
EdenTree UK Equity Cls A Inc	218.20	-	-0.20	1.62	4.27	-1.72
EdenTree UK Equity Cls B Inc	217.80	-	-0.20	2.21	4.87	-1.17
EdenTree UK Equity Opps Cls A Inc	282.00	-	0.50	1.29	7.31	-0.58
EdenTree UK Equity Opps Cls B Inc	288.00	-	0.50	1.90	7.91	-0.04
Edentree Global Impact Bond B	88.46	-	0.25	2.94	5.71	-
Edentree Green Future B Net Inc	104.00	-	-0.10	0.83	8.65	-
EdenTree Managed Income Cls A Inc	122.70	-	0.20	-	7.94	4.35
EdenTree Managed Income Cls B Inc	131.70	-	0.20	-	8.51	4.92

Euronova Asset Management UK LLP (CYM)
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Smaller Cos Cls One Shares	€ 53.94	-	0.42	0.00	3.31	0.83
Smaller Cos Cls Two Shares	€ 34.25	-	0.26	0.00	2.79	-0.26
Smaller Cos Cls Three Shares	€ 17.09	-	0.13	0.00	2.77	-0.58
Smaller Cos Cls Four Shares	€ 22.53	-	0.17	0.00	2.78	0.25

FIL Investment Services (UK) Limited (1200)F (UK)
Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, KT20 6RP
Callfree: Private Clients 0800 414161
Broker Dealings: 0800 414 181
OEIC Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Allocator World Fund W-ACC-GBP	£ 2.88	-	0.01	1.38	13.31	7.19
American Fund W-ACC-GBP	£ 61.05	-	0.46	0.00	22.17	4.45
American Special Sits W-ACC-GBP	£ 24.07	-	0.11	-	8.96	13.69
Asia Fund W-ACC-GBP	£ 14.64	-	0.03	0.83	-4.31	-7.07
Asia Pacific Ops W-Acc	£ 2.80	-	0.02	1.38	-0.36	0.38
Asian Dividend Fund W-ACC-GBP	£ 2.29	-	0.01	3.11	0.44	3.19
Cash Fund W-ACC-GBP	£ 1.07	-	0.00	1.76	4.56	1.87
China Fund W-Accumulation (UK)	£ 2.22	-	0.00	0.33	-18.53	-17.66
Emerging Mkts NAV	£ 7.21	-	-0.16	2.31	4.87	-8.85
Enhanced Income Fund W-INC-GBP	£ 0.83	-	0.00	6.93	6.15	8.40
European Fund W-ACC-GBP	£ 26.19	-	0.07	-	14.27	9.31
Extra Income Fund W-ACC-GBP	£ 1.35	-	0.01	4.47	8.00	-2.08
Sustainable Emerg Mkts Equity Fund A-ACC Shares	£ 1.52	-	0.01	-	-13.81	-0.91
Sustainable European Equity Fund W-ACC-GBP	£ 5.85	-	0.01	-	13.51	3.29
Sustainable Global Equity Fund W-ACC-GBP	£ 34.39	-	0.02	-	8.28	0.39
Japan Fund W-ACC-GBP	£ 6.24	-	-0.04	1.39	16.16	7.29
Japan Smaller Companies Fund W-ACC-GBP	£ 3.64	-	-0.02	0.63	7.21	-5.14
Select 50 Balanced Fund PI-ACC-GBP	£ 1.18	-	0.01	1.58	5.09	0.78
Special Situations Fund W-ACC-GBP	£ 44.33	-	-0.02	3.30	7.15	9.09
Short Dated Corporate Bond Fund W-ACC-GBP	£ 11.17	-	0.03	3.64	6.86	0.29
Sustainable Water & Waste W-ACC-GBP	£ 1.21	-	0.00	0.53	10.40	3.35
Sustainable Water & Waste W-INC-GBP	£ 1.19	-	0.00	0.54	10.32	3.34
UK Select Fund W-ACC-GBP	£ 3.88	-	-0.01	-	9.35	6.45
Global Dividend Fund W-ACC-GBP	£ 3.20	-	0.01	2.60	10.46	6.93
Global Enhanced Income W-ACC-GBP	£ 2.50	-	0.01	-	10.41	6.88
Global Property Fund W-ACC-GBP	£ 1.94	-	-0.02	-	4.31	0.63
Global Special Sits W-ACC-GBP	£ 58.86	-	0.12	0.54	13.70	5.50
Index Emerging Markets P-ACC-GBP	£ 1.67	-	0.01	2.95	2.72	-3.47
Index Europe ex UK P-ACC-GBP	£ 2.09	-	0.00	-	16.10	7.15
Index Japan P-ACC-GBP	£ 2.05	-	-0.01	2.02	13.38	2.20
Index Pacific ex Japan P-Acc-GBP	£ 1.88	-	0.01	3.89	-1.03	2.56
Index UK P-ACC-GBP	£ 1.64	-	0.00	-	7.75	7.61
Index US P-ACC-GBP	£ 3.93	-	0.03	1.24	19.49	12.07
Index World P-ACC-GBP	£ 3.01	-	0.01	1.59	17.37	9.46
MoneyBuilder Balanced Fund W-ACC-GBP	£ 0.61	-	0.00	-	4.78	2.07
MoneyBuilder Dividend Fund W-INC-GBP	£ 1.27	-	0.00	4.35	6.30	8.41
Sustainable MoneyBuilder Income Fund W-ACC-GBP	£ 12.87	-	0.07	-	6.54	-4.70
Multi Asset Allocator Adventurous Fund W-ACC-GBP	£ 2.28	-	0.01	1.39	11.18	4.91
Multi Asset Allocator Defensive Fund W-ACC-GBP	£ 1.37	-	0.01	-	5.00	-1.74
Multi Asset Allocator Growth Fund W-ACC-GBP	£ 1.96	-	0.01	1.39	9.03	2.58
Multi Asset Balanced Income Fund W-INC-GBP	£ 0.94	-	0.00	4.67	3.07	-1.45
Multi Asset Income & Growth Fund W-INC-GBP	£ 1.01	-	0.00	4.73	4.72	0.25
Multi Asset Income Fund W-INC-GBP	£ 0.85	-	0.00	5.84	2.28	-2.89
Multi Asset Allocator Strategic Fund W-ACC-GBP	£ 1.66	-	0.00	1.36	6.94	0.32
Multi Asset Open Advent W-ACC-GBP	£ 1.82	-	0.01	1.87	6.51	4.42
Multi Asset Open Defen W-ACC-GBP	£ 1.37	-	0.00	2.48	3.32	-0.27
Multi Asset Open Growth Fund W-ACC-GBP	£ 1.72	-	0.01	2.11	5.92	3.90
Multi Asset Open Strategic Fund W-ACC-GBP	£ 1.55	-	0.00	-	4.31	1.67
Open World Fund W-ACC-GBP	£ 2.42	-	0.01	1.04	9.56	7.25
Strategic Bond Fund W-ACC-GBP	£ 1.25	-	0.01	3.42	5.59	-3.58
UK Opportunities Fund W-ACC-GBP	239.80	-	-0.30	3.07	-0.12	-1.80
UK Smaller Companies W-ACC-GBP	£ 3.78	-	-0.02	2.18	10.39	10.88
Index Sterling Corporate Bond Fund P-ACC-GBP	£ 0.88	-	0.00	-	6.89	-5.19
Index UK Gilt Fund P-ACC-GBP	£ 0.76	-	0.01	-	1.07	-8.99
Sustainable Asia Equity Fund W-ACC-GBP	£ 1.73	-	0.00	0.68	-7.53	-5.28
Sustainable Multi Asset Balanced Fund W-ACC-GBP	£ 0.98	-	0.00	1.86	7.58	-
Sustainable Multi Asset Conservative Fund W-ACC-GBP	£ 0.93	-	0.00	-	5.03	-
Sustainable Multi Asset Growth Fund W-ACC-GBP	£ 1.01	-	0.01	1.86	8.63	-

Findlay Park Funds Plc (IRL)
30 Herbert Street, Dublin 2, Ireland Tel: 020 7968 4900
FCA Recognised

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
American EUR Unhedged Class	€180.60	-	0.89	0.00	20.97	12.00
American Fund USD Class	$197.18	-	-0.45	0.00	24.01	8.07
American Fund GBP Hedged	£ 95.80	-	-0.22	0.00	22.80	6.76
American Fund GBP Unhedged	£155.25	-	0.39	0.00	19.31	10.02

Foord Asset Management
Website: www.foord.com - Email: info@foord.com
FCA Recognised - Luxembourg UCITS

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Foord International Fund | R	$ 46.63	-	0.06	0.00	-6.16	0.29
Foord Global Equity Fund (Lux) | R	$ 16.55	-	0.05	0.00	4.02	-1.93
Regulated						
Foord Global Equity Fund (Sing) | B	$ 19.84	-	0.07	0.00	4.56	-1.76
Foord International Trust (Gsy)	$ 45.46	-	0.06	0.00	-6.12	0.32

Fundsmith LLP (1200)F (UK)
PO Box 10846, Chelmsford, Essex, CM99 2BW 0330 123 1815
www.fundsmith.co.uk, enquiries@fundsmith.co.uk
Authorised Inv Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Fundsmith Equity T Acc	640.35	-	2.07	0.20	12.29	5.02
Fundsmith Equity T Inc	583.12	-	1.89	-	12.29	5.02

GAM
funds@gam.com, www.funds.gam.com
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
LAPIS GBL TOP 50 DIV.YLD-Na-D	£ 117.78	-	-0.13	3.05	-1.72	8.42
LAPIS GBL F OWD 50 DIV.YLD-Na-D	£ 105.05	-	0.03	1.30	7.47	2.47
LAPIS GBL MED DEV 25.YLD-Na-D	£ 89.54	-	-0.09	-	-	-

Guinness Global Investors

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Guinness Global Equity Income Y GBP Dist	£ 19.66	-	0.07	-	8.84	10.85
Guinness Global Innovators Y GBP Acc	£ 31.73	-	0.27	0.00	31.25	8.68
Guinness Sustainable Global Equity Y GBP Acc	£ 11.69	-	0.02	0.00	7.99	5.35

HPB Assurance Ltd
Anglo Intl House, Bank Hill, Douglas, Isle of Man, IM1 4LN 01638 563490
International Insurances

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Holiday Property Bond Ser 1	£ 0.50	-	0.00	0.00	0.40	1.15
Holiday Property Bond Ser 2	£ 0.64	-	0.01	0.00	-	0.90

Hermes Property Unit Trust (UK)
Property & Other UK Unit Trusts

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Property	£ 6.01	6.45	-0.08	4.05	-9.58	-1.83

Janus Henderson Investors (UK)
PO Box 9023, Chelmsford, CM99 2WB Enquiries: 0800 832 832
www.janushenderson.com
Authorised Inv Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Janus Henderson Asia Pacific Capital Growth Fund A Acc	1103.00	-	2.00	0.21	-2.22	-8.25
Janus Henderson Asian Dividend Income Unit Trust Inc	75.21	-	0.23	5.60	-0.08	-1.12
Janus Henderson Cautious Managed Fund A Acc	294.30	-	0.80	-	6.90	2.05
Janus Henderson Cautious Managed Fund A Inc	140.90	-	0.40	-	6.88	2.04
Janus Henderson China Opportunities Fund A Acc	972.20	-	0.70	-	-19.85	-18.53
Janus Henderson Emerging Markets Opportunities Fund A Acc	190.90	-	0.20	0.75	0.26	-6.33
Janus Henderson European Growth Fund A Acc	310.20	-	0.10	-	11.26	6.24
Janus Henderson European Selected Opportunities Fund A Acc	2505.00	-	6.00	-	19.97	7.87
Janus Henderson Fixed Interest Monthly Income Fund Inc	17.57	-	0.04	4.60	2.95	-4.54
Janus Henderson Global Equity Fund Acc	4476.00	-	20.00	0.00	4.75	2.30
Janus Henderson Global Equity Income Fund A Inc	65.74	-	0.23	3.42	5.41	6.26
Janus Henderson Global Sustainable Equity Fund A Inc	516.40	-	2.00	0.00	14.00	4.10
Janus Henderson Global Technology Leaders Fund A Acc	3606.00	-	45.00	0.00	37.48	6.83
Janus Henderson Instl UK Index Opportunities A Acc	£ 1.17	-	0.00	-	7.55	7.00
Janus Henderson Multi-Asset Absolute Return Fund A Acc	167.80	-	0.20	1.33	5.07	4.09
Janus Henderson Multi-Manager Active Fund A Acc	265.40	-	0.60	-	5.62	2.55
Janus Henderson Multi-Manager Distribution Fund A Inc	125.30	-	0.30	3.41	4.26	0.48
Janus Henderson Multi-Manager Diversified Fund A Acc	89.58	-	0.20	2.99	3.98	-1.18
Janus Henderson Multi-Manager Global Select Fund Acc	332.40	-	1.40	0.14	10.91	5.60
Janus Henderson Multi-Manager Income & Growth Fund A Acc	194.00	-	0.40	-	4.92	0.86
Janus Henderson Multi-Manager Income & Growth Fund A Inc	146.60	-	0.30	-	4.82	0.84
Janus Henderson Multi-Manager Managed Fund A Acc	324.40	-	0.50	0.30	5.50	2.34
Janus Henderson Multi-Manager Managed Fund A Inc	313.10	-	0.50	0.31	5.54	2.34
Janus Henderson Sterling Bond Unit Trust Acc	213.30	-	1.30	-	4.66	-5.90
Janus Henderson Sterling Bond Unit Trust Inc	57.06	-	0.35	-	4.65	-5.90
Janus Henderson Strategic Bond Fund A Inc	102.10	-	0.30	3.31	-0.51	-5.77
Janus Henderson Absolute Return Fund A Acc	175.80	-	0.00	0.64	6.74	2.87
Janus Henderson UK Alpha Fund A Acc	142.40	-	-0.30	1.66	8.37	-1.30
Janus Henderson UK Equity Income & Growth Fund A Inc	492.60	-	-0.80	-	1.93	6.32
Janus Henderson US Growth Fund A Acc	2012.00	-	19.00	0.00	26.62	6.43

