РЕЛИЗ ГРУППЫ "What's News" VK.COM/WSNWS


# FINANCIAL TIMES

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## Syria violence escalates as endgame nears

Abdulmonam Eassa/AFP

A member of Syria's civil defence organisation carries the body of a child from a house hit by an air strike in Jisreen, one of the few remaining rebel-held towns, outside Damascus. Violence has escalated across the country as forces from all sides scramble to secure the last disputed territorial enclaves.

The bloodshed centres on the capital's outskirts and in the north-east, where regime forces have advanced on US-backed Kurdish fighters.

The stand-off in the north prompted the US-led coalition to kill dozens of fighters loyal to Syrian leader Bashar al-Assad in a rare use of air strikes on Wednesday night, prompting objections from Syria's ally, Russia.

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Senior figures in Germany's Social Democratic party have slammed the decision of their leader, Martin Schulz, to enter the new coalition government as foreign minister.— PAGE 2; PHILIP STEPHENS, PAGE 9

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Jacob Zuma, South Africa's president, has been accused of playing for time and holding out for concessions as he remains locked in a power struggle with Cyril Ramaphosa, leader of the ANC.— PAGE 3

**▸ Le Maire warns over reforms 'red line'**
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**▸ Ex-Bangladeshi PM jailed for corruption**

Bangladesh's former prime minister, Khaleda Zia, has been sentenced to five years in jail for corruption, in a decision that may make her unable to contest the general election.— PAGE 4

**▸ Maduro claims to be people's choice**
Venezuela is to hold a presidential election on April 22, with President Nicolás Maduro the big favourite after sidelining his chief opponents during nearly four years of authoritarian rule.— PAGE 4

**▸ Anti-Brexit group wins Soros backing**
An anti-Brexit group founded by businesswoman Gina Miller says financier George Soros has given £400,000 to its campaign.— PAGE 3; EDITORIAL COMMENT, PAGE 8; MARTIN WOLF, PAGE 9

**▸ European banks boosted by solid results**
Glimmers of hope shone from Europe's bank sector after Italian, French and German lenders reported better than forecast results yesterday, lifted by the stronger eurozone economy.— PAGE 11; LEX, PAGE 10

## Datawatch

**German medals rush**
Winter Olympics (1924-2014)

Gold | Silver | Bronze

Germany
Russia
Norway
US
Canada
Austria
Sweden
Switzerland

0 100 200 300 400

Source: International Olympic Committee

Germany has won the most medals at the Winter Olympics (377), with Russia trailing in second. Twenty-eight Russian athletes had Olympic doping bans overturned last week, after their appeals were upheld

# First ever Twitter profit hints at ad challenge for Google and Facebook

● Signs marketers are migrating ● Longer tweets pay off ● Shares up as much as 29%

ALIYA RAM — LONDON
TIM BRADSHAW — LOS ANGELES

Twitter reported its first profit yesterday, sending its shares to their highest levels in two years and suggesting advertisers are beginning to spread their online spending beyond Facebook and Google.

Its $91m in net income in the fourth quarter comes after a similar upbeat pre-Christmas performance by Snapchat's parent, which posted strong revenue growth on Wednesday following unexpected increases in users and advertising.

For years, Wall Street has been sceptical that smaller internet companies such as Twitter and Snap could ever challenge the dominance of Google and Facebook, which together account for more than three quarters of global spending on digital advertising.

This week's turnarounds at Twitter and Snap follow signs of strain in their larger rivals' dominance. Alphabet's shares weakened last week after it spooked Wall Street with a big jump in the cost of distributing Google's advertising and services on mobile platforms. Facebook also came under pressure as it reported its first drop in North American usage and a decline in time spent on its apps at the end of last year.

Yet the two companies' financial might, with a combined market valuation of more than $1tn, still dwarfs their smaller rivals.

Investors have waited 12 years for Twitter to report a profit and yesterday's announcement sent its shares up as much as 29 per cent before they pared gains in a wider Wall Street sell-off in the afternoon. Snap had risen 48 per cent on Wednesday but was a victim of profit-taking and yesterday's market rout, losing 7 per cent in late trade.

Twitter's $91m in net income was an improvement on losses of $167m a year earlier. Even though it beat Wall Street's sales forecasts for the first time since going public almost a year ago, Snap remains heavily loss making.

Both companies have been forced to overhaul their products for consumers and advertisers. Twitter made a radical break with its history by doubling its 140-character limit on tweets, which it said had been a popular move with advertisers despite a backlash from some longstanding users. Daniel Ives, analyst at GBH Technology Research, said its results were "a breath of fresh air for investors that have patiently awaited for this turnaround story to manifest after years of pain".

**Twitter made a radical break with its history when it doubled its famous 140-character limit on tweets**

Twitter beat Wall Street estimates on revenue growth of 2 per cent to $731.6m, when most analysts had expected a decline. Ad sales, which comprise the bulk of Twitter's revenues, grew 1 per cent year on year to $644m.

However, monthly active users of 330m came in below investors' expectations, even as the company insisted engagement was improving. Jack Dorsey, Twitter co-founder who returned to the company as chief executive in 2015, said the business would continue to invest heavily in making the service more attractive to advertisers.

**Netanyahu hits at police as bribery probes near end**

**Report** ▸ PAGE 3

# BoE signals quicker rate rises to stem inflation as renewed slide hits markets

CHRIS GILES AND GEMMA TETLOW — LONDON

**The Bank of England said yesterday it was likely to raise interest rates earlier and faster than previously expected to damp the effects of a stronger global economy on UK inflation.**

It was the first policy statement by a major central bank since the turbulence on global markets last week, sparked by the return of inflation worries.

The statement came as a renewed slide in equities on Wall Street pushed European shares to fresh lows. The S&P 500 fell more than 2 per cent by early afternoon.

Frankfurt's Xetra Dax was hit by waves of late selling and slipped as much as 3.2 per cent before closing 2.6 per cent lower, leaving the index on the cusp of a 10 per cent correction. The broader Euro Stoxx 600 index fell 1.6 per cent. The pound jumped more than 1 per cent against the dollar and the euro after the BoE signalled it was turning hawkish. The FTSE 100 index dropped 1.6 per cent.

All nine members of the BoE's Monetary Policy Committee agreed a statement with its quarterly inflation report that the bank was no longer willing to tolerate inflation above its 2 per cent target over the next three years.

Mark Carney, BoE governor, said the MPC expected that "in order to return inflation sustainably to target . . . it will probably be necessary to raise interest rates . . . somewhat earlier and to a somewhat greater extent than we had thought in November."

The language was similar to that of September's MPC meeting, which preceded the UK's first interest rate rise in a decade in November, to the current level of 0.5 per cent.

Analysts have now priced in a rate rise as soon as the bank's May meeting. "We should expect a [0.25 percentage point] hike in May and another before the end of the year," said Karen Ward, chief market strategist at JPMorgan.

In a letter to Philip Hammond, the UK chancellor, explaining why inflation had overshot the 2 per cent target, Mr Carney said the MPC had been willing to tolerate above-target inflation "in order to support jobs and activity at a time when uncertainty was elevated and the economy was slowing".

He said the trade-off had diminished further since November's meeting. Alan Clarke of Scotiabank said this additional analysis "scream[ed] Hike, Hike, Hike!"

**Smart Money** page 11
**Markets** pages 19-20


| | | | |
|---|---|---|---|
| Austria | €3.70 | Macedonia | Den220 |
| Bahrain | Din1.8 | Malta | €3.50 |
| Belgium | €3.70 | Morocco | Dh45 |
| Bulgaria | Lev7.50 | Netherlands | €3.70 |
| Croatia | Kn29 | Norway | NKr35 |
| Cyprus | €3.50 | Oman | OR1.60 |
| Czech Rep | Kc105 | Pakistan | Rupee320 |
| Denmark | DKr35 | Poland | Zl 20 |
| Egypt | E£35 | Portugal | €3.50 |
| Finland | €4.50 | Qatar | QR15 |
| France | €3.70 | Romania | Ron17 |
| Germany | €3.70 | Russia | €5.00 |
| Gibraltar | £2.70 | Serbia | NewD420 |
| Greece | €3.50 | Slovak Rep | €3.60 |
| Hungary | Ft1090 | Slovenia | €3.50 |
| India | Rup210 | Spain | €3.50 |
| Italy | €3.50 | Sweden | SKr39 |
| Latvia | €6.99 | Switzerland | SFr6.00 |
| Lebanon | LBP7500 | Tunisia | Din7.50 |
| Lithuania | €4.30 | Turkey | TL12.50 |
| Luxembourg | €3.70 | UAE | Dh17.00 |

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## World Markets

**STOCK MARKETS**

| | Feb 8 | prev | %chg |
|---|---|---|---|
| S&P 500 | 2650.40 | 2681.66 | -1.17 |
| Nasdaq Composite | 6964.66 | 7051.98 | -1.24 |
| Dow Jones Ind | 24521.29 | 24893.35 | -1.49 |
| FTSEurofirst 300 | 1466.26 | 1492.15 | -1.74 |
| Euro Stoxx 50 | 3361.34 | 3454.52 | -2.70 |
| FTSE 100 | 7170.69 | 7279.42 | -1.49 |
| FTSE All-Share | 3941.25 | 4002.51 | -1.53 |
| CAC 40 | 5151.68 | 5255.89 | -1.98 |
| Xetra Dax | 12260.29 | 12590.43 | -2.62 |
| Nikkei | 21890.86 | 21645.37 | 1.13 |
| Hang Seng | 30451.27 | 30323.20 | 0.42 |
| MSCI World $ | 2101.07 | 2098.85 | 0.11 |
| MSCI EM $ | 1173.38 | 1176.18 | -0.24 |
| MSCI ACWI $ | 513.30 | 512.97 | 0.06 |

**CURRENCIES**

| | Feb 8 | prev | | Feb 8 | prev |
|---|---|---|---|---|---|
| $ per € | 1.226 | 1.229 | € per $ | 0.816 | 0.813 |
| $ per £ | 1.400 | 1.388 | £ per $ | 0.714 | 0.720 |
| £ per € | 0.876 | 0.886 | € per £ | 1.142 | 1.129 |
| ¥ per $ | 109.240 | 109.270 | ¥ per € | 133.900 | 134.331 |
| ¥ per £ | 152.914 | 151.694 | £ index | 78.744 | 78.701 |
| € index | 95.953 | 96.155 | $ index | 97.022 | 96.846 |
| SFr per € | 1.152 | 1.161 | SFr per £ | 1.315 | 1.312 |

**COMMODITIES**

| | Feb 8 | prev | %chg |
|---|---|---|---|
| Oil WTI $ | 60.88 | 61.79 | -1.47 |
| Oil Brent $ | 64.68 | 65.51 | -1.27 |
| Gold $ | 1315.45 | 1324.65 | -0.69 |

**INTEREST RATES**

| | price | yield | chg |
|---|---|---|---|
| US Gov 10 yr | 94.97 | 2.84 | 0.07 |
| UK Gov 10 yr | 97.26 | 1.56 | 0.03 |
| Ger Gov 10 yr | 98.34 | 0.68 | 0.04 |
| Jpn Gov 10 yr | 100.37 | 0.06 | -0.01 |
| US Gov 30 yr | 92.90 | 3.12 | 0.08 |
| Ger Gov 2 yr | 101.39 | -0.58 | 0.02 |

| | price | prev | chg |
|---|---|---|---|
| Fed Funds Eff | 1.42 | 1.34 | 0.08 |
| US 3m Bills | 1.55 | 1.52 | 0.03 |
| Euro Libor 3m | -0.38 | -0.38 | 0.00 |
| UK 3m | 0.53 | 0.52 | 0.00 |

Prices are latest for edition | Data provided by Morningstar

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Private investors

# France draws ‘red line’ on eurozone bailouts

Finance minister attacks German-backed plan to impose debt writedowns

JIM BRUNSDEN AND MEHREEN KHAN — BRUSSELS
ANNE-SYLVAINE CHASSANY — PARIS

France's finance minister has hit out at German-backed plans to impose debt writedowns on investors in bailed out countries, warning that the issue was a "red line" for Paris in talks on eurozone reform.

Speaking at a Politico conference in the French capital yesterday, Bruno Le Maire said France was opposed to any "automatic" mechanism that would force private-sector holders of sovereign debt to take losses when a eurozone country applies for a bailout.