Lothbury Property Trust (UK)
155 Bishopsgate, London EC2M 3TQ +44(0) 20 3551 4900
Property & Other UK Unit Trusts

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Lothbury Property Trust GBP	£1527.17	1669.12	-15.51	3.63	-11.84	-5.90

M & G Securities (1200)F (UK)
PO Box 9038, Chelmsford, CM99 2XF
www.mandg.co.uk/charities Enq./Dealing: 0800 917 4472
Authorised Inv Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Charifund Inc	1418.85	-	0.09	-	4.56	6.63
Charifund Acc	25659.28	-	1.63	-	4.55	6.62
M&G Charibond Charities Fixed Interest Fund (Charibond) Inc	£ 1.11	-	0.01	3.72	4.83	-1.49
M&G Charibond Charities Fixed Interest Fund (Charibond) Acc	£ 40.98	-	0.26	3.19	4.83	-1.49
M&G Charity Multi Asset Fund Inc	£ 0.89	-	0.00	4.42	6.45	6.23
M&G Charity Multi Asset Fund Acc	£ 111.03	-	0.35	3.99	6.45	6.23

MMIP Investment Management Limited (GSY)
Regulated
Multi-Manager Investment Programmes PCC Limited

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
UK Equity Fd Cl A Series 01	£ 3080.40	3080.41	-231.75	-	-2.98	13.94
Diversified Absolute Rtn Fd USD Cl AF2	$ 1688.02	-	45.93	-	-1.51	1.32
Diversified Absolute Return Stlg Cell AF2	£ 1579.00	-	-1.96	-	0.70	2.45

Marwyn Asset Management Limited (CYM)
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Marwyn Value Investors	£ 329.72	-	-6.14	0.00	-	-7.17

McInroy & Wood Portfolios Limited (UK)
Easter Alderston, Haddington, EH41 3SF 01620 825867
Authorised Inv Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Balanced Fund Personal Class Units	6028.80	-	19.00	1.54	4.81	3.29
Income Fund Personal Class Units	2888.30	-	6.90	2.82	4.38	4.12
Emerging Markets Fund Personal Class Units	2068.70	-	1.90	2.19	-10.17	-2.38

MANAGED FUNDS SERVICE

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Smaller Companies Fund Personal Class Units	6029.50	-	-7.50	1.49	2.93	-3.78

Milltrust International Managed Investments ICAV (IRL)
mimi@milltrust.com, +44(0)20 8123 8316, www.milltrust.com
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
British Innovation Fund	£121.92	-	2.89	0.00	-	-
MAI - Buy & Lease (Australia)	A$ 103.45	-	0.50	0.00	-16.53	1.41
MAI - Buy & Lease (New Zealand)	NZ$ 91.20	-	-6.06	0.00	-7.20	-2.67
Milltrust Global Emerging Markets Fund - Class A	$ 90.46	-	1.27	0.00	-3.16	-6.85

Milltrust International Managed Investments SPC
em@milltrust.com, +44(0)20 8123 8316, www.milltrust.com
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Milltrust Alaska Brazil Fund SP A	$ 110.61	-	-1.20	0.00	50.69	13.19
Milltrust Laurium Africa Fund SP A	$ 98.47	-	4.63	0.00	-5.23	1.30
Milltrust Marcellus India Fund SP	$ 140.54	-	0.82	0.00	11.03	6.58
Milltrust Singular ASEAN Fund SP Founders	$ 126.17	-	0.57	0.00	-1.88	-5.46
Milltrust SPARX Korea Equity Fund SP A	$ 122.13	-	-0.18	0.00	21.47	-8.80
Milltrust Xingtai China Fund SP A	$ 84.62	-	1.04	-	-15.76	-15.25
The Climate Impact Asia Fund SP A	$ 71.95	-	0.72	0.00	-5.76	-
The Climate Impact Asia Fund (Class B)	$ 71.01	-	0.70	0.00	-6.23	-

Ministry of Justice Common Investment Funds (UK)
Property & Other UK Unit Trusts

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
The Equity Idx Tracker Fd Inc	1944.00	-	1.00	-	8.77	5.40

Distribution Units

Mirabaud Asset Management (LUX)
www.mirabaud.com, marketing@mirabaud-am.com
Please find more details on our website: www.mirabaud-am.com
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Mir. - Glb Strat. Bd I USD	$ 122.98	-	0.00	0.00	5.51	0.34
Mir. - DiscEur D Cap GBP	£ 166.51	-	4.06	0.00	3.59	-1.27
Mir. - UKEq HA Cap I GBP	£ 136.06	-	3.60	-	-0.19	-1.28

Oasis Crescent Global Investment Funds (UK) ICVC (UK)
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Oasis Crescent Global Equity Fund USD A (Dist)	$ 35.71	-	-0.10	-	5.09	1.21
Oasis Crescent Global Income Fund USD A (Dist)	$ 10.10	-	0.01	3.70	3.94	-0.18
Oasis Crescent Global Low Equity Fund USD D (Dist)	$ 12.51	-	-0.04	1.30	3.83	0.45
Oasis Crescent Global Medium Equity Fund USD A (Dist)	$ 13.97	-	-0.04	0.78	4.30	0.90
Oasis Crescent Global Property Equity Fund USD A (Dist)	$ 8.54	-	-0.11	-	13.49	3.13
Oasis Crescent Global Short Term Income Fund USD A (Dist)	$ 0.94	-	0.00	2.95	3.41	0.44
Oasis Crescent Variable Fund GBP A (Dist)	£ 9.73	-	0.00	0.69	1.63	1.30

Omnia Fund Ltd
Other International Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Estimated NAV	$ 973.59	-	43.73	0.00	2.91	20.15

Platinum Capital Management Ltd
Other International Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Platinum All Star Fund - A	$ 149.04	-	-	0.00	5.29	4.01
Platinum Global Growth UCITS Fund	$ 8.95	-	-0.04	0.00	10.49	-12.28
Platinum Essential Resources UCITS Fund SICAV USD Class E	$ 9.42	-	-0.70	0.00	-19.83	13.34
Platinum Global Dividend UCITS Fund	$ 46.52	-	0.10	0.00	-3.06	-5.46

Polar Capital Funds Plc (IRL)
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Artificial Intelligence I USD ACC	$ 18.69	18.69	0.08	0.00	30.88	2.43
Asian Starts I USD Acc $	$ 14.62	-	0.07	0.00	2.67	-5.84
Biotechnology I USD	$ 42.13	42.13	0.23	-	8.58	2.36
China Stars I USD Acc $	$ 9.22	9.22	0.09	0.00	-17.97	-16.73
Emerging Market Stars I USD Acc	$ 11.95	-	0.04	0.00	7.66	-6.65
European Ex UK Inc EUR Acc	€ 15.61	15.61	-0.03	-	12.46	10.85
Global Insurance I GBP	£ 10.32	-	-0.05	-	3.59	12.88
Global Technology I USD	$ 88.84	-	0.54	0.00	45.09	1.23
Healthcare Blue Chip Fund I USD Acc	$ 19.14	19.14	-0.15	0.00	3.07	6.65
Healthcare Dis I Acc USD $	$ 12.07	-	-0.10	0.00	2.03	-6.72
Healthcare Opps I USD	$ 67.57	-	-0.20	-	3.95	2.01
Income Opportunities B2 I GBP Acc	£ 3.15	3.15	0.00	-	7.53	10.68
North American I USD	$ 38.32	38.32	-0.15	0.00	20.47	7.68
Smart Energy I USD Acc $	$ 9.88	9.88	0.01	0.00	9.17	-
Smart Mobility I USD Acc $	$ 8.89	8.89	0.00	0.00	6.72	-
UK Val Opp I GBP Acc	£ 12.88	12.88	-0.06	-	10.46	2.64

Private Fund Mgrs (Guernsey) Ltd (GSY)
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Monument Growth 12/12/2023	£ 545.57	550.79	2.65	0.00	-0.02	3.38

Prusik Investment Management LLP (IRL)
Enquiries - 0207 493 1331
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Prusik Asian Equity Income B Dist	$ 173.16	-	-0.94	6.10	4.01	3.16
Prusik Asia Fund U Dist.	£ 196.69	-	0.98	0.00	-6.59	-5.08

Purisima Investment Fds (UK) (1200)F (UK)
2nd floor, 20-22 Bedford Row, London, WC1R 4EB
Order Desk and Enquiries: 0345 922 0044
Authorised Inv Funds
Authorised Corporate Director - Waystone Management (UK) Limited

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Global Total Fd PCG A	451.22	-	3.85	0.16	25.86	9.04
Global Total Fd PCG B	444.45	-	3.79	0.00	25.55	8.77
Global Total Fd PCG INT	435.13	-	3.71	0.00	25.24	8.50

Purisima Investment Fds (CI) Ltd (JER)
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
PCG B ✠	345.74	-	-2.39	-	25.08	6.20
PCG C ✠	335.62	-	-2.32	-	24.82	5.97

Ram Active Investments SA
www.ram-ai.com
Other International Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
RAM Systematic Emerg Markets Eq	$ 234.81	234.81	0.72	0.00	11.98	4.12
RAM Systematic European Eq	€ 542.56	542.56	1.12	-	7.31	5.59
RAM Systematic Funds Global Sustainable Income Eq	$ 162.12	162.12	-0.94	0.00	11.31	7.44
RAM Systematic Long/Short European Eq	€ 148.71	148.71	-0.34	0.00	-3.04	4.69

Royal London (UK)
80 Fenchurch Street, London EC3M 4BY
Authorised Inv Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Royal London Sustainable Diversified A Inc	£ 2.48	-	0.01	1.38	10.84	1.19
Royal London Sustainable World A Inc	372.80	-	1.80	-	13.09	3.06
Royal London Corporate Bond Mth Income	76.69	-	0.41	-	7.14	-3.25
Royal London European Growth Trust	218.40	-	0.30	-	14.79	7.03
Royal London Sustainable Leaders A Inc	796.60	-	-0.60	-	8.67	5.39
Royal London UK Growth Trust	635.80	-	-0.30	-	8.76	5.44
Royal London UK Income With Growth Trust	206.50	-	0.40	4.92	4.87	5.26
Royal London US Growth Trust	433.90	-	3.70	0.00	24.94	13.08

Additional Funds Available
Please see www.royallondon.com for details

Ruffer LLP (1000)F (UK)
2nd floor, 20-22 Bedford Row, London, WC1R 4EB
Order Desk and Enquiries: 0345 601 9610
Authorised Inv Funds
Authorised Corporate Director - Waystone Management (UK) Limited

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
LF Ruffer Diversified Rtrn C Acc	100.47	-	0.44	2.46	-4.27	-
LF Ruffer Diversified Rtrn C Inc	97.94	-	0.42	2.50	-3.59	-
LF Ruffer Equity & General C Acc	571.54	-	0.44	1.36	2.54	4.89
LF Ruffer Equity & General C Inc	509.42	-	0.39	-	2.54	4.89
LF Ruffer Gold C Acc	243.20	-	-12.21	0.40	9.58	-6.26
LF Ruffer Gold C Inc	146.57	-	-7.36	0.40	9.58	-6.26
LF Ruffer Total Return C Acc	528.35	-	0.35	2.46	-7.78	1.74
LF Ruffer Total Return C Inc	321.81	-	0.22	2.50	-7.76	1.75

Rubrics Global UCITS Funds Plc (IRL)
www.rubricsam.com
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Rubrics Emerging Markets Fixed Income UCITS Fund	$ 142.65	-	-0.10	0.00	7.55	-0.04
Rubrics Global Credit UCITS Fund	$ 17.38	-	0.00	0.00	4.41	-0.70
Rubrics Global Fixed Income UCITS Fund	$ 174.83	-	0.13	0.00	2.66	-1.40

Scottish Friendly Asset Managers Ltd (UK)
Scottish Friendly Hse, 16 Blythswood Sq, Glasgow G2 4HJ 0141 275 5000
Authorised Inv Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Managed Growth ♦	366.30	-	0.50	0.00	8.79	6.28
UK Growth ♦	418.40	-	-0.20	0.00	5.60	5.38

Slater Investments

Slater Investments Ltd (UK)
www.slaterinvestments.com; Tel: 0207 220 9460
FCA Recognised

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Slater Growth A Acc	594.30	594.30	0.82	-	-5.54	-3.35
Slater Income A Inc	136.78	136.78	0.67	5.80	3.72	8.00
Slater Recovery A Acc	305.91	305.91	1.09	-	-7.04	-0.07
Slater Artorius	256.43	256.43	1.96	0.58	-11.33	-1.31

Stonehage Fleming Investment Management Ltd (IRL)
www.stonehagefleming.com/gbi
enquiries@stonehagefleming.com
Regulated

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
SF Global Best Ideas Eq B USD ACC	$ 261.00	-	-0.05	0.00	19.76	2.94
SF Global Best Ideas Eq D GBP INC	£ 311.80	-	1.43	0.00	15.21	4.79

Superfund Asset Management GmbH
www.superfund.com, +43 (1) 247 00
Other International Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Superfund Green Gold	$ 921.44	-	-8.33	0.00	-22.18	-12.49
Superfund Green Silver	$ 775.73	-	-10.80	0.00	-28.55	-15.76
Regulated						
Superfund Green US$	$ 680.02	-	-3.17	0.00	-27.92	-12.37

Thesis Unit Trust Management Limited (UK)
Exchange Building, St Johns Street, Chichester, West Sussex, PO19 1UP
Authorised Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
TM New Court Fund A 2011 Inc	£ 19.96	-	0.05	0.00	11.45	3.68
TM New Court Fund - A 2014 Acc	£ 20.14	-	0.06	0.00	11.52	3.70
TM New Court Equity Growth Fund - Inc	£ 21.97	-	0.05	0.00	13.42	4.25

TOSCAFUND

Toscafund Asset Management LLP (UK)
www.toscafund.com
Authorised Funds

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Aptus Global Financials B Acc	£ 5.43	-	-0.03	-	15.05	12.66
Aptus Global Financials B Inc	£ 3.37	-	-0.02	-	15.03	14.04

Toscafund Asset Management LLP
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Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Tosca A USD	$ 431.49	-	-5.25	0.00	0.46	8.24
Tosca Mid Cap GBP	£ 119.59	-	-1.05	0.00	-29.84	-7.96
Tosca Opportunity B USD	$ 252.81	-	-15.03	0.00	-29.95	-19.96
Pegasus Fund Ltd A-1 GBP	£ 26.62	-	-1.62	0.00	-36.13	-14.86

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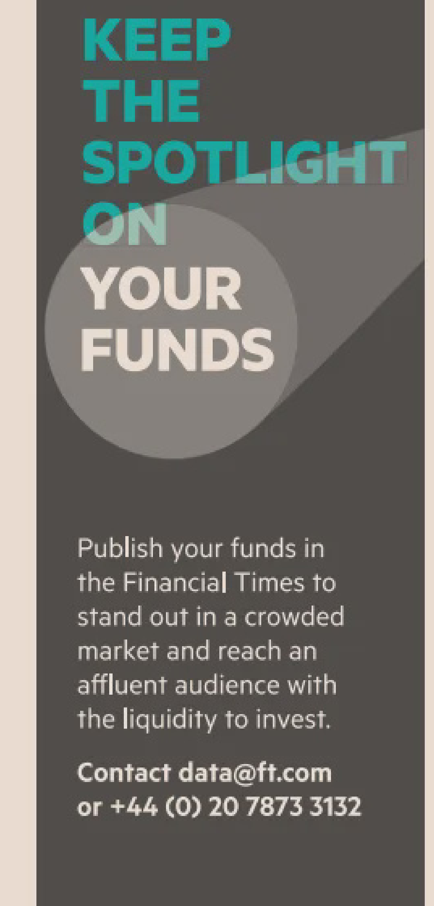
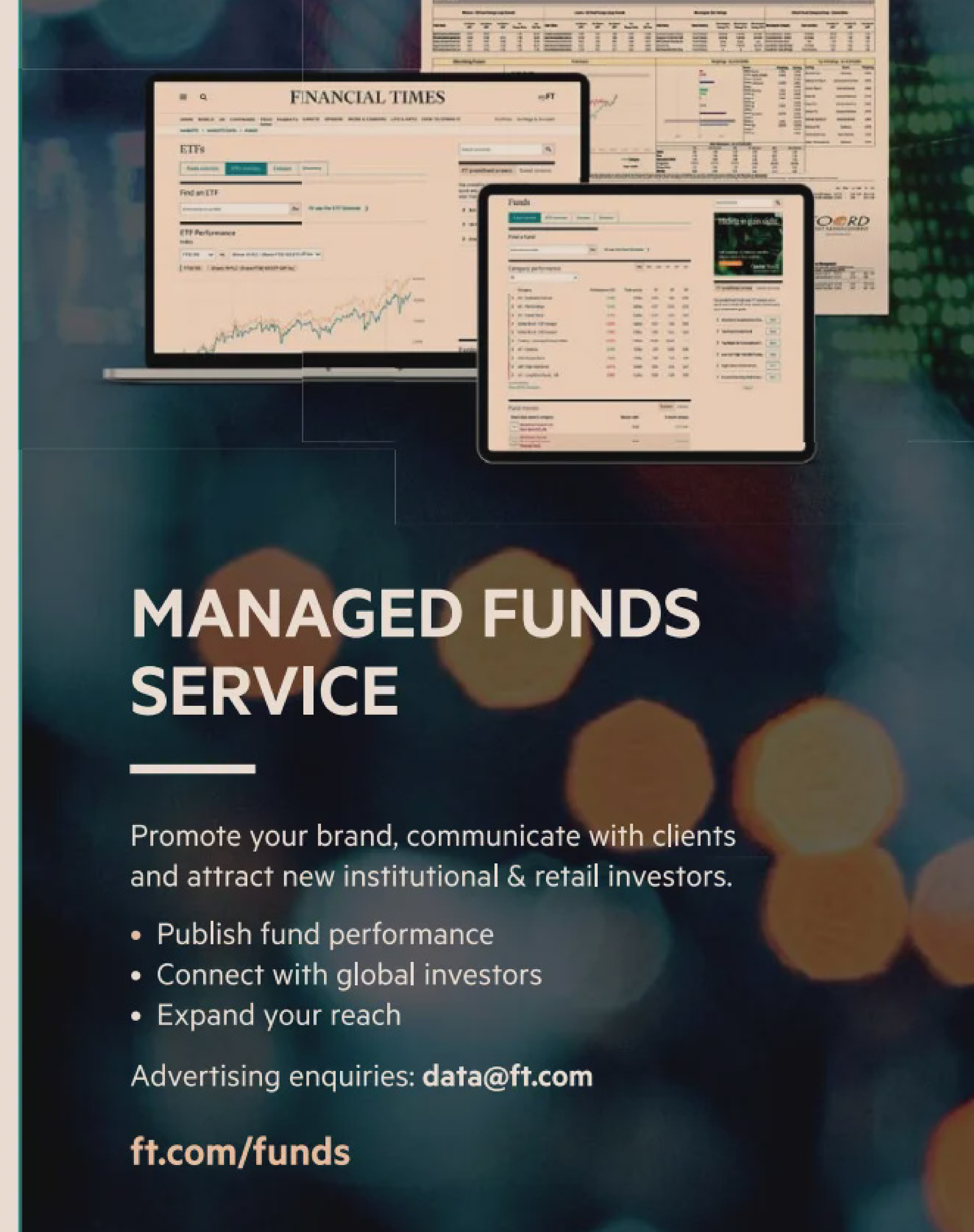
Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Trojan Ethical Global Inc O Acc	105.30	-	0.38	2.57	4.83	-
Trojan Ethical Global Inc O Inc	100.06	-	0.36	2.61	4.83	-
Trojan Ethical O Acc	130.64	-	0.34	0.07	4.77	3.23
Trojan Ethical O Inc	130.54	-	0.34	0.08	4.99	3.30
Trojan Ethical Income O Acc	143.52	-	-0.11	-	7.72	2.25
Trojan Ethical Income O Inc	117.08	-	-0.09	-	7.72	2.25
Trojan Fund O Acc	388.31	-	0.91	0.26	2.40	3.12
Trojan Fund O Inc	313.51	-	0.73	-	2.40	3.13
Trojan Global Equity O Acc	543.85	-	2.85	0.00	23.30	7.67
Trojan Global Equity O Inc	448.72	-	2.35	0.00	23.30	7.67
Trojan Global Income O Acc	155.45	-	0.53	3.05	1.46	4.72
Trojan Global Income O Inc	125.93	-	0.42	3.11	1.45	4.71
Trojan Income O Acc	348.25	-	-0.25	2.97	4.90	1.67
Trojan Income O Inc	167.37	-	-0.12	3.05	4.89	1.67





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Different share classes are issued to reflect a different currency, charging structure or type of holder.
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Buying price: Also called offer price. The price at which units in a unit trust are bought by investors. Includes manager's initial charge.
Single price: Based on a mid-market valuation of the underlying investments. The buying and selling price for shares of an OEIC and units of a single priced unit trust are the same.
Treatment of manager's periodic capital charge: The letter C denotes that the trust deducts all or part of the manager's/operator's periodic charge from capital, contact the manager/operator for full details of the effect of this course of action.
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Time: Some funds give information about the timing of price quotes. The time shown alongside the fund manager's/operator's name is the valuation point for their unit trusts/OEICs, unless another time is indicated by the symbol alongside the individual unit trust/OEIC name.
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Rapture at the church of Hozier

Irish singer Hozier on stage at the OVO Arena, Wembley — Redferns

POP

Hozier
OVO Arena, Wembley, London
★★★★☆

Áine Kim Kennedy

There's a touch of the megachurch about Hozier's current tour. County Wicklow's favourite whiskery mystic rolled into London just in time for the holidays, complete with gospel-style band, elaborate LED display and a Santa's sack of social-justice issues to plunder. As he dashed off blues riffs and snippets of Irish Republican poetry with equal nonchalance, it was no wonder that the singer-songwriter had managed to pack the arena with several convents' worth of hysterical teenage girls.

The 33-year-old emerged a decade ago with his breakout single "Take Me to Church", a staple of the genre sometimes disparaged as "stomp-clap-hey" songs. Lesser manbunned strummers may have fallen by the wayside, but Andrew Hozier-Byrne has musical ability and Irish heritage on his side. Sharing the Republican affinity for underdogs, the singer has pursued causes from Black Lives Matter to Palestinian liberation following the viral, LGBT+-themed video for "Take Me to Church". He had a semi-rural Quaker upbringing but is critical of what he observed as the "hypocrisy" of the Catholic church while growing up. His bardic knack for fiery but vague political statements is bundled with toe-tapping fiddle solos and gothic songcraft into a whizz through global protest music.

His vocal chops were in gratifying evidence in his Unreal Earth show, named after this summer's album. The singer performed with an eight-piece ensemble, including cello, violin, organ and synth, plus backing singers. He kicked off with "De Selby (Parts 1 and 2)", looking slightly navel-wards and adopting the voice of a fictitious philosopher, but before long he was bounding into the tambourine-rattling of older hits. "Jackie and Wilson", a "mid-youth crisis" paean to both unrequited love and the 1950s R&B/soul singer of the title, sounded even more haunting a decade after its release. "Francesca", from his latest album, overcame a potentially cheesy Dante-themed premise, with the singer revelling in his darker side below ethereal organ accompaniment.

Hozier's taste for melodrama was magnified by the staging, with lit-up trees, tongues of flame and a distractingly intricate CGI cauliflower. The religious influence was especially evident in a call-and-response exercise in "To Be Alone", in which his operatic falsetto proved challenging even to the pitches of the highly charged adolescent audience.

Various talents were trotted out with efficiency and charisma: a Gaelic language lesson in "To Someone from a Warm Climate (Uiscefhuaraithe)"; the acoustic solo of "Cherry Wine", performed below a vampirically red moon. For "Movement", a twinkly synth gospel number from 2018, he shed the guitar and sang with hands plunged tragically in his pockets, before snapping back into the mixture of infectious rock riffs and "eh-eh-eh"s that made him a fixture of the US rock charts.

Special credit falls to Hozier's poker face through some highly creative heckles. "You're gonna turn me straight!" screamed a young woman who had spent the previous hour alternately barking like a beached seal and addressing the singer as "Daddy". Truly a Christmas miracle.

hozier.com

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OPERA/CLASSICAL

Hansel and Gretel
Royal Opera House, London

BBC SO/Wigglesworth
Barbican, London

Richard Fairman

There are good reasons why ballet tends to fill the Christmas season, as the opera repertoire does not hold so many festive favourites. The Royal Opera has tended to play safe in the past with *La bohème*, though the company did once venture Tchaikovsky's *The Tsarina's Slippers* (*Cherevichki*) in 2009.

A new, rather underwhelming production of Humperdinck's *Hansel and Gretel* five years ago widened the options. The intention was to offer family fare, and director Antony McDonald tells the Brothers Grimm fairy tale fairly straight, with a sprinkling of nice touches for children along the way, though only adults will spot that the Witch's gingerbread house is straight out of *Psycho*.

There were plenty of young faces in the audience for the opening night of this revival. This time round, the opera is sung in a genial, rhyming English translation by Kelley Rourke, but only Darren Jeffery's Father and the ebullient Witch of Rosie Aldridge (the role is no longer presented as a pantomime dame) managed to get most of their words across.

Given that the production was intended as a Christmas special, it offers relatively little in the way of visual magic. The forest belongs in the German Romantic tradition of Caspar David Friedrich, rather than conjuring a world of Disneyesque enchantment. Reducing the 14 angels that protect the children to a paper cut-out is a very weak idea, though compensation comes in a charming roll-call of characters from other Grimm fairy tales and their ballet fills the long stretch of Humperdinck's music.

Some of the main roles are double cast. At this opening performance, Anna Stéphany's carefree Hansel made a better impression than the less-than-pure-voiced Gretel of Anna Devin. Susan Bickley as Mother, Isabela Díaz as the Sandman and Sarah Dufresne as the Dew Fairy do well enough, and Mark Wigglesworth conducts a well-played musical performance. In the end, it is Humperdinck's music, so prodigious with wonderful melodies, that carries the day. ★★★☆☆

At the Barbican, another Wigglesworth was at work, when Ryan Wigglesworth (no relation) conducted the BBC Symphony Orchestra in the first London performance of his new *Magnificat*. This is an ambitious piece, a half-hour score in five movements like sumptuously illustrated tableaux. Rather than setting the ancient hymn as a simple outpouring of rejoicing, Wigglesworth contrasts the humble, awed voice of a solo soprano with the tumultuous massed voices of the chorus and a big orchestra.