He said the step would make the eurozone more vulnerable and fuel Eurosceptic populism.

"I believe in policies and democracies and responsibility of elected governments. I can guarantee you, you would be handing a gift to extremists," he said.

The broadside from Paris comes after Angela Merkel struck a coalition deal with the centre-left SPD to pave the way for her fourth term as German chancellor. Emmanuel Macron, French president, is pushing for a pact with Berlin on reinforcing the single currency's stability, paving the way for a grand bargain between all eurozone governments.

While an automatic debt restructuring mechanism is not included in the German coalition deal, it has long been touted by Berlin as a crucial building block of a reinforced eurozone.

The German finance ministry argued in a paper last year that it would force investors to be more careful when buying eurozone sovereign debt, increasing market discipline on member states and reducing the size of taxpayer-funded bailouts. The idea is strongly backed by the Dutch government.

> 'I can guarantee you, you would be handing a gift to extremists'
> Bruno Le Maire

Greece is the only eurozone country so far to go through a sovereign debt restructuring, with private investors accepting a haircut of more than 50 per cent on the face value of the bonds they held in 2012.

Opponents of the measures, who include many eurozone finance ministers, argue automatic writedowns such as maturity extensions, would create a self-fulfilling cycle of crises and spark investor panic.

Analysts warn that Italy, which has the highest ratio of debt to gross domestic product of any eurozone country apart from Greece, would be particularly vulnerable to market pressures should debt restructuring become part of the eurozone's bailout playbook.

"We all know we need something to prevent unsustainable debt stocks moving from private balance sheets to the ESM [European Stability Mechanism] before they get restructured," said Lucas Guttenberg at the Delors Institute in Berlin. "The big question is how to get there without causing a market panic."

While the idea is divisive, compromise ideas under consideration include handing greater powers to the ESM, the currency bloc's bailout fund, to take debt-restructuring decisions, and also steps to reform bondholders' rights so as to prevent small groups of investors from resisting losses that have been accepted by the majority.

Klaus Regling, head of the ESM, has said that, if a deal is reached on a sovereign debt restructuring framework, then the ESM "could provide the debt sustainability analysis, and help organising negotiations between creditors and the debtor".

Germany's central bank has touted a plan where any country asking for a bailout must have an automatic three-year maturity extension on its bonds to avoid using programme funds to pay off its debt-servicing costs.

This idea has been rejected by Mr Regling. Analysts warn it could lead investors to dump a troubled country's bonds before it asked for a bailout as they will fear not being paid back on time.

Germany. Foreign minister post

# Schulz faces SPD backlash over top cabinet role

Senior party figures fear move will overshadow critical grassroots vote on the deal

CLAIRE JONES AND PATRICK MCGEE
FRANKFURT

Senior figures in Germany's Social Democratic party have attacked their leader Martin Schulz's decision to enter the new coalition government as foreign minister, saying it creates a credibility problem that could overshadow a critical member vote on the deal.

Mr Schulz, who led the SPD to the worst result of the postwar period in federal elections in September, took the job having previously insisted he would "never enter" a government led by Chancellor Angela Merkel.

The SPD and Ms Merkel's CDU/CSU bloc on Wednesday sealed an agreement to revive the grand coalition that governed Germany between 2013 and 2017, bringing an end to the political paralysis that has gripped the country since the vote.

However, many Social Democrats are upset about Mr Schulz's volte-face. "There are discussions about credibility," said Michael Groschek, head of the SPD in North Rhine-Westphalia. "We can't just sweep this under the carpet . . . I can understand this build-up of feeling and these fists on the table."

In another sign of the disgruntlement, outgoing foreign minister Sigmar Gabriel cancelled all his forthcoming engagements, leading to speculation in German media that he was furious at his exclusion from the new cabinet.

A number of SPD backbenchers in the Bundestag were also unhappy with Mr Schulz's handling of the coalition deal and his decision to take over at the foreign ministry.

"[He] should have known that this would anger the grassroots, bearing in mind the current mood in the party," said Jens Zimmermann, an SPD MP. "It was a mistake not to have come up with some kind of narrative to explain his decision to enter the government, having originally said he wouldn't."

The SPD will put the coalition deal to its 460,000 members for a vote later this month that would allow Ms Merkel to begin her fourth term as chancellor. This is likely to test the split in the party between SPD leftwingers who are highly reluctant to prop up Ms Merkel for another four years, and pragmatists who support the grand coalition.

In a sign of the discontent that the coalition deal has created, many Conservatives are also angry with Ms Merkel for giving the SPD the finance ministry, a department the centre-right has run for the past eight years. Christian von Stetten, a CDU MP, said the move "is not exactly going to make the CDU membership enthusiastic".

The backlash against Mr Schulz has been led by the party's more left-leaning youth wing, which fears another grand coalition with Ms Merkel's bloc will further erode the party's identity and aid fringe parties such as the rightwing Alternative for Germany.

Kevin Kühnert, influential leader of the SPD youth wing, will begin a nationwide tour to campaign against the grand coalition today and has challenged both Mr Schulz and Andrea Nahles, the new party chairman, to a debate.

The youth wing believes four more years of a grand coalition will solidify the AfD as the country's main opposition party. After securing 12.6 per cent of the vote in September, the AfD is now on 15 per cent, according to an Insa poll earlier this week. The SPD was at 17 per cent, down from 20.5 per cent in September. Support for the CDU/CSU fell to 30.5 per cent, down from 32 per cent in the election.

> 'We can't just sweep this under the carpet . . . I can understand the build-up of feeling and fists on the table'

Bild, Germany's leading daily, criticised Ms Merkel for securing the top job "at any price". Volker Ullrich, a CSU MP, railed against Bild's concerns, tweeting that the balance of power in the coalition had not actually shifted. "Exchanging finance for business is not a cause for complaint, but an occasion for design."

A poll by Die Welt found nearly two-thirds of Germans view Ms Merkel as weakened by the negotiations.

Kurt Kister, editor of the Süddeutsche Zeitung, another German daily, said: "This government could be captioned 'Won't last long'."

*Additional reporting by Guy Chazan*

Philip Stephens page 9

**Martin Schulz on Wednesday after sealing the deal. The SPD chief had previously said he would 'never enter' another government led by Angela Merkel**
Kay Nietfeld/AFP/Getty

Campaign pledge

# Macron backs long-term increase in defence spending

ANNE-SYLVAINE CHASSANY — PARIS

**French president Emmanuel Macron has reversed a decade of defence budget cuts by approving nearly €300bn in spending for the military by 2025, as France combats Islamist terror groups at home and abroad.**

The decision, announced yesterday, fulfils Mr Macron's campaign promise to lift defence spending to 2 per cent of gross domestic product, from 1.7 per cent last year.

The budget increase comes amid rising geopolitical tensions in the Middle East and pressure on Nato members from Donald Trump, US president, to inject more funds into armed forces.

It will soothe tensions between Mr Macron and the French army, laid bare last year when France's highest-ranking military chief stepped down following a public spat with the president over budget cuts.

The military budget is set to rise by €1.7bn annually until 2022, when Mr Macron's presidential term ends, and by €3bn thereafter. The government has already announced a 5.6 per cent increase in spending, to €34.4bn, for this year.

About 6,000 jobs will be added by 2025, including 3,000 in cyber security and intelligence services, according to the government. About 60,000 jobs were cut between 2005 and 2015, when Islamist extremists began to target France with terror attacks.

"It's a bill that repairs — equipment but also army men and women," Florence Parly, defence minister, said yesterday. "It's a bill for a renewal."

Unease has mounted in the French armed forces, the largest in Europe, as soldiers have been deployed to help police thwart Islamist attacks at home and sent to Iraq and Africa to fight extremist groups. A bug in the army's pay software has left many soldiers' families without money for weeks. Officers have complained about the declining quality of their equipment.

This anger peaked a few days before last year's annual Bastille Day military parade when General Pierre de Villiers suggested that the €850m cuts planned for 2017 were endangering the country.

"I may be stupid, but I know when I'm being had," Gen de Villiers told MPs. Shortly afterwards, Gen de Villiers resigned. Mr Macron's approval ratings plummeted partly because of the dispute.

Gen de Villiers on Wednesday voiced scepticism at the additional spending, stressing that the bulk of the increase would come after Mr Macron's presidential term. Governments frequently renege on their promises, he noted.

**Emmanuel Macron meets troops at a military base in Istres, south France**

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International treaties

# UK to pretend Brexit does not mean Brexit to avoid legal chaos

JIM BRUNSDEN — BRUSSELS

**Britain has called on the rest of the world to consider it still an EU member after Brexit, in a U-turn intended to ensure the country remains covered by hundreds of international treaties.**

A "technical note" prepared by the British government argues that non-EU nations should treat the UK after Brexit in March 2019 as still covered by more than 700 agreements Brussels has struck with other third countries on everything from fishing rights to data sharing.

"To coin a phrase, they are going to tell the world that Brexit does not mean Brexit," said one EU official.

Unless a deal is reached, Britain risks being bound by the obligations of the treaties during its post-Brexit transition period, without enjoying any of the benefits, a prospect that is leading to a scramble in Whitehall to try to find a solution.

The paper represents an about-turn in the UK's approach to the agreements, which it initially attempted to replicate with UK-only bilateral agreements with the relevant countries.

Under the revised British plan, governments would agree to "interpret relevant terms in the international agreements, such as 'European Union' or 'EU member state' to include the UK".

"This approach is underpinned by international law and practice," the document says, adding that it "represents the simplest way of ensuring the continued application of these agreements" during the post-Brexit transition period, which is set to run until the end of 2020.

Sam Lowe, a research fellow at the Centre for European Reform, said the move marked a U-turn from previous British policy to renegotiate UK-only versions of the deals. "It is not great for our credibility as a reliable negotiation partner," he tweeted.

Michel Barnier, EU chief Brexit negotiator, warned last month that there is no guarantee that the UK will be able to continue benefiting from the agreements once it leaves the EU, saying that was something in the gift of the over 100 countries with whom Brussels has negotiated the agreements.

"Our partners around the world may have their own views on this," he said.

The post-Brexit status of the international treaties has turned into one of the biggest problems for the UK government as it navigates the complexities of its exit talks.

The unique nature of the transition period means that Britain will remain bound by its obligations under EU law, including respect of international agreements, while at the same time non-EU countries will be under no pressure to grant Britain the rights it enjoyed as an EU member.

As the agreements are with so many different countries, renegotiating new UK-centric versions of them could be a logistical nightmare, especially as Britain faces restrictions on its rights to negotiate international deals while it remains an EU member.

The UK document emphasises the importance of the agreements to post-Brexit Britain, noting that they "cover a wide range of key policy areas" including "trade, nuclear co-operation and aviation".

Some of the most vital agreements are those concerning air services. EU bilateral treaties in this field underpin the right of British planes to land in countries such as the US, Canada and Israel.

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**Doorstep politics: Michel Barnier, chief negotiator for the EU, left, and David Davis, British Brexit secretary, in Downing Street this week**
Luke MacGregor/Bloomberg

РЕЛИЗ ГРУППЫ "What's News" VK.COM/WSNWS



# Zuma's last stand pits ruthless operator against top strategist

## President viewed by some as outfoxing ANC leader in talks over power switch

Resignation demand: members of the ANC protest outside party headquarters in Johannesburg, calling for Jacob Zuma, below, to step down — Themba Hadebe/AP

JOSEPH COTTERILL — JOHANNESBURG
DAVID PILLING — LONDON

After more than a decade in which Jacob Zuma has survived a procession of lurid scandals and corruption claims, few South Africans believed removing him as president would be easy.

As the days have stretched on since Cyril Ramaphosa, the new leader of the ruling African National Congress, began a final heave to oust Mr Zuma as head of state, frustration has been building in some quarters that the incumbent is outfoxing his rival.

The battle pits Mr Zuma, former head of party intelligence and a ruthless operator who knows where the bodies are buried in the ANC, against Mr Ramaphosa, considered one of the party's top strategists and a man credited with negotiating the end of apartheid.

Mr Zuma, in what South Africans have called "the Stalingrad defence", is seen as making a last-ditch stand, playing for time and holding out for concessions and assurances, above all that he can avoid prosecution over a string of corruption allegations.