Doubt, even darkness infiltrate here, starting from the ominously wandering six horns at the start, through passages of troubled agitation, right to a brief epilogue, in which the music tentatively seems to signify acceptance — or is it eternity?

There is almost too much to take in, as the work throws the listener restlessly from one mood to another, often at extremes of grandeur or intimacy. The fourth movement, in which soloist Sophie Bevan communed radiantly with four flutes, focused the mind best. The BBC Symphony Chorus and Orchestra let rip in the Monteverdi-inspired fanfares of joy, and Wigglesworth completed the programme with his own arrangement of Monteverdi's *Lamento d'Arianna* for string orchestra accompaniment and Schumann's Symphony No 2. ★★★☆☆

'Hansel and Gretel' to January 7, roh.org.uk
barbican.org.uk

Anna Stéphany and Anna Devin as Hansel and Gretel — Tristram Kenton

Sparkling Gershwin in sequinned jackets

CLASSICAL

Michael Feinstein and Jean-Yves Thibaudet
Carnegie Hall, New York
★★★★★

George Grella

A century ago, George Gershwin showed there was no division between modern classical and pop music, composing instrumental pieces and also a swath of the greatest popular songs. It took critical opinion decades to catch up to this, but listeners and performers always enjoyed it just as great music.

Pianist Jean-Yves Thibaudet and vocalist/pianist Michael Feinstein brought this to life again at New York's Carnegie Hall on Wednesday night in front of an adoring crowd with *Two Pianos: Who Could Ask for Anything More?*. With a cameo from star theatre performer Joshua Henry, the pair mashed together medleys of Gershwin's songs and instrumental music and explored some of his contemporaries. It was touching, rousing and sparkled even more than the sequinned jackets the pair wore for the second half.

On paper, this was a fine balance of classical precision and cabaret flair. In performance, it was an even deeper and richer mix of Thibaudet's way of playing that felt spontaneous and Feinstein's urbane and multi-hued delivery.

Starting at the pianos, they played a quick intro with a brief bit of the second of Gershwin's *Three Preludes* mixed with the slow interlude from *Rhapsody in Blue* (premiered 100 years ago next year). After that, both spoke to and joked with the audience, piano-bar style, introducing backstories to the music.

Rollicking, smart and witty, it included Irving Berlin's "I Love a Piano" and Feinstein's gorgeous, exquisite performances of Anthony Newley's "Pure Imagination" and Alec Wilder's "I'll Be Around". They stripped away lyrics to play Richard Rodgers' waltzes "Lover" and "Oh, What a Beautiful Mornin'" and Gershwin piano music. Henry appeared in the second half to deliver "A Foggy Day" and Rodgers' "If I Loved You", with long, graceful phrases that contrasted with Feinstein's punchier style.

The two spoke about how Gershwin loved piano duos, composing instrumental music for two pianos before orchestrating it and working a pair of the instruments into the pit orchestras for his musicals. That was the lead into the grand finale, both back at the pianos. It was an extended medley that began with the opening of *Rhapsody in Blue* and segued through several ballads — "Someone to Watch Over Me", "Embraceable You", "The Man I Love" — with bits of "Oh, Lady Be Good!" and "Liza" stitched in, before picking up speed for the fireworks of the finale from *Rhapsody*. This was a small epic in song and instrumental music, a journey through the kind of aching beauty of both melancholy and joy that masterful songs like this are meant to deliver.

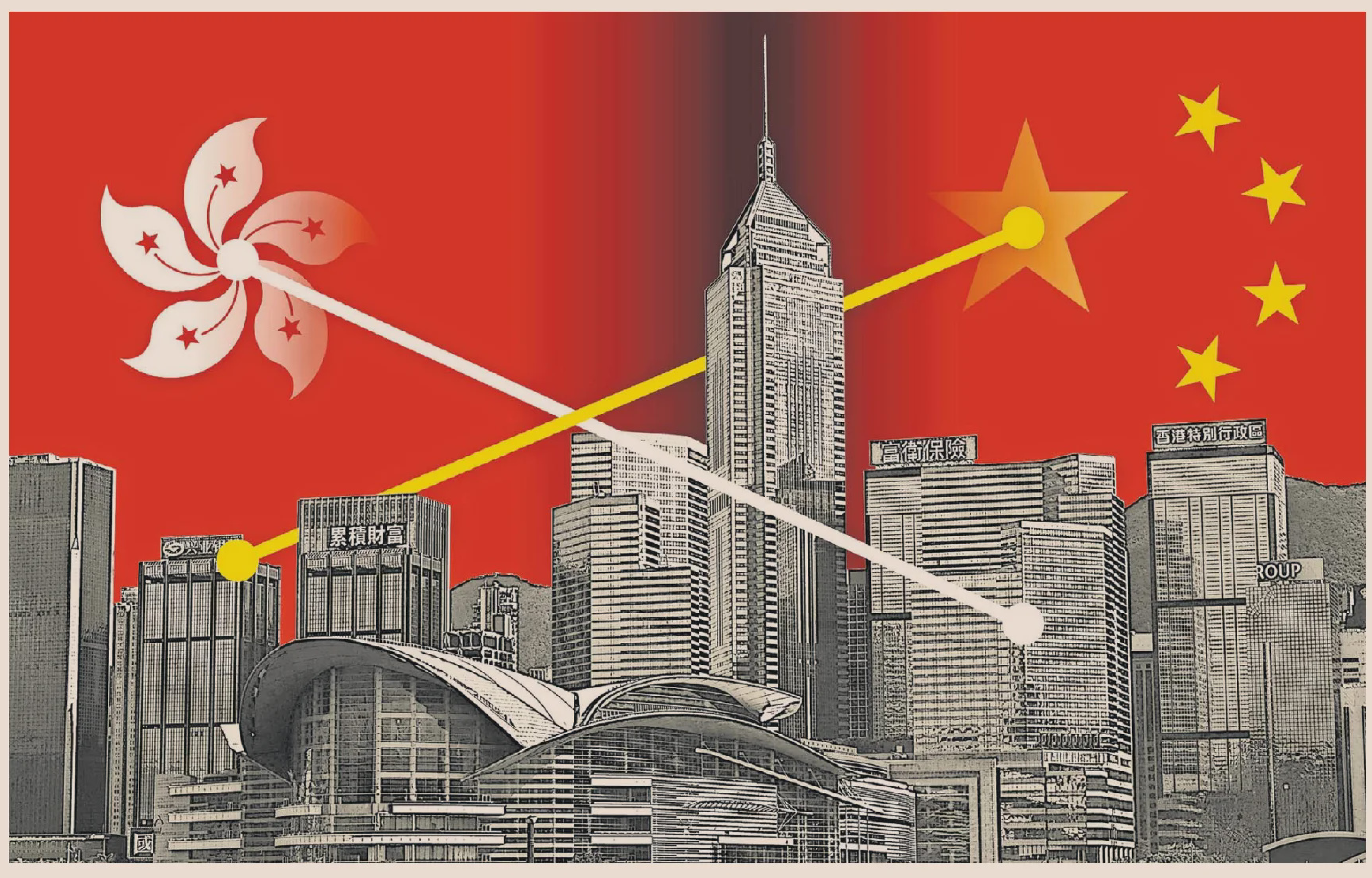
Thibaudet set up the encore with a bawdy joke about the difference in the number of words that rhyme with "love" in French (74, apparently) and English (five). It didn't land, but everyone took to the return of Henry and to Feinstein's touching introduction of the final song. He explained that Ira had to add the lyrics to George's music after his brother's early death, and that the words helped him live with that loss: "Our love is here to stay."

carnegiehall.org

Michael Feinstein, left, and Jean-Yves Thibaudet at Carnegie Hall — Jennifer Taylor

FT BIG READ. CHINA

Increasing reliance on the mainland has become a mixed blessing for the territory as growth has slowed and political interference has risen. Some now question how long the city's special status can survive. *By Chan Ho-him*



The doubts over Hong Kong's future

China's presence is increasingly being felt in every aspect of the city's life
FT montage/Getty Images

Rosanne Wong should be enjoying a year of recovery at her four cigar shops in Hong Kong, after three years of Covid restrictions were finally lifted at the start of the year and high spending mainland Chinese tourists returned.

Instead, in what should have been peak season during October, coinciding with China's Golden Week holiday, sales were down roughly 30 per cent compared with the beginning of the year.

Wong says big-spending patrons, many of whom are mainland Chinese working in Hong Kong's finance industry, were "willing and able to afford high quality cigars" and used to spend up to HK$100,000 ($12,800) each month in the past. "They are less willing to splash money today," she says.

Her experience illustrates how the territory's growing reliance on China has turned into a distinctly mixed blessing. It now finds itself hitched to a slowing mainland economy. Additionally, competition from Chinese capital markets and a political crackdown by Beijing have left Hong Kong facing "an existential crisis as a major international financial centre", according to Eswar Prasad, professor of trade policy at Cornell University and senior fellow at the Brookings Institution.

For decades, the special administrative region benefited as China's growth raced ahead. Its economy almost doubled between its return to China in 1997 and the start of the pandemic in 2020.

But over the past three years it has been battered — by the stringent zero-Covid policy adopted by Chinese President Xi Jinping's government, by a sweeping national security law imposed in the wake of pro-democracy protests, and then by a slowdown in China's post-Covid economy that has dragged down consumption and investment in Hong Kong.

The post-Covid recovery has instead been so anaemic that Hong Kong's finance minister, Paul Chan, recently cut the city's annual economic growth forecast to just over 3 per cent, from the up to 5.5 per cent projected at the beginning of the year. Earlier in December, Moody's downgraded the outlook on Hong Kong's sovereign credit rating to negative, a day after a similar downgrade for China's outlook. It said the move reflected its "assessment of tight political, institutional, economic and financial linkages between Hong Kong and [mainland China]."

The increasing extent of Beijing's political interference in a city that is supposed to enjoy a degree of political autonomy is also raising concerns among the multinational corporations that view it as a gateway to China.

They question how long the hallmarks of Hong Kong's system — low taxes, a transparent legal system, independent judiciary and dollar-pegged currency — can endure. Some companies, wary of Beijing's growing control and emphasis on security over economic growth, are already relocating to other financial centres such as Singapore. More than 140,000 people out of a population of 7.5mn left the territory in the two years up to 2022.

Hong Kong is now "firmly under Beijing's thumb", says Prasad, warning that "[Beijing's] imposition of its limited version of the rule of law that features judicial subservience to the government could erode investors' trust."

Once the gateway

Hong Kong has long traded on its position as an entrepot for China. Multinational banks, law firms and other businesses often selected it as the hub for their Asia regional operations.

But since the handover from Britain, it has come to rely more and more on the mainland for its tourism, trade, stock market, property investment and financial sectors. The new security law imposed by Beijing in 2020 — which silenced dissent, outlawed mass demonstrations, forced the shutdown of pro-democracy media outlets and sent opposition activists either to jail or into exile — caused real alarm in international business circles.

Journalists, businessmen and lawyers have been arrested under security charges. The judges that preside over such cases are handpicked by Hong Kong's top officials and there is a 100 per cent conviction rate. Local authorities have adopted tactics similar to those of mainland China against dissidents, including televised "confessions" and forced "repentance" letters.

The appointment of John Lee, a former career policeman and security minister, as the city's leader last year sent another clear signal: national security continues to trump economic and business interests. In July, even as Hong Kong was stepping up efforts to woo back foreign investors, Lee denounced eight self-exiled activists as "street rats" and offered a bounty of $1mn for information leading to their arrest. Last week, national security authorities announced new bounties for five more.

'An area that people are starting to look at — and probably be worried about — is the legal system in the long run'

Faced with what a range of lawyers, bankers, professors and economists who spoke to the Financial Times describe as a "new reality", foreign businesses and expats have continued to leave the city, their places taken by mainland firms and citizens.

Take banking. The total number of licensed banks in the city dropped to 155 last year from 164 in 2019, according to the Hong Kong Monetary Authority. But within that total, the number of mainland Chinese-controlled banks rose while European-owned entities declined. The share of customer deposits at mainland Chinese banks has risen over the past decade, while European banks' share dipped.

Gary Ng, a senior economist at French bank Natixis, says that growing numbers of foreign investors find it more difficult to look at Hong Kong's status separately from that of mainland China.

Another executive, the head of a global bank's Hong Kong arm, says that "if you're a US investment bank that had been hoping to expand in China . . . geopolitical uncertainties [have indeed been] making it more difficult" to do so.

The number of firms with regional headquarters in Hong Kong fell to 1,411 last year from 1,541 in 2019, while the total number of employees in these companies dropped more than 30 per cent during the period. In August, National Australia Bank said it would be shutting its Hong Kong office. That followed the exit of Westpac, another Australian bank, in June.

Meanwhile, the proportion of Chinese tenants at One International Finance Centre, one of the city's most sought-after office buildings, has almost doubled to 38 per cent this year from 20 per cent in 2019, according to commercial real estate agency Colliers. Another senior commercial real estate agent says she expects that in 10 years' time, the proportion of mainland Chinese tenants at prime office buildings in central business districts "could reach as much as 40 or even 50 per cent", up from the current average of around 20 per cent.

Singapore has been marketing itself as a safe-haven alternative. The city state reopened following Covid-19 lockdowns months earlier than Hong Kong and is perceived as being less exposed to strained US-China relations.

But several financiers told the FT that Hong Kong's economic fundamentals remain compelling: at $4tn, its equities market is more than six times the size of Singapore's. It is also home to three times as many individuals with a net worth of at least $30mn.

Since borders reopened, Beijing's liaison office, the central government's official representation in Hong Kong, has been "more actively" approaching current and former senior executives from Chinese companies to encourage them to invest their wealth there, according to people familiar with the matter.

$4tn Total value of Hong Kong equities — more than six times that of Singapore

2% Hong Kong's share of China's economy. In 1997 the figure was 18 per cent

As Hong Kong increasingly caters for the growing demand from mainland Chinese clients, the number of Mandarin-speaking bankers, lawyers and consultants has been on the rise. "When our clients look for corporate lawyers . . . they rarely look for foreign talent because corporate is an area where Chinese is really required," says a senior executive at one recruitment firm. Areas of the territory's financial regulation are also edging closer to Beijing.

One banker says trading floors in Hong Kong contain noticeably more locals and mainlanders today compared with 10 years ago, when there were far more Americans and Europeans.

Ahead of the handover, Beijing promised that Hong Kong's capitalist system, style of governance and independent judiciary would remain unchanged until at least 2047. The "one country, two systems" pledge is spelt out in the city's Basic Law, its mini-constitution.

But growing numbers doubt Beijing's commitment to it, following a 2021 overhaul of the city's political regime that included a "patriots ruling Hong Kong" edict banning virtually all political opposition.

"An area that people are starting to look at — and probably be worried about — is the legal system in the long run," says one senior corporate lawyer from an international law firm.

The lawyer points out that a junior studying law now has less than 24 years until 2047. "At that stage [they] will be at the prime of their practice. They may be partners in law firms — but what is Hong Kong law going to be in 2047? Are we still going to have the two systems?"

Bankers have started to wonder how much longer Hong Kong can justify its low taxes — the top rate of income tax is just 17 per cent — when counterparts on the mainland are paying much more.

Uncertainty also surrounds the continuation of the currency peg established in 1983, under which the Hong Kong dollar fluctuates within a narrow band against its US counterpart. Some have argued that Hong Kong should peg to the renminbi instead, though both the financial secretary and the head of the Hong Kong Monetary Authority, the territory's de facto central bank, have over the past year defended the peg and declared it is here to stay.

Less world, more China

Hong Kong's benchmark stock index has fallen 13 per cent over the past year amid slower growth in China and rising Sino-US tensions. By end-November, India's National Stock Exchange was bigger in terms of market capitalisation.

But top officials appear unworried; an enthusiastic John Lee told a global bankers' conference last month that "Hong Kong means prosperity". In another upbeat speech at a summit organised by Saudi Arabia's Future Investment Initiative Institute this month, Lee insisted the city was still very much "the world's pre-eminent gateway . . . and a 'super value-adder' for economies, cultures and peoples, east and west".

But as expats drift away, they are being replaced with mainland Chinese citizens. In the first half of 2023, Hong Kong approved more than 25,000 applications under a new talent scheme with over 94 per cent of them originating from mainland China. In contrast, approvals under an existing scheme focusing on overseas talent fell 42 per cent year-on-year, to 11,432.

The influx of mainland Chinese has relieved some of the pressure on Hong Kong's economy from low birth rates, a falling student population and emigration. But it has added to the sense that the territory is losing its unique identity.

'If Hong Kong becomes just another mainland Chinese city it would become rather pointless'

Hong Kong will "converge to the Chinese system step by step", says Yasheng Huang, a global economics and management professor at the Massachusetts Institute of Technology.

Large scale development projects in the city reflect this. Over the next two decades, the Northern Metropolis plan envisages 500,000 new flats around a "technopole" aimed at integrating Hong Kong more closely with Shenzhen, the closest major Chinese city.

"This substitution effect would then create demands for Chinese rules, regulations, and business methods, and economic practices," Huang adds. "The subsequent changes could very well come from bottom-up demands of an increasingly Chinese business community in Hong Kong . . . Once the general principle of 'one country, two systems' is undermined, the two systems at multiple levels will start to converge."

But some, including those from Hong Kong's pro-Beijing political groups, disagree. Gary Zhang, a first-term lawmaker elected under the "patriots" electoral regime, says that "if Hong Kong becomes just another mainland Chinese city it would become rather pointless".

Zhang, who has worked as an engineer and manager in the city since the late 2000s, thinks that while China "could survive" without Hong Kong, the territory's unique system "is definitely an advantage" to Beijing in the long run.

Many analysts share Zhang's belief that Hong Kong will still prove useful to Beijing as a testing ground for pioneer projects, such as greater offshore use of the renminbi, and as a conduit for incoming foreign capital and for Chinese firms to secure overseas financing.

During a rare visit to Hong Kong to mark the anniversary of the 1997 handover, Xi himself declared that the territory should maintain its capitalist system "with a high level of autonomy".

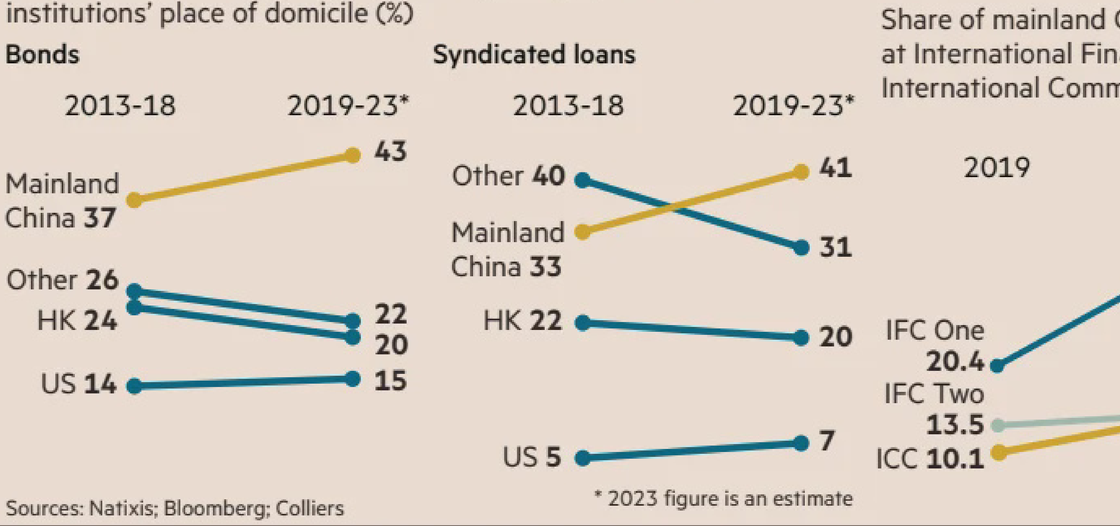
Hong Kong accounted for 18 per cent of China's economy in 1997 but only around 2 per cent now. Cities such as Shenzhen are growing faster, prompting questions over how much leverage the territory can exert upon Beijing.

While Hong Kong has been exploring markets in the Middle East and south-east Asia, China will remain the economy upon which it most depends for trade, investment and visitors. Natixis's Ng says it currently relies on the mainland for roughly 40 per cent of its economy but expects that could grow to up to 50 or 60 per cent over the next decade.

For many, there is little doubt about where that leaves the former British colony. "There is no way that China will converge to Hong Kong," says Huang. "It will have to be the other way around."

Additional reporting by Kaye Wiggins and William Langley in Hong Kong
Data visualisation by Andy Lin

Mainland Chinese banks have expanded their leading position in Hong Kong's debt market
Market share of debt financing in Hong Kong by financial institutions' place of domicile (%)



More prime Hong Kong office space is occupied by mainland Chinese tenants
Share of mainland Chinese tenants at International Finance Centre and International Commerce Centre (%)

2019 / 2023**
IFC One 20.4 → 38.2
IFC Two 13.5
ICC 10.1
16.3
15.5

Sources: Natixis; Bloomberg; Colliers
* 2023 figure is an estimate
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The FT View

FINANCIAL TIMES
'Without fear and without favour'

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The EU has a messy Orbán problem

Stand-off over funds to Kyiv has laid bare the need to reform how the bloc works

The past week has produced two highs, and a deep low, for European democracy. The swearing-in of Donald Tusk as Polish premier after his electoral victory over the illiberal Law and Justice party was one high. Another was the EU's agreement, fending off threats of a veto by Hungary's Viktor Orbán, to start membership talks with Ukraine. But, in a low point, Orbán still blocked a four-year, €50bn EU aid deal for Kyiv, jeopardising its ability to fund its war with Russia. To ensure cash flows to Ukraine in 2024, and that the EU can remain an effective geopolitical player, it must find ways to tackle its "Orbán problem".

EU leaders should start by being clear that Orbán is motivated largely by money. He needs EU funds to keep flowing to Hungary, boosting its economy, to underpin his support. Billions of euros have been blocked since 2021 over rule of law concerns. Hungary's premier was last week trying to use his posturing over Ukraine as leverage to unblock the frozen funds. He also knows eventual EU membership for Kyiv would shrink the funding pie for Hungary and other central European members.

Orbán has no desire to "leave the EU", as he said in an interview. Instead, he wants to "take it over", with like-minded allies. Yet what was notable last week was how far he remains from that goal, especially after Poland's change of direction, and despite advances by populist leaders and parties elsewhere. Indeed, on Ukraine he was entirely isolated. With 26 leaders against him, even Orbán seemed to feel too weak to wield his threatened double-veto, instead leaving the room while the rest voted to launch accession talks with Kyiv.

But Orbán demonstrated his capacity to be a "spoiler". So EU capitals should double down on using the tools they have to curb misbehaviour by him, and others who might follow a similar path. Now that Budapest cannot rely on Warsaw shielding it, they should make clear that triggering Article 7, suspending Hungary's EU voting rights, is again possible, even if some states are queasy about using this "nuclear option".

> Members should make clear that triggering Article 7, suspending Hungary's voting rights, is again possible, even if some states are queasy about using this 'nuclear option'

Having worked hard to create a more usable mechanism allowing funds to be blocked if member states go into reverse on democracy and rule of law, EU leaders should not flinch from wielding it. Orbán has now shown how this can be twisted into leverage against the EU. Although €10bn of funds were released last week after Brussels said concerns had been met, there should be no "dirty" deals to unfreeze further blocked money to Hungary without good reason, even for the sake of Ukraine.

On financing Kyiv, the EU must find another route — via an intergovernmental agreement of 26 states. This is messier, but can keep money flowing for now. Similar workarounds might be possible on some other policies — though not on enlargement where, as Orbán noted, the requirement for unanimity at every step creates multiple future chances for Hungary to block Ukraine's progress.

This latest episode has laid bare once again structural problems with EU decision-making that must be addressed now that further expansion to half a dozen or more new members is in prospect. More decisions need to be taken by qualified majority, and there needs to be greater scope for "coalitions of the willing" to press ahead with initiatives.

EU states are unlikely to relinquish the need for unanimity on taking in new members — though it might conceivably be limited to the start and end of the process. For now, EU leaders will have to use what means they can to coax and shame Orbán into not deploying his veto on Ukraine. For Europe's wider stability, it is welcome that enlargement is back on the cards. But, as it grows, the EU cannot allow its functioning to be held hostage by a small minority.

Opinion Demographics

Pro-child policies? Let's have pro-parent ones too

Ewan White

Stephen Bush

One of the things that forces a rich country to open its doors to immigrants is the need to find people to do work that their own population is unwilling or unable to do. And increasingly in the developed world, one of the jobs that people are unwilling or unable to do is that of a parent.

With the exception of Israel, no country in the OECD has a birth rate above replacement rate — 2.1 births per woman. Even countries like France and Hungary, which have spent large sums to encourage people to have bigger families, have not managed to get above this pivotal figure.

It is possible Hungary's upward trajectory has not yet peaked and that its generous financial incentives, in which families with more than three children pay little to no income tax, has turned around the country's long decline in fertility. But given that Hungary spends 5 per cent of its gross domestic product on "pro-childbirth" policies, you would hope that it would have managed to hit a higher birth rate than 1.6. That is no better than the UK, whose government removed child benefit for households earning more than £60,000 and refuses to pay anything additional for households having more than two children.

> A country's ability to get people to do anything is a commentary on how attractive people find it

Some people insist that demographic decline isn't a problem. There are three arguments I hear all the time whenever I raise this topic.

The first is there are too many people on this planet as it is and reducing the number will be good for the Earth. This misses the point that it is *how* you live and how your energy is provided that drives your impact on the planet: the world's biggest population booms are not its biggest polluters.

The second is that states should not be preoccupied with what their citizens are choosing to do. This is true up to a point but given we all, whether we have children or not, have an interest in there being someone around to look after us at the end of our lives, a country's birth rate is a social issue and not just a personal one.

Finally, there is the argument that we already know what the solution to the rich world's birth problem is: immigration from poor and middle-income countries.

There are a number of objections I could raise here, not least that this is a big bet on these countries remaining poor, which is neither guaranteed nor desirable. But the largest is that it is an important signal when the role of parenting is sufficiently unattractive that society needs to turn to people born in poorer countries.

The declining rate of childbirth in richer countries is about any number of things, including the high cost of housing and the increasing importance of not just an undergraduate degree but some further form of higher education qualification for accessing the best jobs — in addition to unalloyed positives like reproductive freedom. But it is also an important market signal that having children does not appear to be a very attractive proposition for those with a choice.