Save South Africa, a civil society umbrella group that has called for Mr Zuma to face prosecution, has accused Mr Ramaphosa of trying to strike a deal behind closed doors.

"Mr Ramaphosa should know better, and be aware that the perception is already forming that he is replicating the arrogance and covert operations of Zuma's ANC," Sipho Pityana, an ANC veteran and Save South Africa's leader, said in a statement.

"It is an ominously bad start for the new leadership of the movement, and it must be stopped."

But Branko Brkic, editor of The Daily Maverick, a South African online newsletter, said criticism of the ANC leader was misguided.

"Cyril Ramaphosa is being accused by many of being weak and Zuma of somehow outsmarting him, which is ridiculous," he said. Instead, Mr Ramaphosa had outplayed the president, he said, winning December's election as head of the ANC in spite of the fact that Mr Zuma controlled the party machinery and had tried to manoeuvre his former wife into the top position.

Having succeeded Mr Zuma as head of the ANC, Mr Brkic added, Mr Ramaphosa found himself in an asymmetric battle. He had to concentrate on seeking to unify a bitterly divided party, while Mr Zuma's priority was simply saving his own skin, he said.

That meant resolving the power struggle within the party and not taking the fight to a no-confidence vote against the president in parliament, a last resort that could split the ANC.

"Ramaphosa can afford for Zuma to remain president of South Africa for a few more days. He won," Mr Brkic said. "What he is trying to avoid is a showdown over Zuma in parliament."

After holding talks with Mr Zuma, Mr Ramaphosa on Wednesday said he was aware "our people want and deserve closure", adding that his talks with Mr Zuma offered "the greatest opportunity to conclude this matter without discord or division".

ANC members are fully aware of the risks of rupturing the party ahead of 2019 elections, when it will face a fierce battle to maintain its majority — a faction loyal to former president Thabo Mbeki broke away from the ANC after he was forced to step down in 2008.

> 'Cyril Ramaphosa cannot talk anti-corruption, yet broker an amnesty deal for the corrupt in the ANC'

Yesterday the ANC denied local media reports that Mr Ramaphosa had told the party's MPs he would not grant Mr Zuma immunity from prosecution.

Adam Habib, vice-chancellor of Witwatersrand university, said Mr Zuma could not ask for an amnesty, since that was constitutionally beyond Mr Ramaphosa's power to give. But he could ask for access to funds to prolong his legal battle and even the prospect of a presidential pardon should he ultimately be convicted. Mr Zuma might also ask for some political concessions, such as a place for his ex-wife, Nkosazana Dlamini-Zuma, in the cabinet, or a promise not to overturn cherished policies, such as a pledge for free education.

"It's realpolitik. Some concessions he [Ramaphosa] will have to make and others he won't," said Mr Habib.

He believed there might be room to engineer a deal in which the president avoided jail. Some people, though, would have to face the full force of the law, Mr Habib said, naming the Gupta business family, which has close links to Mr Zuma, as possible fall guys.

"You have to send out a message. You can't plunder the state and get away with it," Mr Habib said.

Mr Zuma and the Guptas, who are alleged to have used their political connections to influence government appointments and win state contracts, have repeatedly denied any wrongdoing.

Analysts say Mr Ramaphosa, who has promised to crack down on corruption at the highest levels of government, and to end so-called state capture, cannot be seen to be interfering in institutions, such as the prosecutor's office, whose independence was allegedly eroded during the Zuma years.

As the backroom negotiations between the two protagonists drag on, South Africa's opposition parties are piling on the pressure. They are demanding that parliament bring forward a no-confidence vote against Mr Zuma to next week.

"Cyril Ramaphosa cannot talk anti-corruption, yet broker an amnesty deal for the corrupt in the ANC," said says Mmusi Maimane, the leader of the Democratic Alliance, the biggest opposition party. "Any attempt to do so will be opposed with everything we've got."

Syria

# Dozens die in US-led coalition attack on Assad-loyal fighters

ERIKA SOLOMON — BEIRUT

**The US-led coalition has killed dozens of fighters loyal to President Bashar al-Assad in a rare use of air strikes against Syrian government-backed forces that the coalition said was carried out to defend its allies.**

Forty-five fighters were killed as regime forces tried to advance towards an oil-rich part of eastern Syria, the Syrian Observatory for Human Rights, a UK-based activist group, said yesterday. US officials told Reuters the death toll hit 100 as the coalition repelled the offensive, which it said was on Wednesday.

The Syrian regime and Russia, Mr Assad's main foreign backer, have condemned the attack as the strikes underlined the risk of a direct confrontation between international players in the Arab state's multi-sided war. The US-led coalition backs a Kurdish-dominated ground force in eastern Syria, which has an increasingly uneasy and sometimes antagonistic relationship with Mr Assad, who is also backed by Iran.

Both these rival alliances are ostensibly fighting Isis, but with the jihadi group's territorial control all but over, and the resources they once controlled falling into the hands of competing forces, the risk of these two sides turning on each other has grown. Fighters on both sides have warned emerging tension has already given room for Isis to start regrouping in parts of Syria.

"The coalition conducted strikes against attacking forces to repel the act of aggression against partners engaged in the global coalition's defeat-Daesh mission," the coalition said, using the alternative term, Daesh, for the jihadis.

The Pentagon said it was not looking for conflict with the Syrian regime, Reuters reported. Vassily Nebenzia, Russia's UN envoy, said that the US-led coalition strikes were "very regrettable,". He said he would raise the issue at UN Security Council meeting yesterday.

US-led coalition warplanes and artillery hit the pro-Assad forces as they advanced across the Euphrates river into areas held by the US-backed Syrian Democratic Forces, the observatory said. The Syrian government forces, with tanks and artillery, were targeting SDF forces near oilfields in Deir Ezzor province east of the Euphrates.

Syria's state news agency, Sana, called the attack a new attempt to "support terrorism", and the Syrian foreign ministry sent two letters to the UN condemning the US aggression as a war crime, arguing it showed the "dirty US intentions against Syria's sovereignty and territorial unity".

Rex Tillerson, US secretary of state, said last month the US aimed to counter Iran's increasing presence in the region.

Free speech

# Saudi journalist jailed for criticising royal court

AHMED AL OMRAN — RIYADH

**A Saudi court has jailed a prominent newspaper columnist after he criticised the country's royal court, in the latest sign of the diminishing margin for free speech despite the kingdom's push for more social liberalisation.**

Saleh al-Shehi, who writes for Al Watan, the daily paper, was sentenced to five years in prison followed by a five-year travel ban for insulting the royal court and its employees, state news television reported yesterday.

Shehi was reportedly arrested in December after a televised appearance on the privately owned Rotana Khalejia channel, where he accused the royal court of being "one of the institutions that reinforced corruption" in the country, citing examples such as granting plots of land to citizens based on personal connections.

"If we want to end financial corruption then we must first shutter the windows for administrative corruption," he said. "There are in the royal court many windows from which people can enter."

His comments came weeks after Saudi authorities detained more than 200 princes, businessmen and former officials over alleged corruption. The majority of the suspects, held at Riyadh's Ritz-Carlton hotel, were released late last month after agreeing settlements with the government.

Saudi officials have said the anti-corruption drive is an overdue attempt to boost the country's investment climate as part of Crown Prince Mohammed bin Salman's reform programme.

The reform push also includes easing social restrictions on culture and entertainment, as well as allowing women to drive and attend football matches.

But the latest jail sentence has renewed concern over the authorities' tolerance for dissent after dozens of people, including clerics, academics and businessmen, were arrested in September in what observers described as a campaign to silence potential critics.

"It is a harsh and painful ruling, and it goes against the policy of the king who has repeatedly said that doors and ears are open to every citizen," said a Saudi journalist abroad who asked not to be named. "The ruling will significantly reduce freedoms in the kingdom."

The New York-based Committee to Protect Journalists lamented the court sentence after previously calling on authorities to release the columnist.

"The fact a reporter was sentenced to five years in prison for criticising and reporting on corruption in the kingdom adds a note of irony to the fact that one of the world's most heavily-censored countries is becoming even more closed off for critical, independent reporting," said Justin Shilad, Middle East and North Africa Research Associate at CPJ.

Bribery allegations

# Netanyahu hits at police chief as decision looms on charges

MEHUL SRIVASTAVA — JERUSALEM

**Benjamin Netanyahu has criticised Israel's police chief and questioned the credibility of investigations into alleged bribery and misconduct as investigators prepare to wrap up the long-running probes, some of which involve him.**

After the Israeli media reported that the police were considering recommending that the prime minister be indicted in one of the two cases, Mr Netanyahu first sought to reassure his supporters that any such move would have little impact on his premiership, as the final decision on whether to indict him would fall to the attorney-general, not the police.

Hours later he attacked Roni Alsheikh, the police chief, for saying that powerful people had employed private investigators to collect information — "sniff around" — on officers investigating the prime minister. One officer has said publicly that he was accused in a sexual harassment suit because of the sensitivity of his investigation.

"These are facts," Mr Alsheikh said on an investigative news programme on Wednesday evening. "We are not talking about a conspiratorial mind here."

Mr Netanyahu hit back by saying the police chief's comments cast a "large shadow" over the investigation.

"Every decent person will ask himself: how can people who say such outlandish things regarding the prime minister then question him objectively and be impartial when it is time to reach a decision about him?," Mr Netanyahu said on Facebook.

The attacks on the police's credibility come as the prime minister prepares for the results of two separate investigations into him and his close aides and colleagues.

Mr Netanyahu's criticism of the police has echoes of Donald Trump's tirades against the Federal Bureau of Investigation and justice department officials over probes into whether the US president's campaign improperly colluded with Russia.

Israeli media reported on Wednesday that Mr Alsheikh and his colleagues were likely to recommend Mr Netanyahu be indicted in what is commonly referred to as "Case 1000", which centres on allegations that Mr Netanyahu, his wife Sara and other members of his circle accepted lavish gifts from benefactors.

In a second investigation, dubbed "Case 2000", which involves allegations that the prime minister held talks with a prominent newspaper publisher in the hope of securing favourable coverage, the police have not reached a conclusion, local media said.

Mr Netanyahu has not been named as a suspect in a third investigation, "Case 3000". It is probing the purchase of submarines from Germany, but an adviser of his has been questioned and others detained. The prime minister has consistently denied all the allegations, and described the investigations as a witch-hunt. But they have cast a shadow over his government. Mr Netanyahu has spent months reacting to local media stories on the cases, while his wife and son have had their private behaviour scrutinised as tapes of their phone calls have been leaked to the press.

Police chief Roni Alsheikh, centre, rejects conspiracy claims — Gali Tibbon/AFP/Getty

The police's recommendations in "Case 1000" could come as early as next week, Ynetnews and other Israeli media reported. If the investigators call for the prime minister to be indicted, it would trigger an unwelcome debate on whether Mr Netanyahu should continue in his post and risk triggering a constitutional crisis, political analysts say.

Ehud Olmert, a former prime minister who served time in prison after being convicted of bribery, suggested that Mr Netanyahu resign.

"I haven't been in touch with Netanyahu since 2009. I wish for the prime minister that he end his term quickly and in a seemly manner," he said.

Mr Netanyahu's lawyer, Amit Hadad, went on local radio yesterday to keep up the criticism of the police.

He demanded that the police chief's allegations be fully investigated.

But opposition politicians rounded on Mr Netanyahu. Avi Gabbay, leader of the Labour party, called the prime minister a "thug".

Yair Lapid, the leader of Yesh Atid, the second-largest party in the Knesset, called the prime minister's attack on the police chief an "act of desperation".

Open Society Foundations

# Soros gives £400,000 to Best for Britain anti-Brexit group

HENRY MANCE — LONDON

**George Soros, the billionaire financier, has given £400,000 to an anti-Brexit group founded by businesswoman Gina Miller for its campaign against Britain's decision to leave the EU.**

Mr Soros's Open Society Foundations said it donated the money to the Best for Britain group after last year's general election.

A person familiar with the matter added that Mr Soros also hosted a dinner for Conservative party donors at his London home last week to encourage them to follow his lead.

Best for Britain was set up by Ms Miller, who brought a legal action that forced the government to gain parliament's consent before beginning Brexit negotiations. It says it has received £413,000 in donations of less than £50 each, amounting to slightly more than Mr Soros's contribution. Campaign organisations are not required to declare the donations officially outside of election periods.