And how could it be otherwise? Many rich countries have in effect closed the gender pay gap among adults who choose not to have children — but they have not managed to do so among those who choose to become parents. Forty-five years after Louise Brown became the first human to owe their existence to vitro fertilisation, we are not much closer to the first human to be born without risk to the life and health of its mother. There is no other job in the world about which people in polite society would say, "Sure, it comes with a heavy hit to your career earnings, there's still a risk that you might die doing it, but don't worry, we can always find someone from a poorer country to fill the gap."

Almost all of the rich world's pro-child policies are really just about encouraging people to have children in the first place, but very few are really pro-parent. Hungary may spend a colossal amount on this, yes, but it does very little to improve the experience of antenatal care nor the career prospects of women after birth. Indeed, quite the opposite: the Hungarian model is expressly about incentivising women to stay at home and take on most of the caregiving burden. This may well be part of why, while the country has raised its birth rate, it has not turned around its declining population, because large numbers still leave for a better life (and more social freedoms) elsewhere.

Ultimately, a country's ability to attract people to do anything is a commentary on how attractive people find it. States planning pro-childbirth policies would be better off thinking about what a "pro-parent" policy could look like — whether it is a better standard of antenatal care, better social opportunities for new parents or cheaper childcare.

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Letters

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Americans view compassion with different lens

John Burn-Murdoch's piece "Does the American dream foster inequality?" (Opinion, December 9) highlights the fact America has the greatest income inequality in the world and the least desire to do anything about the gap. He notes a couple of dynamics that may explain this behaviour and suggests that American culture is one that lacks compassion for the poorest.

Having lived in both the US and the UK for 30-plus years each, and served under two US presidents (Reagan and Bush Sr), I believe the answer may be more nuanced and be a reflection of the fact that the average American voter defines "compassion" very differently from that of the typical UK or European voter.

The American voter might ask: is it compassionate to spend so much on welfare bills that we end up borrowing a fortune and saddling the young with picking up the bill? Is it compassionate to tax too much so that we slow the growth of the economy and damage the income of the least well-off? Is it compassionate to pay so much in benefits that it becomes more advantageous to be on benefits rather than work?

The American voter loves peace, love, children and the elderly as much as UK or European voters but sees compassion through a different lens. The conventional wisdom that one culture is kind and the other unkind is wrong. Compassion and decency can be reflected at the ballot box in more than one political view.

Tom Berger
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Religion also creates and sustains social capital

It is not a surprise that religion has a salutary impact on our mental and physical health, as Camilla Cavendish makes clear ("The restorative power of ritual must not be underestimated", Opinion, December 16).

Part of the answer lies in the capacity of faith to provide ritual through prayer and other regular activities. As Rabbi Lord Sacks once wrote: "Ritual creates new habits of the heart that can lift us to unexpected greatness."

The other thing that faith does is create a sense of community. By helping facilitate an enduring sense of relationships, religion creates and sustains social capital. There are over 49,000 faith-based charities in Britain, 27 per cent of the whole sector. The research of the Harvard sociologist Robert Putnam has shown that people who attend places of worship are more likely to give to charity or volunteer.

They provide huge help and support to those who are unemployed, hungry, sick or depressed. As Alain de Botton sets out in his book *Religion for Atheists*, religion makes a huge contribution to the social and cultural fabric of the nation. Those who engage in positive activity in serving others often have stronger mental and physical health, thereby creating a virtuous circle.

Zaki Cooper
Co-Chair, British Indian-Jewish Association, London NW4, UK

Credit Africans for their role in carbon markets

I am neutral or agnostic on the matter of carbon credits. But I think it is problematic that your Big Read, entitled "The African land grab for carbon credits" (December 7), is framed in a way that minimises the political agency of the Africans in this.

Whether the decision to expand carbon markets is ultimately "good" or "bad", Africans are not merely passive bystanders to some sort of neo-imperial or colonial financial market ambush. As someone born in Africa, I am not entirely sure how I feel about this "land grab" angle!

With the exception of Andrew Zeleman, nearly all the people quoted in the story, whether for or against voluntary carbon markets, are European and Arab experts ventriloquising their view.

Moreover, the article neglects domestic efforts on the continent to scale technical and institutional capacity by the African Carbon Markets Initiative, by the president of Kenya and by the extremely competent team at the Johannesburg Stock Exchange, where a voluntary carbon market was launched in November with Xpansiv.

I'd be grateful if you would consider this context.

Desné Masie
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Gibraltar's relevance to the Catalan question — discuss

Pere Aragonès, the president of the government of Catalonia ("Catalonia will pursue its right to a referendum", Opinion, December 12), argues that Catalonia has a right to a referendum with the possibility of secession from Spain.

At the Treaty of Utrecht in 1713, at the end of War of the Spanish Succession, Spain ceded Gibraltar to the UK. The UK thereby abandoned its ally, Catalonia. Shortly afterwards Spain defeated Catalonia, turning it into Spanish territory.

There is great irony here. For decades Spain has demanded the return of Gibraltar, but it will not let Catalonia go free, even though, coincidence or not, the ceding of Gibraltar at least in part allowed it to conquer Catalonia.

Spain wants it both ways: it wants to get back what it gave away, and to keep what that deal made possible.

Paul Hallwood
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Correction

● A new 30-year trend extrapolated by European earth observation agency Copernicus showed global warming could breach 1.5C above the pre-industrial average by February 2034, not February 2024 as wrongly stated in the text accompanying a graphic on December 16. The chart was correct.

OUTLOOK
EUROPE

Spain and Portugal's strange estrangement

by Barney Jopson

The most innocuous bit of the email got me into trouble. I had tapped out my usual signature in a hurry without thinking. The Portuguese official's reprimand was swift and stern. "Please, don't say 'saludos'. It is a very Spanish word."

Indeed it is. It's Spanish for "regards" and my sign-off had hit a nerve, pulling me into the realm of Portugal-Spain psychodrama wrought by pride, history and the odd acerbic stereotype.

Sweeping generalisations about adjacent countries can be futile, if not offensive, but the Iberian neighbours? They almost invite you to lump them together. They cohabit on a peninsula separated from the rest of Europe by the Pyrenees and from the world by the sea. They share beaches and wine, bygone empires and dictators, small factories and tight families. They get called "brotherly nations". Foreign multinationals treat them as a single market. Heck, I'm the FT's Spain and Portugal correspondent. But caution on the commonalities is advised.

There is an old saw that the pair are "two countries with their backs turned", looking anywhere but next door for friends, trade and ideas. And there's still much truth to that, especially once you discount the obligatory warm words from the governments about bilateral ties. But their world views also differ sharply.

Portugal harbours a deep-seated fear of its larger neighbour, rooted in centuries of invasions, bloodshed and threats from Spain. On December 1, it marked its liberation in 1640 from 60 years of occupation by Castile, the kingdom that grew into the Spanish state. Boxed in by its neighbour, Portugal has always looked for maritime allies, the oldest being the UK. It is roughly one-fifth of Spain's size in population and land area. If its back is turned that's because "the way for Portugal to defend itself is to never provoke and to maintain distance", says Rafael Valladares, a Spanish historian of the country.

Portugal is a country of emigrants, but only 106,000 of its citizens live in Spain — against 1.2mn in France. Spain's stance on Portugal is more about blithe indifference. A dismissive expression "Portu-que?" sums it up. When I asked a Madrid-based friend what the country brought to mind he paused, then said "towels" (from its textile industry). Spaniards do visit on holiday — but they can rub the locals up the wrong way, by marching in speaking their own language. "The assumption that we are supposed to understand is what rankles," says one Portuguese social scientist.

In reality, many Portuguese can make sense of Spanish because the languages are close and the phonetics of Spanish are very simple (it has just five vowel sounds). But the reverse is not true. Portuguese enjoy bewildering Spaniards by replying in their own tongue, with its slippery consonants and up to 15 vowel sounds.

Portugal may have fallen from once being the world's richest country (thanks to Brazilian gold) to the poorest in western Europe, but its people often still feel culturally superior to the Spanish, who some say are rude and arrogant. Where Spain has lively bars, Portugal has quiet patisseries. One hotel receptionist complained about Spaniards talking loudly on the phone at check-in and told me "there is a need for rules".

The Portuguese are happy to be the northern Europeans of southern Europe. Spaniards have described them to me as reserved, even cold. But a Portuguese chief executive told me something else: "We have this perception that the Spanish are the joyous part of us."

In the border regions, the differences fade. Galicians arguably have more in common with northern Portugal than with the rest of Spain. Portuguese buy their petrol in Spain where the tax is lower. Spaniards buy cheaper food in Portugal. The football fans of Spanish club Celta Vigo, 30-odd kilometres from the frontier, are mocked by rivals as "Portuguese" — and some embrace it.

But there's also Olivenza, a border village that has been disputed territory since being occupied by Spain in 1801. The government in Lisbon, which calls it Olivença, insists it belongs to Portugal. At least I know what I'd say to the Portuguese about trying to get the village back. "Bom trabalho" which roughly means "Good luck with your work". As I now know, it's a typical email sign-off in Portugal.

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Opinion

Central banks are wrong to abandon key guardrails

Raghuram Rajan

Macroeconomic policy in industrial countries has become much more discretionary of late, and not necessarily in a good way. When sensible, it is focused on the long term, and moves to stabilise the economic cycle rather than accentuate it. So the government should shrink deficits when the economy is doing well, even as monetary policy gets tighter, and the opposite should happen when the economy is doing poorly. One benefit of pulling back policy stimulus in boom times is that it preserves the capacity to intervene in downturns.

However, few politicians like to cut back when the economy is doing well, and central bankers might be unwilling to incur public ire by raising rates just as the party gets going. Countries with dysfunctional politics are particularly prone to overspending and contractionary policies set in only when there are no other alternatives.

Recognising the folly of such cycle-accentuating policies, many industrial countries previously adopted self-constraining guardrails such as inflation-targeting frameworks for the central bank, deficit rules and debt brakes for the government, and so on. Over time, as they saw economic volatility in industrial countries moderate, a number of emerging markets got religion and adopted these guardrails.

So far, so Economics 101. The global financial crisis of 2008 upended the political consensus. Central banks came under scrutiny, not so much for missing the pre-crisis risk-taking, but for not doing enough to revive growth — after all, inflation was consistently below target post-crisis. And so they pulled out all the stops, holding rates at zero for long periods, and engaging in quantitative easing. The Federal Reserve even changed its framework to target average inflation, committing to be more tolerant if it materialised.

Even before economies had normalised, though, the pandemic hit in 2020, followed by the Ukraine war. Government spending took off, with the rationale that these rare events were nobody's fault, and everyone's suffering should be alleviated. Fiscal concerns and constraining guardrails were overridden.

In the US, every constituency, from pensioners to airlines, was appeased through multiple rounds of stimulus. A bond market anaesthetised by Fed bond buying showed little concern. The spending contributed to inflation that the Fed, held back by its more tolerant framework, was initially slow to address. However, even as it has raised rates rapidly, the US continues with fiscal deficits of a size never seen outside recessions. With Congress divided, it is hard to see these shrinking significantly.

> There is a tendency among some policymakers to assume they will use discretion wisely. If only

Monetary policy is fighting fiscal policy, a textbook no-no.

There seems to be little urgency to rein in spending elsewhere either. Europe intends to return to its rules on deficits next year, but it is unlikely these will be enforced for some time. The over-indebted Japanese government's latest supplementary budget is intended to help citizens with rising prices, even as inflation is taking off.

Interestingly, some emerging markets such as Brazil and Mexico have been much more cautious in expanding deficits. Borrowing was contained. They raised rates early, when they saw signs of inflation. Consequently, they have not experienced the usual emerging market jitters. Orthodox policy guardrails have stabilised their outcomes, despite domestic political volatility.

Notwithstanding such examples, there is a tendency among some industrial country policymakers to claim they do not need to restore their guardrails. They assume they will use discretion wisely. If only! Politics are likely to become yet more dysfunctional, not just in the US, but also in Europe, as countries grapple with ageing, immigration and climate action, even as debt service eats away more and more government revenues. In this regard, the German Constitutional Court's decision to restore pre-pandemic constraints on deficits should be welcomed.

With the inflation genie unleashed, central banks need to refocus their frameworks on combating high inflation rather than being tolerant of it. The Fed seems to have rightly abandoned average inflation targeting, not least because recent high levels may require it to go well below 2 per cent if it is to reach a reasonable average. When inflation is tamed, the Fed will have to revisit its framework, perhaps restoring much of the pre-pandemic one.

Of course, reinstating macroeconomic guardrails may not do much to constrain Donald Trump, who even threatens democracy if he is restored to power. But as emerging markets have learnt, every little helps.

The writer is a former central banker and a professor of finance at the University of Chicago's Booth School of Business

Ukraine and its backers need a path to victory

GLOBAL AFFAIRS

Gideon Rachman

Ukraine goes into the new year short of ammunition, money and diplomatic support. Underlying these critical shortages, there is another important deficiency. The country and its western backers no longer have a convincing theory of victory. Unless they can come up with one, western support for Ukraine will continue to waver.

The current situation is a stark contrast to the optimism at the beginning of this year. Back then, Kyiv and its supporters had a clear view of how victory might be achieved. Ukraine would go on the offensive in the spring and summer, break through Russian lines and threaten Crimea. The doves hoped this would force Moscow into peace negotiations on terms acceptable to Kyiv. The hawks talked of taking the fight into Crimea and precipitating the downfall of Vladimir Putin.

But the counteroffensive failed — and neither hawks nor doves ever saw their theory of victory put into practice.

Going into 2024, the outlook is much bleaker. Ukrainian forces are already having to ration ammunition. Both the EU and the US are struggling to agree new packages of military aid. Western leaders normally pledge to support Ukraine for "as long as it takes". But President Joe Biden recently ominously revised that to "as long as we can".

Without new money, Ukraine's position on the battlefield could deteriorate fast. In Moscow, Putin has already begun to crow that Ukraine will collapse without outside support.

The fear now must be that while 2023 was the year of the Ukrainian counteroffensive, 2024 will be the year that Russia goes back on the attack. The worst-case scenarios are that, if western aid is cut off, Ukraine could be in serious trouble by the summer.

It is still more likely than not that a new package of western aid for Ukraine will be agreed. That should be enough to hold Putin's forces off, if they go on the offensive. But even if the war remains a stalemate in 2024 this year, time could still be on Russia's side. Both Moscow and Kyiv can now see that western support for Ukraine is fragile. And while Russian losses have been terrible — US intelligence estimates that 315,000 troops have been killed or wounded — Ukraine has also sustained heavy losses. And its population is under 40mn, compared with Russia's 140mn plus.

Domestic politics — above all the 2024 US presidential election — is driving much of the American opposition to renewing aid for Ukraine. But, after the failure of the counteroffensive, there is also genuine scepticism about Ukraine's prospects. If the country and its backers are to win the argument to do whatever it takes, they will have to do a better job of defining what "it" is.

Without a credible theory of victory, the pressure on Ukraine to negotiate with Russia will mount. The Ukrainians might make a deal — even if it involved making territorial concessions — if they had any confidence that Russia would stick to it. But Ukrainian officials can point to a litany of agreements that Putin has made and then broken. They believe that any cessation in the fighting would simply be used as an opportunity for Russia to rearm.

One alternative to a formal agreement between Russia and Ukraine might be a de facto freezing of the conflict. In this scenario, Ukraine would move into a mainly defensive posture and hold off further Russian advances. The fighting would never stop completely — but it would dwindle.

> An intermediate situation, between a frozen conflict and a formal peace treaty, would be an armistice

An intermediate situation — somewhere between a frozen conflict and a formal peace treaty — would be an armistice. The two sides would agree only on a cessation of hostilities, without settling any of the underlying political issues. The model here would be the end of the Korean war and the division of the peninsula into North and South Korea.

The South Korean model also points to a possible new theory of victory for Ukraine. Once the fighting in Korea stopped, the South Koreans were able to concentrate on rebuilding their economy — with enormous success.

Crucially, Ukraine still has access to the Black Sea and controls the port of Odesa. It has also been given the green light to begin negotiations to join the EU — which should be combined with more financial and technical aid to begin the process of rebuilding the economy.

Even some of Ukraine's most ardent western supporters are now talking about the need for Kyiv to accept a frozen conflict and declare victory. "We have to flip the narrative and say that Putin has failed," says one former US official.

It is certainly true that Russia has done far worse in this conflict — and Ukraine far better — than most analysts dared to hope in February 2022 when the full-scale invasion began. The Russians were humiliatingly defeated in the battle for Kyiv. Putin has sacrificed hundreds of thousands of lives for minor territorial gains. And Russia — for the first time in centuries — has no virtually allies on the European continent.

Ukraine, by contrast, now enjoys an unprecedented level of international support and respect. The country has also paid a terrible price in this war. But its status as an independent nation — with its own proud culture and identity — will never be erased again. In the great sweep of history, that is a victory that will really count.

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Gatekeepers beware the game-changing US Corporate Transparency Act

Jamie Schafer

As an anti-money laundering lawyer, I've frequently heard it said that the new US Corporate Transparency Act — which requires certain corporations, limited liability companies and similar entities to disclose beneficial ownership information to the US Department of the Treasury for the first time — won't make a difference. The reason? The "Tony Sopranos" of this world aren't going to report anyway.

But this misunderstands perhaps the most important potential impact of the CTA, which goes into effect on January 1: dismantling the infrastructure that enables financial crimes by imposing liability on the corporate service providers or "gatekeepers" (lawyers, trustees, accountants and other corporate service providers) that allow (often unwittingly) the Sopranos to hide and launder billions of dollars. The law will result in substantial new enforcement risk for the organisations and individuals typically involved in supporting or helping to create US entities.

In 2014, an investigator posing as the representative of a corrupt foreign government met 16 Manhattan lawyers to request help moving millions in suspicious funds into the US. All but one in effect provided a road map on how to launder the money through shell corporations.

While the results of the sting were shocking, there were no regulations or even ethical rules that clearly require lawyers — or other corporate service providers — to "know their customers". The CTA changes this by creating a federal disclosure requirement necessitating, at least to some degree, that lawyers, trustees, accountants and others declare their association with the entities they create and, to some extent, understand their true owners.

The CTA stipulates that individuals who create new entities be reported to the government as "company applicants". This means corporate service providers will be associated in a federal database in perpetuity with the entities they create, and potentially with any future misdeeds of those entities.

Moreover, in the context of CTA filings, corporate service providers also face liability with respect to any failure or falsehood regarding the true ownership and control of the entities they support.

> Previously there were no regulations or ethical rules that required lawyers to 'know their customers'

Penalties for non-compliance with the CTA are steep, including daily accumulation of civil penalties and criminal sentences of up to two years' imprisonment.

US authorities have stated that the scope of liability under the CTA encompasses any individual who can be said to have "caused" a violation of the act, including by submitting a false or fraudulent filing on behalf of an entity they assist. Yet significant ambiguities persist, including around how broadly regulators will interpret "wilfulness" or "wilful blindness" on the part of those involved in CTA filings.

For instance, lawyers or corporate service providers filing false or incomplete information where there were obvious red flags as to an entity's ownership or control by, for example, a Russian oligarch, could certainly come under fire.

But what are regulators' expectations of such firms? What best practices will they be expected to adopt in verifying that they know the true beneficial owners of entities in complex corporate webs spanning multiple jurisdictions?

This is a new frontier for the corporate services industry. And, while it is easy for a lawyer such as myself with an anti-money laundering background to identify these risks, most of those involved in corporate formation and administration do not have experience with these issues. For this reason, there is not yet a robust appreciation throughout the industry of the multitude of risks that CTA reporting may lay bare.

That's why gatekeeper entities and individuals should take a close look at their vetting procedures and be vigilant about red flags as they gather ownership information to prepare CTA reports. These may range from the seemingly obvious — "why would someone with this amount of wealth have no internet presence?" — to more complex issues such as overly complicated ownership structures, extensive use of intermediaries and arrangements that involve "offshore" jurisdictions for no clear business or tax reason.

Currently, there is confusion across the corporate services industry. The most responsible providers are implementing robust new vetting and compliance programmes while more lax competitors are still wondering, "what does this have to do with me?" You can guess which one is going to get the oligarch business next year — and then find themselves in the enforcement crosshairs in the years to come.

The writer is a partner at Perkins Coie

Popular science books have never been more important

Adrian Smith

Science is increasingly central to our lives — from its role in creating day-to-day objects such as the smartphones in our pockets, to the big challenges of tackling disease, addressing climate change, dealing with pandemics and focusing on biodiversity loss.

Many of the changes that the discipline brings are hugely beneficial, but they often come with potential downsides that demand public scrutiny. Will artificial intelligence take people's jobs or subvert elections with fake news? How fast can we practically transition to a net zero economy?

For the crucial public debate that is needed on all this to take place, we must have a scientifically literate population. Against a backdrop of widespread scepticism and misinformation, intellectual curiosity and the ability to understand the rudiments of science are paramount.

But there is a divide between the scientifically minded and those who choose not to engage with science. I spent 30 years as an academic teaching how to reason rigorously, based on data — assessing the uncertainty of what you don't know, in light of what you do.

The insight of this scientific method drove me to be an advocate for evidence-based policymaking, which I carried into a role in government. There I sat in meetings with ministers — who did not have a science background — who said that evidence-based decisions were not what they were about. They were about values-based policymaking.

> The latest thinking on the problems people care about should be discussed in cafés and pubs across the land

This really does matter. For example, during the pandemic I had to publicly call out the government for their mantra of simply "following the science". I spoke out to mitigate the risk that scientists would be drawn into a blame game by politicians, whose role it was to make the important decisions on Britain's coronavirus strategy. Their approach presented "the science" as having all the answers — a fundamental failure in understanding how the discipline works, and the uncertainty that is inherent in cutting-edge research.

It saddens me that our culture now views science as difficult, which discourages many from taking an interest in it. A British Science Association poll recently suggested that only around a third of 14- to 18-year-olds finds scientists inspirational or consider the subject to be relevant to their lives.

In fact, science is woven through every aspect of our existence and people from all walks of life and of all ages should be able to access it easily. The invention of the printing press was crucial to the Enlightenment because it democratised knowledge. So, in this increasingly science-centred world, the same attention should be given to popular science writing as is given to other forms of literature.

Good science writing plays a fundamental part in increasing access to the discipline. The latest thinking on problems that people really care about — be they climate change, pollution or health — should be discussed in cafés and pubs across the land. And often an understandable book is what helps this to happen.

Our Trivedi Science Book Prize is the only one in the world dedicated to popular science writing. This is because we believe it provides a vital link between the expert scientific community and the public, communicating pioneering but often technical research to mainstream audiences.

Books such as Stephen Hawking's *A Brief History of Time*, which was shortlisted for the prize in 1989, was written for readers who had no prior knowledge of physics and has since become a universally recognised text on cosmology.

Democratising science has never been more important. There are so many scientific stories to be told that help us better understand ourselves. A society equipped with a solid understanding of the issues of the day is a society more able to respond to them in a prescient and pragmatic way.

The writer is president of the Royal Society

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Iliad/Vodafone: floating her boat

In the days of sail, merchant ships jettisoned cargo in dribs and drabs in rough conditions. Each sacrifice made it easier to go on, but reduced the value of the vessel.

Vodafone's chief executive, Margherita Della Valle, is wrestling with the same trade-off. Low growth, tough competition and an unwieldy conglomerate structure mean the UK mobile operator is making heavy going.

Yesterday, France's Iliad Group, run by billionaire Xavier Niel, offered to merge its Italian operations with those of Vodafone. The deal, worth €10.5bn to the latter, would create a joint venture ranking as Italy's largest mobile operator.

Italy's Directorate-General for Competition and phone operators have fought each other to a standstill that keeps prices — and investment — low. Consolidation could help break that deadlock.

Della Valle, who is herself Italian, is in the business of heaving impedimenta overboard. She sold a Spanish subsidiary in October for up to €5bn. The Iliad offer would leave Vodafone with 50 per cent of the Italian JV. Iliad would hold call options to buy a tenth more of the business every year at the same purchase price, eventually obtaining full ownership.

This may seem like a rerun of Iliad's previous offer in February last year. That was higher at €11.25bn, or 7.7 times March 2023 ebitda.

Della Valle could save some face by arguing that this offer rates Vodafone Italia at a slightly higher ebitda multiple. It is above the figure of six times for the whole group, according to analyst estimates from Visible Alpha.

Last time, Iliad's offer never got past Vodafone's board. This time is different, thinks James Ratzer at New Street Research. Della Valle needs to show progress and should relinquish the Italian business. The valuation gap between what the market will pay for Vodafone stock and the prices strategic buyers will give for its assets grows ever wider.

Regulatory scrutiny looks less of an issue than it was. This deal would be a consolidation from five to four big operators in Italy. A four-to-three transaction in Spain — Orange combined with MásMóvil — got the nod from Brussels this year.

Della Valle should dispense with Italy as well as Spain, then return cash to shareholders. If Iliad's offer is not good enough, she should find one that is.

UK import taxes: carbon stroppy

Trade policies are easy enough to announce, but trickier to implement. That will certainly be true for a UK cross-border carbon tax. The government has announced plans to introduce the tariff by 2027.

British makers of high-emissions goods such as iron, cement and steel have long lobbied ministers to level the playing field with rivals in countries where carbon levies are lower. The EU's decision to impose its own border emissions charges in 2026 appears to have forced the UK government's hand.

Cross-border carbon taxes are meant to stop "carbon leakage", where businesses shift production to countries with lower costs for pollution. Competitiveness aside, carbon leakage flatters emissions calculations. "Footprint emissions" — which account for all goods consumed in the UK — are naturally higher than the more widely published territorial numbers. In 2020, the last year of comparable numbers, footprint emissions were 43 per cent higher.

Companies with UK-based production had feared cheap, high-emissions goods would flood the market if the government did not follow the EU. That is still a risk if the UK policy comes into force 12 months later. The bigger danger is that if the policy is poorly designed, it will create a bureaucratic nightmare for companies selling to the UK.

Consider the car industry. Parts are sourced from worldwide. Companies selling to the UK could easily fall foul of the rules unless they have very detailed knowledge of their supply chain emissions, says Adam Bell of the consultancy Stonehaven. Businesses want UK policy to be closely aligned to the EU's to avoid additional red tape.