The Open Society Foundations said it had also pledged £303,000 to other pro-EU organisations and a think-tank working on protecting European rights.

Patrick Gaspard, its president, said: "Human rights protections, hard-won civil and labour rights, safeguards on key issues such as clean air or food standards are at stake here for British citizens."

Mark Malloch Brown, chairman of Best for Britain, said the group had "never hidden our agenda; we have been campaigning hard to win a meaningful vote on Brexit, which we did, and to keep all options on the table, including staying in the European Union".

The news comes as Prime Minister Theresa May's cabinet is struggling to agree a position on issues such as the customs union.

George Soros successfully bet against the UK remaining in the European Exchange Rate Mechanism

Pro-EU politicians are working on a number of fronts to avert a hard Brexit or any form of Brexit. They have taken heart from a parliamentary vote that forced the government to hold a full vote on any Brexit deal.

Mr Soros is best known in the UK for successfully betting in 1992 against Britain remaining in the European Exchange Rate Mechanism, which cost the Treasury billions.

Among the attendees at his recent dinner was Martin Sorrell, chief executive of advertising group WPP.

РЕЛИЗ ГРУППЫ "What's News" VK.COM/WSNWS



Latin America

# Maduro confident of Venezuela poll win

## Socialist president has sidelined opposition despite economic collapse

GIDEON LONG — BOGOTA

Venezuela is to hold a presidential election on April 22, with President Nicolás Maduro the overwhelming favourite after sidelining his main opponents during nearly four years of increasingly authoritarian rule.

The electoral commission announced the date on Wednesday evening, five days after the ruling Socialist party confirmed Mr Maduro as its candidate and hours after talks between the government and the opposition in the Dominican Republic broke down.

"The people have decided already!" Mr Maduro crowed at a rally of his supporters shortly before the announcement was made. "Nicolás Maduro is president of the republic for the period from 2019 to 2025!"

The US and most big Latin American countries have already dismissed the forthcoming election as unfair and some say they will not recognise the results.

Henrique Capriles and Leopoldo López, the two best-known figures from the opposition, are ineligible to stand.

The former has been barred from office for alleged irregularities while he was a state governor and the latter is under house arrest, found guilty of inciting protesters during demonstrations against Mr Maduro in 2014. Other senior members of the opposition have been driven into exile and some political parties have been banned from the electoral process after boycotting municipal polls in December. A few more moderate opposition leaders have said they will stand against Mr Maduro. They include "the two Henris" — veteran politicians Henri Falcón and Henri Ramos Allup — but many opponents regard

> 'Nicolás Maduro is president of the republic from 2019 to 2025'
>
> Nicolás Maduro

them as lackeys of the Maduro regime who will only legitimise his rule if they run.

Mr Maduro has led Venezuela since April 2013 following the death of Hugo Chávez, his mentor and the father of the country's leftwing revolution. Opinion polls show Mr Maduro with an approval rating of about 25 per cent after presiding over one of the biggest economic collapses in Latin American history.

Despite that, the government used its formidable propaganda machine and handouts of subsidised food to secure significant electoral victories last year.

In July it won a widely discredited vote for a bogus parliament, the constituent assembly, which is packed with government supporters. In October it defied expectations by trouncing the opposition in regional elections and in December it took more than 90 per cent of council seats in the municipal vote, which the opposition largely boycotted.

The two sides have been talking sporadically in the Dominican Republic in recent months but those discussions fizzled out on Wednesday. The opposition said the government refused to concede ground on the issue of freeing political prisoners and allowing humanitarian aid into Venezuela to feed its hungry people, while the government accused its opponents of sabotaging the talks on orders from Washington.

Rex Tillerson, US secretary of state, completed a week-long tour of Latin America this week in which "the Venezuelan tragedy", as he described it, was a constant theme. He hinted the US might consider oil sanctions against Caracas, to add to the political and personal sanctions imposed last year.

That could cripple an economy that has already lost a third of its value in recent years and is forecast only to get worse. The International Monetary Fund expects gross domestic product to contract a further 10 per cent in 2018 and inflation to hit 13,000 per cent.

About 2m Venezuelans have left the country.

Investment bid

# Australia seeks to join US and UK in cutting corporate tax

JAMIE SMYTH — SYDNEY

**Australia's government has appealed to lawmakers to back its flagship economic plan to cut corporate taxes as it seeks to respond to falls in US and UK company tax rates.**

Canberra wants to progressively cut corporate taxes from 30 per cent to 25 per cent by 2025 for all companies in a bid to boost growth and compete for investment.

MPs in the lower house backed the government's plan in a vote by 75 to 71 yesterday. However, the bill is struggling to win support in the Senate, where opponents allege the A$65bn ($51bn) tax cut will increase the budget deficit, mainly benefit shareholders of foreign companies and do little to boost the economy.

Scott Morrison, Australia's treasurer, warned parliament against keeping taxes high and highlighted how Britain had cut company taxes despite its high budget deficit.

"I cannot understand how keeping taxes high for these businesses helps them employ more Australians or boost their wages," he said. "It just doesn't make any sense."

Australia's system of "dividend imputation", which is designed to eliminate the double taxation of dividends in the hands of Australian shareholders, raises questions over whether corporate tax cuts would lead to a surge in investment.

> 'This plan is a disaster that would cost every Australian about A$1,600'
>
> Peter Swan, professor of finance

Under this system shareholders are allocated tax credits on dividends paid by local companies, which can then be used to offset tax on other income.

"This corporate tax plan is a disaster that would cost every Australian man, woman and child about A$1,600," said Peter Swan, professor of finance at the University of New South Wales business school. "Because of dividend imputation it would simply benefit foreign companies without increasing investment in Australia."

The business lobby supports Canberra's drive to cut taxes, with the Business Council of Australia warning the country risks slipping to "the back of the pack" in terms of global competitiveness.

Increasing competition for inward investment is prompting some developed countries to reduce corporate taxes. UK rates have fallen progressively from 28 per cent in 2010 to 19 per cent, while the US cut the company tax rate to 21 per cent from January 1.

"US moves, along with other nations' commitments, will leave Australia with the second-highest company tax rate in the OECD," said Jennifer Westacott, BCA chief executive.

Many economists are more sceptical, noting that Australia already provides generous tax breaks that reduce the burden on companies. A report by the US Congressional Budget Office published last year shows Australia's effective rate of corporate tax was 10.4 per cent in 2012.

Jeremy Lawson, Aberdeen Standard Investments' chief economist, said cutting corporate taxes in isolation would add to the budget deficit while not providing a large enough boost to growth to justify them.

Since it proposed cutting taxes, the Australian government of Prime Minister Malcolm Turnbull has legislated tax cuts only for companies with annual revenues of less than A$50m.

Philippines

# International court to probe Duterte over crimes against humanity

GRACE RAMOS — MANILA
JOHN REED — BANGKOK

**The International Criminal Court is examining a complaint accusing Philippine president Rodrigo Duterte of crimes against humanity.**

The preliminary investigation, confirmed by the president's spokesman yesterday, marks the first step in the ICC's drawn-out prosecution process. It will look into a complaint by a Philippine lawyer relating to the deaths of thousands of people in the country in a violent war on drugs waged by police since Mr Duterte took office in mid-2016.

Harry Roque, Mr Duterte's spokesman, said he had discussed the issue with Mr Duterte, a populist firebrand and former lawyer who has previously said he was willing to face trial.

"He also welcomes the preliminary examination because he's sick and tired of being accused of committing crimes against humanity," Mr Roque said of the president.

Mr Roque expressed confidence that the proceedings would "not go beyond preliminary examination", calling the decision a "waste of the court's time and resources" that was "intended to embarrass the president".

The country's authorities estimate that 4,000 people have died in legitimate police operations against the drug trade since Mr Duterte took office.

Human rights groups put the figure at more than 12,000, and accuse police of abusing their powers and shooting people in cold blood in what they describe as a brutal and indiscriminate campaign.

Since its founding in 1998, The Hague-based ICC has received more than 10,000 complaints of alleged genocide, war crimes, or crimes against humanity. It has opened preliminary examinations into a much smaller number of cases, and has investigated, indicted, and tried relatively few people.

"This development should jolt Duterte into realising that he is not above the law," Antonio Trillanes, an opposition senator and critic of the president, said in a statement welcoming the ICC's move. "More importantly, this is the first step for the victims' families' quest for justice."

The ICC complaint against Mr Duterte was filed last year by Jude Sabio, the lawyer for Edgar Matobato, who testified in the Philippine senate that he was part of a hit squad acting on Mr Duterte's orders. Mr Trillanes and Gary Alejano, another opposition politician from the lower house, filed a supplemental complaint.

Fatou Bensouda, the ICC's prosecutor, confirmed yesterday that the court had decided to open preliminary examinations into the situations in the Philippines and Venezuela.

Mr Duterte last year threatened to withdraw the Philippines from the ICC, which he called "useless".

President Rodrigo Duterte faces allegations linked to a war on drugs

Olympics detente

On a high: North Korean athletes dance with mascot Soohorang during their entrance into the Olympic Village yesterday — YNA/DPA

# Tension on ice as Koreas unite for 'peace' games

BRYAN HARRIS — SEOUL

As South Korea was preparing for the Winter Olympics, officials in Seoul must have been experiencing a measure of satisfaction.

Only weeks ago, the games in Pyeongchang risked careering off-piste as provocations from North Korea threatened to disrupt the safety and success of the global sporting tournament.

But in a remarkable turnround in relations, the two Koreas — adversaries for more than 70 years — have found common ground just in time for the games.

In addition to a joint women's ice hockey team and a host of cultural exchanges, the two sides were due to march together in the opening ceremony today under a "unification flag".

The developments are almost certain to ensure the safety of the event, which will be the largest Winter Olympics on record with almost 2,000 athletes competing for more than 100 gold medals. Yet questions abound about how long the detente can last.

"Even at the end of last year, many were concerned over the North's possible provocations during the Olympics, but that element has now disappeared," said Park Jin-kyung at Catholic Kwandong University.

"The risk factors have gone. If this amicable atmosphere continues, and South Korean athletes perform well, we'll see a surge in positive sentiment," Mr Park added. "The problem, however, lies in whether the North's attitude will change after the games."

The Seoul city government expects the number of tourists to spike by more than 350,000 during the period of the Olympics and Paralympics, which run until the middle of March.

Presiding over the opening will be South Korea president Moon Jae-in, who is betting that a so-called peace Olympics featuring North Korea can pave the way for deepening diplomatic engagement on the Korean peninsula.

Yesterday, Pyongyang staged a military parade featuring its arsenal of ballistic missiles as well as tanks and artillery to celebrate the anniversary of the foundation of its army.

Unlike previous displays, the procession was not broadcast live — a move that analysts believe was aimed at keeping the event low profile. The parade also featured a reduced line-up of weaponry compared with previous years.

> 'The problem lies in whether the North's attitude will change after the games'

More significantly, Pyongyang is sending Kim Jo Yong, the sister of leader Kim Jong Un, to attend the games' opening ceremony.

Ms Kim was due to travel to the South today, bolstering a North Korean charm offensive that includes hundreds of athletes, musicians and cheerleaders.

With matching uniforms and highly scripted performances, the artists have been a curious obsession for many South Korean media outlets.

The presidential Blue House said Mr Moon would officially meet Ms Kim tomorrow. Her presence at the opening ceremony today, however, may create an awkward diplomatic situation.

As a top VIP, she is likely to be seated near the South Korean leader. Also nearby will be Mike Pence, US vice-president, who has threatened to use the games to call out Pyongyang's belligerent behaviour and history of human rights abuses.

Mr Pence has called Pyongyang's participation a "charade" and this week announced the US would soon reveal tough new sanctions on the regime.

*Additional reporting by Kang Buseong*

Plot claim

# Bangladesh instability feared after former prime minister jailed for corruption

KIRAN STACEY — NEW DELHI
REUTERS

**The former prime minister of Bangladesh has been sentenced to five years in prison for corruption, in a decision that may make her unable to contest this year's general election.**

Khaleda Zia, head of the opposition Bangladesh Nationalist party, was convicted yesterday in Dhaka, the capital, of embezzling nearly $250,000 from an orphanage trust set up when she was last prime minister, from 2001 to 2006.

The case has proved highly controversial, with police enforcing a ban on protests in the capital yesterday and firing tear gas at protesters who defied it.

Zia's son, Tarique Rahman, the BNP's vice-chairman, was sentenced to 10 years. "She was given a shorter term considering her health and social status," Judge Mohammad Akhteruzzaman said, as he passed sentence in a packed courtroom amid tight security.

Zia was escorted to the central jail in the capital after the verdict, said prison officials. Her lawyers said she planned to appeal against her conviction and was likely to be freed on bail during that process.

"We didn't get justice. We'll go to the higher court," Khandker Mahbub Hossain, leader of Zia's legal team, told reporters.

Zia and the BNP say the charges are part of a plot to keep her and her family out of politics. Party leaders said more than 3,500 supporters had been detained over the past few days.

Anger: a BNP supporter is led away yesterday during a protest in Dhaka

Sheikh Hasina, prime minister, and Zia, who are both related to former national leaders, have nursed a long and bitter rivalry as they have dominated politics in poverty stricken Bangladesh for more than two decades.

The renewed tension between them raises the spectre of a long, destabilising spell of unrest for Bangladesh and its economy. Zia is due to run in parliamentary polls set for December and can still do so if an appeal is pending.

Ruhul Kabir Rizvi, a BNP senior leader, denounced the sentence, calling it "an attempt to eliminate the opponent". Her party announced a plan for protests today against what it called a "biased and compromised" ruling.

Mirza Fakhrul Islam Alamgir, BNP secretary-general, said: "This verdict will deepen the country's existing political crisis and will damage people's faith in the judiciary."

Zia's conviction "proves that Bangladesh has the rule of law and that no one is above the law", Anisul Huq, law minister, told reporters. "She can challenge the ruling in the High Court after getting a certified copy of the verdict. She can also seek bail."

Earlier, police fired tear gas to disperse protesters who gathered to support Zia, even though authorities cut bus and ferry links into the capital and deployed thousands of riot police to quell likely unrest.

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FT Weekend

# The dumb-bell economy: Why gyms are the new handbags – Jo Ellison

## Life & Arts

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ARTS

# Girl to woman, war to peace

*A newly discovered Nigerian painting shows a princess and a country in transition, writes Ben Okri*

In London, a legendary African painting that had been lost for nearly 50 years has been discovered — a significant cultural event which could alter the perception of African art.

The story goes back to the summer of 1973. It was three years after the end of the Nigerian civil war that had nearly torn the country apart. The mood of despair and destruction that hung over the country was beginning to be dispelled.

In the western town of Ile-Ife, one of the spiritual centres of Yorubaland, a 56-year-old artist was walking in the countryside when he encountered a beautiful young woman. The artist, at the height of his powers, was already one of the most famous in Africa, hailed as a great modernist and celebrated as a sculptor and painter who had made a controversial statue of Queen Elizabeth II. He straddled the colonial past and the confident, contradictory post-independence moment. He was an easterner in the west, a man of the secessionist tribe in the heartland of the republic. His presence there was the sign of the beginnings of a modest national reconciliation.

The young woman he met had extraordinary poise, an African beauty that combined serenity with an uncanny sense of self-worth. He asked if he could paint her.

History does not record the number of sittings, but the astonishing result became justly famous. It is a portrait of a fresh young African woman, looking over her shoulder. She is wearing a head tie. She has a piquant beauty. Her gaze is dewy and hopeful and a little detached.

The painting is executed in gentle strokes of yellows and browns. The touch is delicate, the paint applied thinly, with minimal impasto. The mint-fresh light, the three-quarters pose, the centrality of youth, make it a meditation on the fragility of a moment and a contemplation of African beauty. There is something joyous about the work, something untypical in the oeuvre of the artist. His name is Ben Enwonwu. The painting is known as "Tutu".

In fact, the sitter's full name is Adetutu Ademiluyi, and she was the daughter of the former Oni of Ife — one of Enwonwu's supporters and collectors — which meant that she was a princess. The three-quarters pose, with the sitter looking over the shoulder, avoids a frontal confrontation and preserves a certain modesty as well as distance. It shows off the fine length of her neck, which in a traditional African sculpting might have been elongated to emphasise her beauty and nobility. This pose also reveals her profile, the sweep of her back and the rich texture of her Yoruba dress and head tie. This is not a society portrait. It is symbolic of renewing hope.

Since the 1940s, Enwonwu (who died in 1994) had been one of the most important African artists. Born in 1917 in eastern Nigeria, he inherited from his father the spirit of sculpture and the Igbo gnosis of making. He trained under Kenneth Murray in Nigeria, at the Slade School in London and at the Ruskin School in Oxford. He was of the generation that negotiated both the colonial and the African worlds. Coming to maturity in the years after the catalytic effects that African art had in the creation of modernism, it was his generation that had to find a new direction for African art in the contemporary world.

He had come to painting early, drawing elaborate figures in the sand in the village when he was a child. He had his first group show of African arts at the Zwemmer Gallery, in London, in the 1940s. Max Ernst, the surrealist, attending the exhibition, threw up his hands in admiration and said: "Why go on?"

Nobility: left, 'Tutu, 1974' by Ben Enwonwu, above, pictured c.1950

Brian Seed/The LIFE Images Collection/Getty Images

> At the heart of Enwonwu's oeuvre stands this mysterious work. Its reproduction hangs on the walls of many Nigerian homes

Enwonwu worked in a variety of forms as a painter, sculptor and draughtsman, and his output was astonishing. His responses to the cultural and historical realities of Nigeria were rich and unique: from masquerades to iconic images of dancers, from sculptures of Yoruba and Igbo gods to life-size statues of royalty and politicians. But at the heart of his oeuvre stands this mysterious work, "Tutu". Its reproduction hangs on the walls of many Nigerian homes, but the lost original of the painting is as famous for its absence as for its beauty.

There were in fact three versions of "Tutu", constituting a royal series, but all three were presumed lost. Then, in December 2017, something magical happened. A painting that had been hanging for 30 years in the modest north London apartment of someone who prefers to be unidentified turned out to be the only version of "Tutu" in existence. Giles Peppiatt, director at Bonhams, the expert who was called in, said: "I was absolutely staggered when I first saw the piece. The owners, who had inherited it, had no idea of its current value."

It amounts to the most significant discovery in contemporary African art in more than 50 years. It is the only authentic "Tutu", the equivalent of some rare archaeological find.

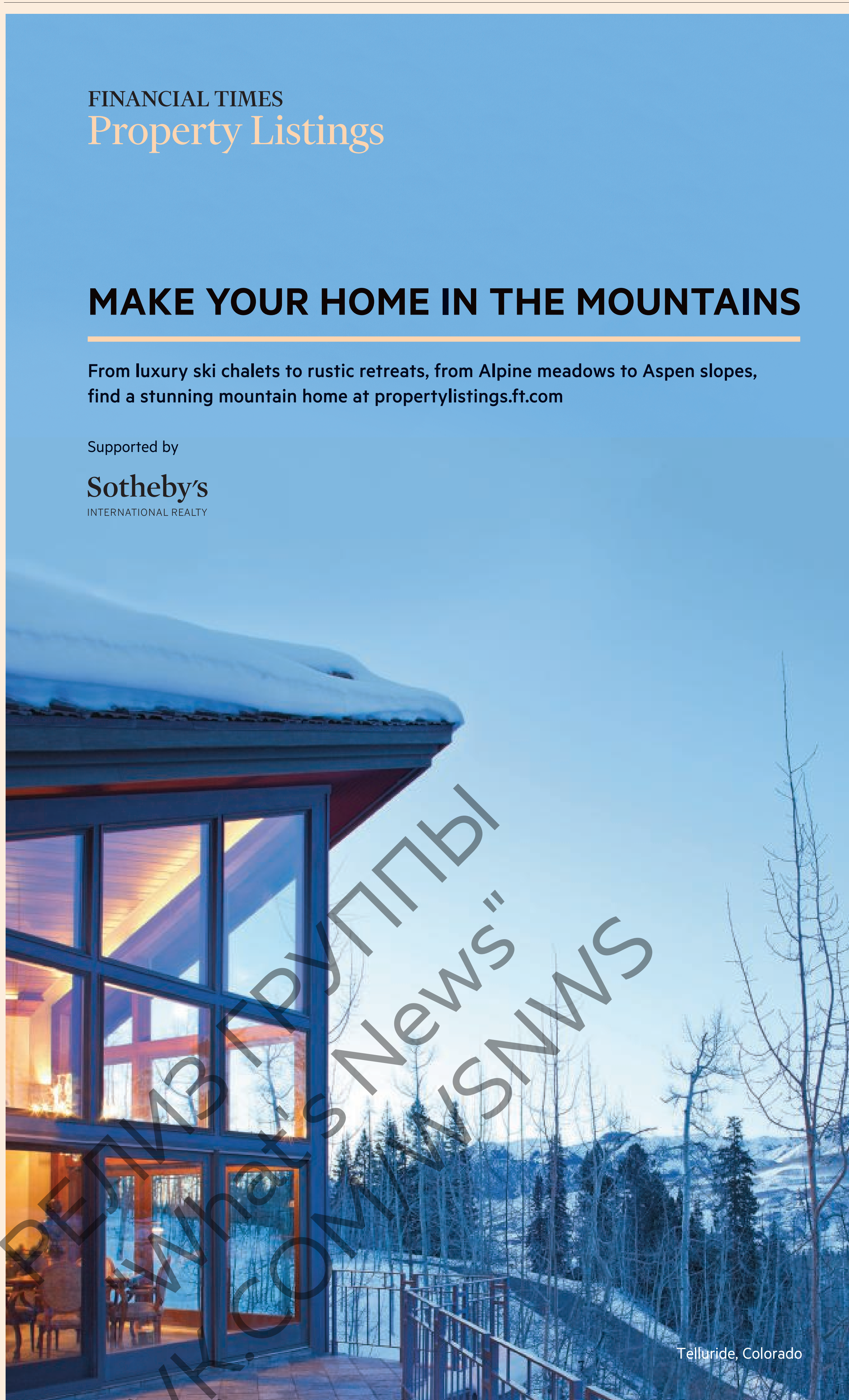
The discovery of the painting could also furnish the occasion to ask fundamental questions about the African artistic contribution to the story of modern art. For apart from the seminal role that traditional African sculpture played in the birth of modernism in the early years of the 20th century, the presence of modern African artists has been largely absent from the story of art.

The rediscovery of "Tutu, 1974" is an excellent place to begin that revaluation. Painted a year after the first version, it is in some ways a darker painting. Something mysterious has happened: the artist has caught that delicate, almost imperceptible moment in which a girl changes into a woman. The depth of her character is more evident; she is a strong determined woman who knows her own mind and grasps her own power. She is more than the powerful image of African womanhood. She is perhaps the secret image of a nation coming back into the light after a time of darkness.

This painting is unique in Enwonwu's oeuvre. He never rises to this level of mastery in portraiture again. Perhaps he never encounters a more fascinating subject. Perhaps it was something about the times. For after the civil war, the nation enjoyed, without knowing it, a second, bruised innocence, what Yeats might have called a terrible innocence. It existed between the end of carnage and the resumption of a lost unity.

But then maybe the painting conforms to something private in the artist, of which those muted yellows and those ambiguous browns and that steady, slightly forbidding gaze are but deflected signs of inward troubles. All true portraits are self-portraits.

*Bonhams includes the picture in its Africa Now auction on February 28, estimated at £200,000-£300,000*




# Carmen through Kosky's looking glass

OPERA

**Carmen**
Royal Opera House, London
★★☆☆☆

*Richard Fairman*

It does not take a gypsy fortune-teller to predict that a new production of *Carmen* is likely to be flawed. The cards are stacked against the director who has to wrestle with the work's uneasy mix of dialogue and grand opera, of light-hearted musical and gutsy realism.

In bringing Barrie Kosky's Frankfurt production of *Carmen* to London, the Royal Opera has uncharacteristically opted for some radical answers. Kosky is a director who likes to shake things up, which will explain the boos among the cheers at the final curtain.

He started by taking two big decisions, and neither was a good one. The first involves adopting swathes of music discarded or re-written by Bizet before the premiere, so we get, for example, two versions of Carmen's entrance aria, one after the other. The second was to replace the dialogue with a spoken narration, drawn from Mérimée's novella, which kills the drama stone dead. The protracted first half feels as if it will never get going.