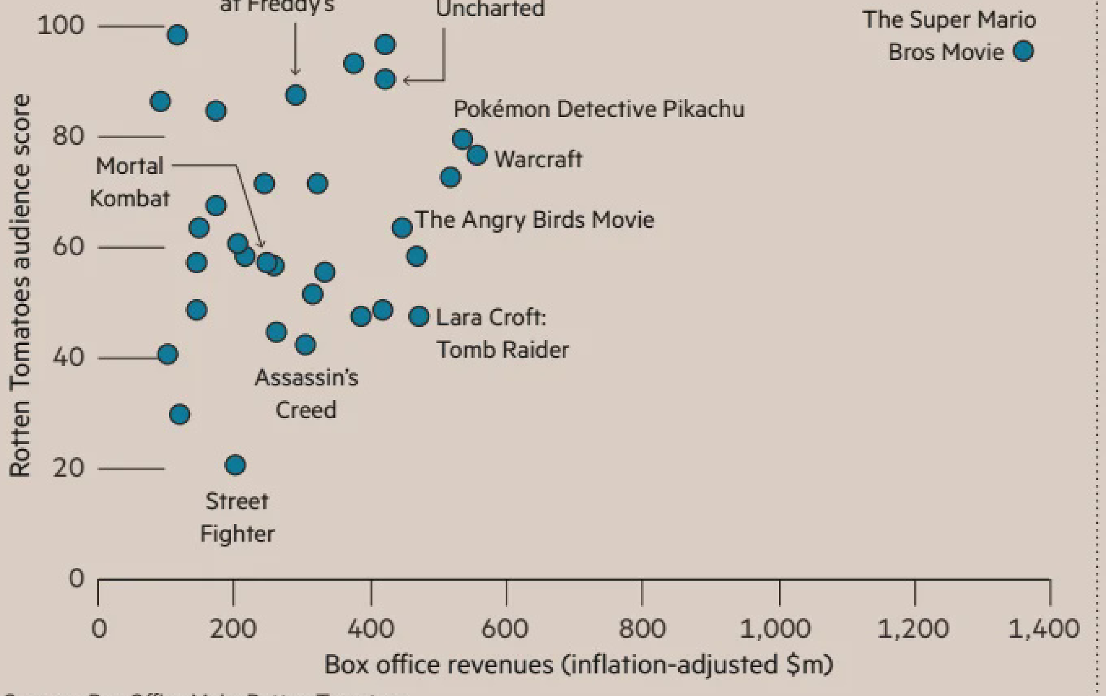
Officials will also have to be careful to avoid a consumer backlash. A cross-border carbon tax could significantly increase retail prices for such goods as cars, fridges and washing machines.

The tariff will be another big test of consumers' appetite to shoulder decarbonisation costs.

Games Workshop/Amazon: orc ward squad

Nintendo's Super Mario movie set a box office record for a cinematic interpretation of a video game this year. Royalty and related sales at the Japanese group doubled in the six months that followed. Games Workshop is seeking to emulate that success with its own film and TV partnership with Amazon.

How films based on video games performed



Sources: Box Office Mojo; Rotten Tomatoes

Nintendo IP-related sales*

Constant exchange rate ($m)

400 — 300 — 200 — 100 — 0

Other / Europe / Americas / Japan

2022** 2023**

*Includes mobile **Six months to Sep

Source: companies

Share prices

Rebased in $ terms

Mattel / Games Workshop / Nintendo

200 — 150 — 100 — 50

2020 21 22 23

Source: LSEG

Games Workshop's sci-fi and fantasy miniatures provide war without end to its devotees. But the group must avoid one conflict at all costs: a fight with the fans who are key stakeholders in the vast intellectual property of this UK hobby business.

The company produces miniature figures of deranged-looking warriors and the rules needed for players to pit them against one another in table-top battles. A rights deal with Amazon could yield ancillary revenue from dramatisations.

But the jeopardy is great. What if a clumsy non-player director reflexively recasts the blood-drenched exploits of orcs and space marines as a high school romcom?

Yesterday, Games Workshop said production would only go ahead with mutual creative agreement.

Games Workshop has been drip-feeding its IP into mainstream media for years. Video game adaptations have proved successful, yielding steadily rising royalties.

Bringing Warhammer to streaming screens is the next step. Done well, it would attract new fans and boost core sales. A series is the first likely result. Shareholders might prefer a big film release like Mattel's *Barbie* movie.

Royalties generated £22mn of profits for the company last year. A TV series might add an extra $1mn an episode, thinks Jefferies.

The partners will hammer out a creative agreement. A series might hit screens around 2027.

Nintendo and Mattel offer a glimpse of the potential rewards for success. The Japanese gaming group scored a big box office hit this year with *The Super Mario Bros Movie*.

Cinema takings of $1.4bn helped double the group's IP and related sales to almost $400mn in the six months to September. *Barbie* made a similar amount.

For Games Workshop, an equivalent hit would be worth some £900mn in market value.

Much of that has already been priced in. The company now needs to protect its re-rating. Hollywood costumiers take note: orcs and space marines need only armour and weapons. Tuxes and prom dresses will not be worn.

BNPL lending: boom now, pain later

Young, dumb and living off mum. That was how the Bank for International Settlements characterised the average buy now, pay later user recently.

This form of unsecured lending allows users to pay in several interest-free instalments. Its popularity is surging. BNPL use on Black Friday was 30-40 per cent higher this year and is set to feature heavily over Christmas.

Regulators around the world are taking a long, hard look at the sector as signs of consumer weakness appear and delinquencies rise for BNPL lenders. There is a growing sense that loopholes in consumer credit laws allow affordability checks to be circumvented.

For investors, regulators may be as big a threat as lending books built on lax credit standards.

The BIS found that more than half of BNPL borrowers globally were under 35 years old. It also discovered that a quarter of US users earned less than $30,000 a year. Only a tenth had been to university. Research from the UK's Financial Conduct Authority echoes the sentiment; users are more likely than average to be young, unemployed and living in rented accommodation.

Swedish BNPL lender Klarna says its customers have one thing in common: a deep distrust of the traditional banking system. The antipathy seems to be mutual.

Credit losses in BNPL appear to have stabilised this year. Delinquency rates for borrowers are around 6 per cent or three times more than those for credit cards.

BNPL balances are smaller. Profits remain elusive. Return on assets hit a new low in 2022. They average minus 15 per cent for the sector. BNPL lenders make most of their money from fees paid by merchants. As a result, interest rate rises have had little positive impact.

These lenders are stuck between a rock and a hard place: an unprofitable business model and rising regulatory scrutiny. Their acronym might easily be applied to their investors too.

Nippon Steel/US Steel: metal bender

It may be almost 2024, but an echo of the late-1980s lingers. Yesterday, US Steel announced it would sell itself to Nippon Steel of Japan at an enterprise value of $15bn.

The venerable American business was once the backbone of its country's industrial base. In recent decades it has suffered from the onslaught of cheap foreign producers, first from Japan then China. But tariffs imposed by Donald Trump and infrastructure largesse dished out by Joe Biden have suddenly made the idea of producing steel in the US more interesting.

Nippon, the fourth-largest steelmaker in the world, is one of many Japanese companies pursuing growth outside its home regions. US Steel shareholders will receive a takeover price more than double the group's trading value before an auction launched this summer. But closing a deal may prove tricky. US regulators are wary of foreign takeovers of significant domestic assets.

Members of the US steelworkers' trade unions voiced dismay about the deal, saying they had been excluded from negotiations. They would have preferred a transaction with Cleveland-Cliffs. The US iron ore miner-turned-steel-consolidator kicked off merger and acquisition fireworks in August with a much lower unsolicited bid for US Steel. A Cleveland-Cliffs/US Steel combination would have created a US national champion.

Cleveland-Cliffs' own enterprise value of $13bn pales before an aggregate valuation for Nippon Steel of more than $40bn.

Nippon's all-cash blowout offer is a win for US Steel shareholders. The purchase price represents a 7.5 times multiple of enterprise value to annual ebitda, slightly above similar transaction valuations.

A Japanese foray into US dealmaking four decades ago raised the hackles of locals and was financially dismaying for the incomers. The former is already true of Nippon Steel's offer. It is up to its bosses to avoid the latter.

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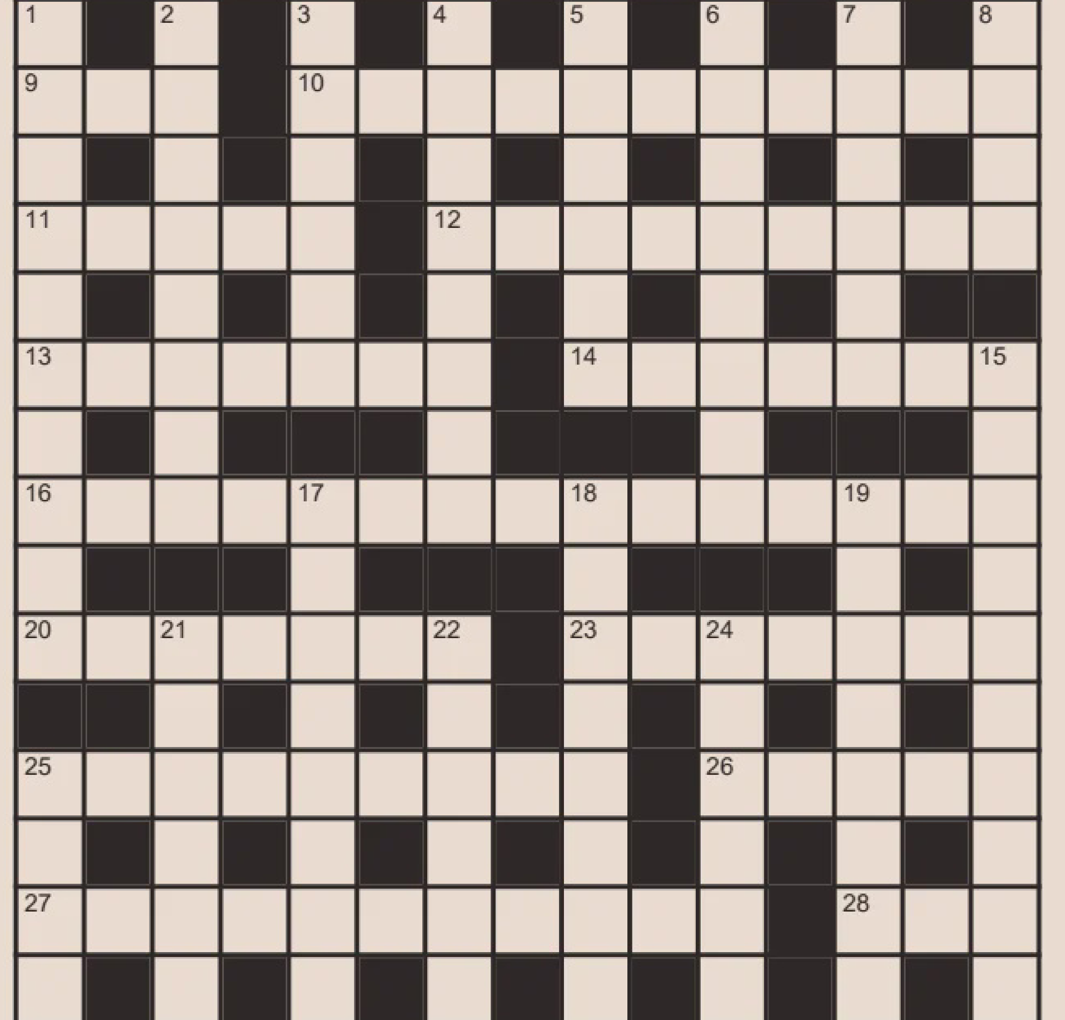


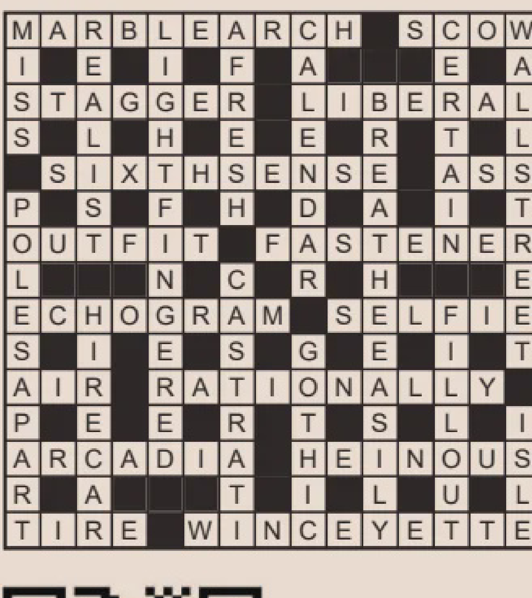
ACROSS

9 For example, camper's short blade (3)
10 Flying, travel to Rio for opera (2,9)
11 Price daughter considered (5)
12 Firm action needed if joke blue (9)
13 Warm weather Malaga enjoys (7)
14 Who killed Cock Robin with extremely sharp weapon? (7)
16 This may follow the news supplied by worried software teacher (7,8)
20 Rugby: tense win for county (7)
23 Extend prison term (7)
25 Chapter on a deal I worked out for Scotland (9)
26 Famous Egyptologist has no time for support worker (5)
27 Dish — nuts left in mine (6,5)
28 Mischievous child of eleven, German (3)

DOWN

1 Black market commodity — keep in distant retreat (5,5)
2 Object of loathing, the Frenchman after an article on Algeria's leader (8)
3 Is party, last in referendum, after women's knowledge? (6)
4 Singular person who amuses perfectionist (8)
5 Otherwise surrounded by extensive swamp (6)
6 Dismiss people in gala event (4,4)
7 Keep award (6)
8 Spiteful, chaps concealing answer (4)
15 With it, church councillor behind sorcery (10)
17 Billboard showing former US president holding disc (8)
18 Old boy's lie about Charlie's handicap (8)
19 Lawyer working on treaty (8)
21 Special gift Capone put in marquee (6)
22 A knight entertained by very attractive person from Copenhagen? (6)
24 List on location read out (6)
25 Apprentice reporter on a Caribbean island (4)

Solution 17,603



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