It is not for want of trying. Kosky has ditched the usual *Carmen* clichés and taken the opera for a night out at the Folies Bergère, pepping up the party atmosphere with a chorus line, disco dancers and a celebrity appearance by a gorilla (don't ask who). The showbiz razzle-dazzle of it all is hugely brash and self-confident. But a high price is paid: when everything is a cabaret number, the relationships at the opera's heart get lost along the way.

Francesco Meli and Anna Goryachova

It is a relief that Carmen herself, charismatically sung and played by Anna Goryachova, is able to hold her own. Francesco Meli veers between gentle delicacy and searing intensity, sometimes from phrase to phrase, but his Don José has straightforward commitment. Kristina Mkhitaryan is a touching, vulnerable Micaëla and Kostas Smoriginas a not-quite-magnetic Escamillo. Pierre Doyen and Jean-Paul Fouchécourt, as Le Dancaïre and Le Remendado, stand out as two authentically French voices (would there were more) and conductor Jakub Hrůša keeps the orchestra sounding slim and trim, though he is apt to linger.

After the dreary, traditional production the company had previously, this comes as a wake-up call. Think of it as an alternative *Carmen*, exploring the opera's artistic hinterland — a *Carmen* through the looking glass. All the Royal Opera needs now is a new production of Bizet's standard masterpiece.

*To March 16, roh.org.uk*

THEATRE

**Gundog**
Royal Court Theatre (Jerwood Upstairs)
London
★★★☆☆

*Ian Shuttleworth*

Displays of support and appreciation are all well and good, but I can't recall when last I saw a play to which the pseudo-joyous whooping it received was a less apposite response. Simon Longman's play is not in any sense an uplifting work.

We are on a bleak hillside: designer Chloe Lamford has piled mounds of earth at the rear corners of the broad, shallow stage. Behind a glass wall lowers an undifferentiated sky. On the dirt live sisters Becky and Anna, trying to scrabble a subsistence living through sheep-farming . . . trying and, since this is more or less the present day and they are not running an industrial hyperfarm, failing. At various times they are joined by their truculent brother Ben, incipient-demented grandfather Mick, and/or an immigrant who has assumed the name Guy Tree. Their father is an offstage presence.

Scenes are more or less chronological, though there may be flashes back or forward or sudden jumps in time. For this is Longman's real focus: how, in an environment so spare, with only a few cyclical internal referents and no external ones at all, time can somehow be oppressive and illusory, still and in motion at once. The same things keep happening, from Mick's repetitions of bad-taste anecdotes out of the far past to Ben's resentment that things have not collapsed in apocalypse after their mother's death.

The trouble is that they're bleak, dispiriting things, and they grow more so with each recurrence. Mick (Alan Williams) is given a wonderful speech about being aware of his decline and wanting to stop time "for you to be brave", but when Anna (Rochenda Sandall) repeats its core later it is devoid of power. Ria Zmitrowicz's Becky seems to make a psychological journey in the course of the 100 uninterrupted minutes, but you can be fairly sure that if it were 110, she too would be back at square one.

Vicky Featherstone directs with what James Joyce once called "scrupulous meanness", but no amount of discipline is enough to dispel the suspicion that, presented as it is in London SW1, it may attract accusations of condescending towards the entire rural component of the country. Above all, you may just feel that you will never whoop again.

*To March 10, royalcourttheatre.com*

РЕЛИЗ ГРУППЫ "What's News" VK.COM/WSNWS



FT BIG READ. PROPERTY

# Canada's home loans crisis

A cocktail of loose lending, overseas cash and mounting household debt has triggered concern that Canada's housing market is overheating. Recent rate rises have stirred fears that the bubble is set to burst. *By Ben McLannahan*

Stephanie Clark does not want to leave New Westminster, a town about 45 minutes south-east of Vancouver where she was born and raised and, two years ago, had a baby. But she fears she will have to, driven out by a property market that seems to have lost touch with reality.

The two-bed condominium she bought for C$259,000 in 2015 was revalued last year at C$490,000 ($391,000), meaning higher annual property taxes and maintenance fees to pay. Friends of the 35-year-old web co-ordinator who rent their homes live in fear of "renoviction" — landlords turfing tenants out under the guise of refurbishment, then ordering them to pay much more in rent if they want the place back.

Canada is in the grip of a housing crisis more severe, by some measures, than anywhere else in the world. Household debt amounts to more than 100 per cent of the country's gross domestic product, according to the Bank for International Settlements, one of the highest of any developed nation. House prices have raced ahead of wages for years, boosted by loose lending, low interest rates and lax controls on foreign money.

Ms Clark says there are parallels to America a decade ago, when defaults in the subprime mortgage market tipped the country into its worst recession in a century. "I remember thinking when all that stuff went down [in the US], 'you could never get approved for that kind of thing up here'," she says. "It's frustrating to see it happen."

For now, the number of home loans in arrears across Canada is still very low, suggesting that people are finding ways to cope with ever-larger debts. But rising interest rates are beginning to bite, while a new stress test for mortgages issued by regulated banks has tightened the supply of credit. This week the Toronto Real Estate board said that sales in Canada's biggest city dropped 22 per cent in January, the weakest for that month since 2009.

Bearish analysts have long argued that Canada's housing market has a date with disaster. But even people within the industry are wondering if a full-on collapse can be averted. "I don't know how this all shakes out, but based on the amount of household debt we have, and the way prices have gone up . . . a strong gust of wind could send us down a pretty scary path," says Steve Saretsky, an agent based in Vancouver.

> 'Trends are developing . . . that we took for granted were not an issue in Canada. There are puffs of smoke, but I don't want to yell fire'

## Insurance issue

Bullish observers say fears of a meltdown are overblown. Canada can sustain high house prices, they argue, because they reflect the country's high levels of net migration, restrictive zoning laws and low unemployment.

Henry Lotin, a retired diplomat and principal at research group Integrative Trade and Economics, says the same forces that have pushed up prices in global hubs such as New York are now doing the same to the most attractive parts of Canada. "Torontonians should be thankful and we should manage it as best we can. We really have to be prepared that demand is going to exceed supply for the foreseeable future."

Many also note that mortgage books at the big banks look rock-solid. Royal Bank of Canada, for example, which recently joined the club of the world's most systemically important banks thanks to years of rapid asset growth, had a Canadian residential mortgage portfolio of an average C$231bn in the year to October. Defined as estimates of losses on impaired loans and losses incurred but not yet identified, provisions for credit losses were just C$33m — or one one-hundredth of 1 per cent.

Others say pristine loan books are not a good indicator of the stress lurking in the system. For one thing, every homebuyer with a downpayment of less than 20 per cent of the purchase price (if less than C$1m) has to buy insurance against default. That has the effect of flattering the banks' books but shifts the risk of default to insurers such as the state-backed Canada Mortgage and Housing Corporation.

CMHC was set up after the second world war to help house returning veterans. It insures about C$480bn of residential mortgages, or almost one-third of the outstanding stock in Canada, using an automated system to process about two-thirds of applications.

Meanwhile, the uninsured segment is growing. As the market has barrelled upwards in recent years, borrowers have been able to convert insured mortgages into uninsured mortgages simply by buying a property, waiting for the price to rise, then refinancing.

Uninsured buyers made up about three-quarters of new loans at federally regulated banks in 2017, up from two-thirds in 2014, according to the Bank of Canada. In Vancouver, where the average sales price of condos hit a record of C$1.1m in January, more than double the level a decade earlier, about 90 per cent of new mortgages are uninsured.

Laurentian Bank, Canada's seventh-biggest by assets, said in December that it would have to buy back about C$300m of mortgages it had sold to third parties, having found that borrowers had "embellished" income and assets. Last month, the Montreal-based bank said the buyback obligations had increased to about C$400m, and it would have to raise more capital.

That kind of disclosure — in dribs and drabs, each more alarming than the last — has echoes of the beginning of the US mortgage crisis, when terms such as "liar loan" began to enter the vernacular. "Trends are developing . . . that we took for granted were not an issue in Canada," says Gabriel Dechaine, an analyst at National Bank of Canada. "There are puffs of smoke, but I don't want to yell fire in a crowded theatre."

## Credit tightening

More strains could emerge. With interest rates rising — three increases in the central bank's policy rate since July has left it at 1.25 per cent — many borrowers may be facing a struggle to refinance in a market where almost all mortgages are renewed every five years or less.

"Good luck to anyone renewing a mortgage at a significantly higher rate," says Marc Cohodes, a California-based short-seller who has waged a long campaign against Home Capital, Canada's largest provider of home loans to the newly arrived and self-employed. Shares in the Toronto-listed company plunged last April after the Ontario Securities Commission said it failed to give a proper account of a rash of fraudulent mortgages in 2015.

Mr Cohodes is still betting on further falls in the stock, even after Warren Buffett's Berkshire Hathaway provided a C$2.4bn financing package in June. At the time, figures such as Bill Morneau, the country's finance minister, and Bank of Canada governor Stephen Poloz described Home Capital's problems as "contained" and "idiosyncratic".

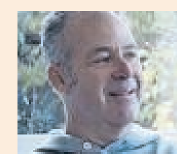
"It's exactly the same language we heard when New Century went," says Mr Cohodes, alluding to the April 2007 collapse of America's biggest independent subprime lender. "Instead of saying 'it's a problem, it's a blemish, we'll deal with these bad actors swiftly and severely', they try to shuffle it under the rug and pretend it's a one-time deal."

Anecdotal evidence suggests tougher rules on underwriting are also beginning to curb lending. On January 1 the federal banking regulator, the Office of the Superintendent of Financial Institutions, introduced a rule requiring all new mortgage applicants to show they could cope with interest rates substantially higher than their contracted rate. Previously, stress tests applied only to insured mortgages.

The higher bar is "definitely making it more difficult" for people to get loans, says Scott Ingram, a property agent at Century 21 in Toronto.

The tightening of credit could be a "tipping point, when senior people at the banks realise they're making loans unlikely to be paid back", says Hilliard MacBeth, an Edmonton-based investment manager and author of a 2015 book on Canada's real estate bubble. The question now, he says, is how the banks react. "Do you go cold turkey or gradually wean yourself off the drug?"

If the federally-regulated banks keep turning people away, activity is likely to be pushed into the margins, where lending standards are looser. Canada's shadow banking system was more than half the size of the traditional one in 2016, according to Bank of Canada estimates, with about C$1.1tn in liabilities.



Marc Cohodes, who shorted Home Capital, criticises the central bank's language on the mortgage market

Much of that is in home loans. Bank of Canada's official numbers show that non-banks — trusts, credit unions and other financial institutions — held C$313bn of residential mortgage credit in December.

A good chunk of the alternative lending goes through mortgage investment corporations — private, provincially-registered vehicles selling shares to the public to buy pools of mostly short-term home loans. One of the big MICs is Ryan Mortgage (slogan: "Tired of the stock market rollercoaster?"), a fund with C$260m in assets. It boasts 10-year average annual returns of 9.41 per cent.

Then there are private, bilateral deals, typically set up by real estate brokers freelancing as peer-to-peer lenders. A typical transaction might see a homeowner taking out a home equity line of credit (HELOC) at a 4 per cent rate of interest and then lending to a subprime borrower at, say, 10 per cent. That borrower then looks to refinance after a year or so, having built up enough equity for a conventional mortgage.

Harold Gerstel, a jewellery buyer in the Toronto suburb of Forest Hill, set up a sideline in mortgages using "friends and family money" in 2013. One of his TV advertisements describes first, second and third mortgages in "five business days, no income statements necessary. Bad credit? No problem!"

He says volumes have risen about a fifth under the new OSFI rules. "The housing market is crazy high so even people making relatively good salaries have a hard time getting first mortgages." He says he normally caps loans at about 80 per cent of the value. "Like an aeroplane, sometimes you hit turbulence, but the key in this thing is not to get carried away and not to over-lend."

> 'The housing market is crazy high so even people making relatively good salaries have a hard time getting first mortgages'

## Pain for 'mom and pop' investors

Are regulators on top of this? Hardly, says Ben Rabidoux, president of North Cove Advisors, a Toronto-based firm which advises institutional investors.

Last month he scored a victory, after the Financial Services Commission of Ontario cracked down on four brokerages that raised private funds for a condo and townhouse developer known as Fortress Real Developments. Mr Rabidoux had argued for years that the agency needs to take action, warning that "mom and pop" investors were putting money into investments marketed as safe and secured against real property, when in most cases they involved risky unsecured equity financing with no direct collateral coverage.

He says the sanctions on the brokers — fines of $1.1m, plus banning orders for four individual brokers — were too little, too late. In a letter to the FSCO last week, seen by the FT, he said "a fifth grader" could have seen that small investors were being exploited. The FSCO was not available to comment.

As for Ms Clark, she is beginning to despair. This week she sent an open letter to the mayor of New Westminster about a huge new high-rise development, saying it would force more families into small condos out of necessity rather than choice. The letter was a big hit on Facebook. She now wishes she had gone direct to the government of British Columbia, or even to Ottawa.

"I had no idea it would be as far-reaching," she says. Writing it "was an emotional reaction to coming home one night and seeing no place to park, and no green space around us. It feels like things are getting worse and worse."

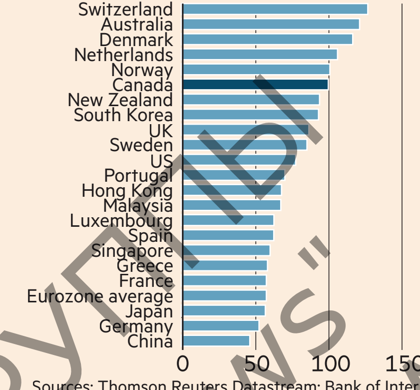
Concerns over the stability of the housing market in major cities such as Vancouver and Toronto have grown in recent years — FT montage

75%
Portion of new loans that were extended to uninsured buyers from federally regulated banks in 2017, according to Bank of Canada

>100%
Household debt as a proportion of Canada's gross domestic product, according to the Bank for International Settlements

C$2.4bn
Financing package provided by Warren Buffett to stricken mortgage lender Home Capital last year

**Canadian household debt looms large**
As % of GDP, Q2 2017, selected countries




**Home loans make up a large part of household debt**

Ratio of debt to disposable income (%) — Home equity line of credit (C$bn)

200, 150, 100, 50, 0 — 300, 200, 100, 0 — 1999, 2005, 10, 16

Sources: Thomson Reuters Datastream; Bank of International Settlements; Financial Consumer Agency of Canada

Overseas cash

## Call for tighter controls reflects fears over market

Judy Wang and Peter Zhang arrived in Canada eight years ago with about C$6m to their names. Within a few years the Chinese couple had built a portfolio of detached homes in Toronto while Mr Zhang had racked up huge losses on the baccarat tables at the Casino Rama resort, an hour outside the city. One property deal went sour and Ms Wang, now divorced, sued half a dozen associates, according to court filings in Ontario.

The proceedings came before Paul Perell, a superior court justice, in October. In his ruling he wrote that the non-English speaking pair could not explain how they sustained themselves in Canada. He also noted that the defendants believed Mr Zhang had moved his money from China to become a money launderer in Canada. "I make no finding other than saying that it is unknown how Ms Wang and Mr Zhang acquired their considerable wealth or how they got it out of China," he wrote.

Canada has long been open both to migrants and overseas money. Ms Wang and Mr Zhang were both beneficiaries of the federal immigrant investor programme which welcomed experienced business people with a legally obtained net worth of at least C$1.6m. It was scrapped in 2014 but every province now runs similar schemes.

It is time for tighter controls, says Alba Arboleda, a California-born technology consultant who moved to British Columbia in the mid-1990s. She is angry at developers pre-selling their high-rise developments offshore and then allowing units to be flipped three or four times for higher prices before a cent is paid in taxes.

As for the thousands of immigrants arriving each year with sacks of money, "it doesn't really matter if they're from China or Zimbabwe", she says. "It's people not really joining society, totally skewering the market."

**Speed read**

**Loan boom** Low interest rates and lax controls on foreign money have helped to inflate Canada's housing market

**Shadow shift** With federally regulated banks turning people away, activity is likely to be pushed into the margins

**Finding cash** Many homebuyers turn to private deals. Real estate brokers often freelance as peer-to-peer lenders

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FINANCIAL TIMES
'Without fear and without favour'
FRIDAY 9 FEBRUARY 2018

# South Africans deserve their day of reckoning

*Edging Zuma out will be delicate, but he should not be let off the hook*

Since becoming leader of the ruling African National Congress and presumed president-in-waiting, Cyril Ramaphosa has moved fast to establish authority over South Africa. He has replaced tainted officials in public enterprises.

Prosecutors are finally pursuing the agents of corruption who have brought the country low. Mr Ramaphosa also had a hand in the unprecedented halting of President Jacob Zuma's state of the nation address this week. Even some diehard loyalists of the incumbent have begun crossing the floor. it is plain to see who is in the ascendant.

Delivering the coup de grâce however is not an easy task. Mr Zuma is a seasoned fighter, soaked in scandals that would have sunk many lesser operators. He has wriggled out of reach of prosecutors and survived multiple no confidence votes in parliament. In his past existence, he was the ANC's head of intelligence. He knows the movement's secrets and is presumed to have dirt on many of his peers. He could bring the house down with him should he choose.

So it is fitting that it is Mr Ramaphosa who has taken charge of managing his exit in negotiations that yesterday entered their third day. A former trade union leader, Mr Ramaphosa helped negotiate the end of apartheid and transition to black majority rule with a mixture of charisma and steel. Those qualities led Nelson Mandela to favour him as a successor. His bargaining skills also helped him to become one of Africa's richest businessmen.

South Africans are understandably impatient for him to precipitate the end of a scandal-plagued presidency that has tarnished their country's hard-fought reputation and blighted its economic prospects. They are also right to be sceptical about the behind-the-scenes discussions. The ANC has a long history of covering up its darker secrets in the interest of the party.

The manner of Mr Zuma's departure will influence the ANC's prospects in next year's election, when the party's majority is under threat. It will also set the tone for the next chapter, and South Africa's broader prospects for recovery.

There is a precedent for the peaceful ousting of a president. Thabo Mbeki went quietly in 2008. No doubt Mr Zuma's time is also up. But he is clinging to power and, unlike his predecessor, has much to fear once he loses it. Mr Ramaphosa deserves some leeway as he embarks upon this delicate task.

Whether Mr Zuma, who in theory has another 18 months left as president before his second and final term is up, goes on Friday or next week matters little. Mr Ramaphosa's biggest challenge is to edge him out without splitting the ANC or even provoking wider bloodshed.

Mr Zuma's priority and likely condition for stepping down is to avoid prosecution for a string of past and pending corruption allegations. Reassuringly on Wednesday, Mr Ramaphosa told the ANC's parliamentary caucus that it was not within his power to grant immunity. The most he might be able to offer is some promise of a future presidential pardon to influence the coming days.

South Africa is a forgiving nation. The transition from apartheid showed this exceptional quality of mercy. Racist assassins were granted amnesty in exchange for mea culpas and peace.

These are different times. The rainbow nation has been sullied. Corruption has metastasised across state institutions. Reversing the judicial processes under way would be damaging. It might require compromises to get Mr Zuma out.

But there should be limits. South Africans are outraged and deserve some form of reckoning.

# Where Brexit hits hard, a customs union will help

*The regions of the UK that voted to leave have the most to lose*

Imagine a British politician stepping into — for example — a car factory in the country's north-east. She tells the assembled workers that she will fight to keep the UK in a customs union with the EU. The reception would likely be mixed. The north-east voted by a solid margin to leave the EU, and to listen to hardline Brexiters today, a customs union with the bloc amounts to continued vassalage. But there is a powerful argument she could offer sceptical workers: a customs union is the best way to protect their jobs.

On the back of this simple point, it should just be possible to reach a broad political compromise, despite the government's premature rejection of the idea. Leaving the EU and the single market, while staying in a customs union for goods, would give Brexiters much of what they want, on freedom of movement in particular. At the same time it could help to minimise the economic pain of leaving the EU, especially for areas at the most risk of harm.

The need for compromise has been put in sharp focus by the government's leaked Brexit impact assessment. It projects that the effect of different forms of Brexit would vary widely across regions — with London suffering the least and the north-east and the West Midlands hit hardest. The key reason, presumably — only MPs have seen the full assessment — is varying industrial mix. The exporters of cars, food, and other goods stand to lose most if tariffs and other trade barriers rise with Europe. Service industries based in London do not, at least, have to worry about customs checks.

Local councils and business groups in Brexit-voting regions are aware of the danger they are in. The representatives of food processors in Grimsby, farmers in Cornwall, and potters in Stoke-on-Trent are keen for barrier-free trade with the EU, and for keeping the protection of the EU's external tariffs. But the UK government cannot hand out special deals for particular regions. It needs a deal for the country.

Remaining outside of the single market but within a customs union for goods would stop tariff and rules-of-origin checks at EU borders. It would give certainty to global companies that produce in Britain — as Japan's ambassador emphasised after Thursday's meeting with Prime Minister Theresa May and Japanese auto executives. It would give the UK government control of immigration, significantly limit the authority of the European Court of Justice over British affairs, and give Britain freedom to try for bilateral service trade deals with non-EU countries. Finally, it would make it easier to avoid a hard border between Northern Ireland and the Republic of Ireland.

Of course, staying in a customs union would mean hewing quite closely to European regulations on goods. This undercuts the Brexiters' dream of an entrepreneurial state free to strike any trade deal with any partner. But no bilateral deal with a partner smaller or more distant than the EU will make up for the damage a hard Brexit will do. Many companies based as far away as Asia conform to EU regulations for their global operations because it is efficient to do so; non-EU countries' regulatory regimes often echo the EU's for the same reason. The idea that there is prosperity to be found in rejecting the globally respected standards of an enormous neighbour is fantastical.

It is not a foregone conclusion that the UK and the EU will be able to strike an agreement on a customs union that satisfies both sides. But it is an economically sensible target for the government to aim at — and one a domestic political argument can be built around. The same cannot be said for more hardline options.

# Letters

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## Don't let stereotypes limit our children

Sir, Saadia Zahidi's fascinating and uplifting op-ed "A new generation of Muslim women is driving global growth" (February 8), on how technology and the gig economy are enabling women in the emerging world, including many Muslim countries, to enter the workforce, also illustrates the negative influence of stereotypes and social norms.

A recent global survey by the UK-based charity Education Employers, #DrawingtheFuture, launched last month at the World Economic Forum in Davos where Ms Zahidi is head of education, gender and work, shows the significance of gender stereotypes as early as age seven on children's career aspirations. In the emerging world, children overall are more likely to aspire to become engineers or doctors, whereas in the western world more children want to be sportsmen or YouTube stars. This has an implication for education choices. Ms Zahidi cites five countries in the world where women make up a larger proportion than men of students enrolled in science, technology and engineering subjects. Two are Muslim-majority countries.

The second point on social norms is also illustrated by the #DrawingtheFuture survey, which shows that what your parents do for a living is one of the main things to influence children's career choices. As Ms Zahidi illustrates, in the Muslim world where there are fewer women role models, women are freer to choose what to study and which job to pursue — aided by the rise of technology and work flexibility.

Of course, the conclusion isn't that women shouldn't have role models, but that children should be exposed to a range of options and possibilities in order not to be limited by social norms and gender stereotypes in their education and career choices.

**Katarina Wallin Bureau**
*Chief Operating Officer,*
*Burson-Marsteller EMEA,*
*Brussels, Belgium*

## Turkey welcomes EU's latest strategy for Balkans

Sir, Regarding your editorial "The EU seeks to regain influence in the Balkans" (February 7): you state that "if the EU steps back, others — Russia and Turkey — are ready to fill the gap". Please let us know what gap you are talking about. This kind of evaluation only causes confusion. Turkey has always supported the Balkan countries' aspirations with regard to both Nato and the EU. Turkey wishes for stability and progress towards democracy in the Balkans, and these can be achieved by working towards membership of these two entities. In this respect, we can only welcome the EU's latest strategy for the Balkans. Thus, it is rather difficult for us to understand the implication that Turkey has other ideas for the region.

**Selim Yenel**
*Undersecretary,*
*Ministry for EU Affairs,*
*Ankara, Turkey*

## As in Singapore, so in South Yorkshire

Sir, Patrick Dransfield (Letters, January 30) observes that the lack of roundabouts makes Singapore a favoured site for the testing of driverless cars. Sheffield's inner ring road has a number of three-lane roundabouts and a driving population with a strong belief that the shortest distance between two points is a straight line: I have seen two cars crash at right angles. It is also the only place where (twice) I have stopped at a red light and had the car behind pull out to be driven through the lights on red.

Google et al should beat a path to South Yorkshire.

**Roger Oldham**
*Sheffield, S Yorks, UK*

## IG Metall's tactics bear no resemblance to CGT's

Sir, Further to "German union wins 28-hour week after workers flex muscles in French manner" (February 7): IG Metall ran this industrial action as it has run every similar movement for many years, with minimal damage and disruption, and starting in Baden-Württemberg because of its successful industrial base. Its strategy bears absolutely no resemblance to the primitive tactics used by the CGT union in France.

The result is a two-year pay agreement and the possibility for a limited percentage of the workforce to reduce their working week, for family reasons and for a limited period, to 28 hours at the same hourly rate. This comes with more flexibility on extending the rest of the workforce's 35-hour week back up to 40.

Far be it from me to defend IGM, but allow me to ask that you get your stories straight.

**Paul Samengo-Turner**
*Berlin, Germany*

'I was hoping some fake plastic snow might wash up'

## Monnet's planification is on the march again

Sir, Redistributing their countrymen's money is what Germany's Social Democrats have proved to be really good at for decades. But these days it is not only about more "goodies" to be spread in Germany, but increasingly around the EU. French president Emmanuel Macron's outstretched hand for more Europe has already been interpreted by SPD leader Martin Schulz as "a new dawn for Europe" and an "end to the diktat of austerity". Great marketing ploys, but inherently bad policy proposals by the party-book career politician.

Does nobody really realise that the traditional *planification française* is on the march again? That is, not only broadening the coffers for transfers but institutionalising the whole system at the same time, away from the control of the German Bundestag and on the basis of a slippery European oversight with cumbersome decision-making instead ("Merkel pressed on transfer union fears", February 6).

More, and more easily available, transfer money might stop structural reform efforts in their tracks in countries such as Italy and France, or at best slow those measures down substantially. Show us results of these reforms first, then we have a much better basis on which to "show you the money". Otmar Issing, the European Central Bank's former chief economist, is absolutely right that nothing more than the stability of the EU is at stake.

The coalition will be expensive enough (less tax relief but more social "goodies"); hopefully it will not be completely unaffordable in view of Europe.

**Dr Reinhard Fischer**
*Economist,*
*London SW14, UK*

## What is 'uniting' about Facebook?

Sir, John Thornhill urges the billions of Facebook users (aka "workers") to strike against the unfair algorithmic parasitism that sucks billions from their unpaid labour ("Social media users of the world unite!", February 6).

In 1854 Henry David Thoreau published his masterpiece *Walden or, Life in the Woods*, in which he drily commented on the furore accompanying the invention of the telegraph that instantly linked Texas and Maine, asking: what if those states had nothing to say to one another? And then in 1861 came our Civil War calamity. In 1917 Freud wrote a short essay praising the telegraph because it united family members. Today we see couples on park benches tapping at their cell phones. United?

**Jascha Kessler**
*Santa Monica, CA, US*
*Emeritus Professor of Modern English & American Literature, UCLA*

## Changing indexation will cost pensioners thousands

Sir, Lex is the latest in your newspaper to attack the Retail Prices Index (February 6). There may be logical arguments but there are also legal problems. To alter pension indexation to the Consumer Prices Index or similar is to deprive members in their sixties of tens of thousands of pounds. Some of these pensioners have had their entitlements bought out with an insurance company. These insurers would have windfall gains.

There is a need in the market for RPI gilts for matching purposes. The government could start to issue CPI paper if it likes. The fact that nobody is certain what should replace RPI is an argument for retaining it for limited purposes.

**Steve Harrison**
*London SE15, UK*

## Allow Poles to discuss uncomfortable truths and place them in context

Sir, Jan Gross's response to the new Polish law ("Poland's death camp law distorts history", February 7) has moved me, as a Briton of Polish descent, to add my support for his position. The events of the Holocaust have shaped Polish cultural discourse into one of disbelieving grief. Both Polish Jews and Polish Gentiles seek resolution of the enduring pain and anger caused by the Holocaust. Both seemingly struggle as, historically, not enough has been said about what actually happened. Professor Gross is one voice that has sought that truth, but he has been met by the voices of disbelieving grief that can only see him as a messenger of untruth.

The wounds felt by Polish Gentile and Polish Jew alike, arising from the moral collapse created by the Nazi occupation of Poland, have not yet been healed. The healing process can succeed through open, honest and informed debate undertaken by Polish society as a whole, assisted by the highest quality research and analysis, and inclusive of all people of Polish origin, wherever they live. The Polish government has little or no role in that process save as a neutral facilitator of debate. It certainly must not take sides.

The current Polish government's motive of protecting the good name of Poland, the site of the Holocaust's worst crimes, committed when Poles had no political, military or territorial authority over their own land, is defensible. All that is necessary is to make clear, and Prof Gross does, that it is unacceptable to use a phrase like "Polish death camps" to describe the Nazi concentration camps.

However, the Law and Justice Party in government is abusing the tragedy of the Holocaust as a political weapon. It not only insults the Jewish survivors, by pretending that no Pole could have engaged in evil acts against their Jewish neighbours during the heroic struggle of the second world war, but also ignores the true identity of Poland as a Judeo-Christian nation, an identity traduced by generations of dishonest politicisations of what it means to be Polish, usually for cynical, short-term, political advantage. The Polish government is condoning the "othering" of a historically belonging section of its own nation, and potentially criminalising their stories.

The correct approach is to allow the Polish people the freedom to discuss uncomfortable truths and set them in a proper, informed, context. Only then will the true extent of Polish heroism and guilt be seen. The one cannot exist without the other in a confident and culturally secure nation that looks forward to a better future.

**Peter Muchlinski**
*Emeritus Professor of Law,*
*SOAS, University of London, UK*

## Correction

● RSE Ventures has invested in neither Equinox nor SoulCycle as incorrectly stated in an article on February 5.

COMMENT ON FT.COM
**Instant Insight**
Forget the bravado; the achievement of SpaceX is stunning, writes **John Thornhill**
**www.ft.com/instantinsight**

## *What dream team may come to shuffle off this EU coil?*

## Notebook

*by Robert Shrimsley*

The Brexit negotiations have reached a crunch point as Theresa May fights to reach a deal with her own cabinet on Britain's future status outside the EU. As fears grow among hardliners that she may be about to sell out and keep the UK in the EU customs union, there is even talk of a "dream team" alliance between Boris Johnson, Michael Gove and Jacob Rees-Mogg to topple the prime minister and replace her with the foreign secretary.

*The door opens at Boris Johnson's official residence by St James's Park.*

**BJ: Michael . . .**
MG: Hello Boris.
**BJ: (Aside: Of all the grace and favour mansions in all the towns in all the world, he walks in to mine.) Michael! Been a long time. I didn't expect ever to see you again.**
MG: You saw me in cabinet last week.
**BJ: Yes, apart from in cabinet.**
MG: And in parliament.
**BJ: Yes, yes OK. Why are you here?**
MG: Brexit is in danger. It is on a cliff edge. It is locked up in an Iranian jail with only you to save it.
**BJ: But Theresa told me only yesterday that it still meant Brexit.**
MG: She's selling us out Boris. She's got Philip Hammond whispering in her ear and she's selling us out. We need to get the band back together. You as PM, me as your deputy and . . .
**BJ: Me as PM and you as deputy eh? As I recall, that was the idea before you stabbed me in the back and wrecked my leadership bid. What was it you said? "Boris cannot provide the leadership for the task ahead." Don't think I'll forget your treachery. The Tiber overflows with tears. *Tiberim cum lacrimis redundat.***
MG: We have to put that behind us. It won't be just you and me this time. It will be you, me and Jacob Rees-Mogg.
*Rees-Mogg arrives in a three-piece pinstriped suit.*
**BJ: Here he is; the man of the people.**
JRM: An inestimable joy to be here.
MG: We have to do this Boris. For Brexit. For Britain. Floreat Britannia. Fulfil your destiny. Carry out the will of the people. We are the dream team!
**BJ: More like the scream team.**
JRM: We must unite to save Brexit from its enemies.
**BJ: Which enemies?**
JRM: Theresa May, Philip Hammond, the dishonest Treasury, civil servants, citizens of nowhere, citizens of somewhere outside Somerset, Europeans, the BBC, experts, out-of-touch elites, 48 per cent of the public.
MG: Theresa is wobbling. We need to stiffen her sinews, straighten her back and keep her shoulder to the wheel.
**BJ: How do we straighten her back and keep her shoulder to the wheel?**
JRM: Through British ingenuity and faith in our nation.
**BJ: You want to re-form. You've given up all your doubts about me?**
MG: Your record as foreign secretary speaks for itself.
**BJ: What would we do?**
MG: We let it be known that the dream team is back in business.
**BJ: And the party rallies to our cry?**
MG: In one possible scenario.
**BJ: And then you stab me again and put Moggie in Number 10.**
MG: No, we don't put anyone in Number 10. Do you think we actually want to own this mess?
**BJ: So you don't want me as leader?**
MG: Of course not, we just want Theresa so frightened that she hangs tough on Brexit.
**BJ: And the dream team?**
MG: A promised land, like Arcadia, Shangri-La, Middle Earth — all places with which we'll be free to trade once we've left the customs union.
**BJ: So, no unity ticket to save Brexit?**
MG: Are you kidding? A leadership contest would be a bloodbath, there'd be about 10 candidates from our side alone — make *Game of Thrones* look like an episode of *Friends*. Jacob would finish you off in the first ballot.
**BJ: But he's not serious. He's a comic figure. Who'd vote for him?**
*Gove and Rees-Mogg fall silent.*
**BJ: Surely Theresa will see it's a bluff.**
**She knows that a leadership contest could tear us apart, destroy Brexit and put Corbyn in power.**
MG: But she also thinks we are mad enough to do it if we're betrayed.
**BJ: But we're not really are we?**
*Gove and Rees-Mogg fall silent again.*
**BJ: So the dream team's just a dream?**
JRM: A wonderful dream.
**BJ: I think I'll call it a night. (*Musing quietly*) the dream team . . . to sleep, perchance to dream.**
JRM: Aye, there's the rub.

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# Comment

## The corporate debt problem refuses to recede

FINANCE
Gillian Tett

As stock markets gyrated wildly earlier this week, the Reddit social media platform delivered a scream of pain from somebody called "Lilkanna", who claimed to be a small-time investor holding exchange-traded notes that bet on low US equity volatility.

"I started with 50k [dollars] and traded all the way to 4 mill over 2.5 years . . . using more and more margin [ie debt]," this declared. "But now I have lost $4m, three years of work, and other peoples' money. Really fu**ing stupid. I feel like such a fool."

Quite so. For months, commentators have warned that a correction in the US stock market was overdue. Financial insiders have also warned that volatility was bound to explode after last year's supernatural calm, spelling disaster for anybody who — like "Lilkanna" — held ETNs that bet on low volatility.

But this week's gyrations nevertheless came as a shock. And while nobody knows whether Lilkanna really exists, since Reddit is anonymous, the post exemplifies a bigger point: though markets have since stabilised, this week's correction is a potent warning sign of bigger risks that lie ahead.

The financial world faces at least three key issues, with echoes of the past: cheap money has fuelled a rise in leverage; low rates have also fostered financial engineering; and regulators are finding it hard to keep track of the risks, partly because they are so fragmented.

The debt issue is the easiest to understand. When the financial crisis exploded a decade ago, the trigger was excess borrowing among American consumers and financial institutions. Thankfully, this has receded. Western banks and hedge funds have dramatically less leverage than before.

This is important and reassuring. It means the core of the financial system is much healthier. We are unlikely to see a 2008-style crisis where strings of banks topple over.

But this does not mean that debt has disappeared. Far from it. The Bank for International Settlements calculates that global debt to gross domestic product is now 40 per cent higher — yes, higher — today than it was a decade ago. That is partly due to rising government borrowing in the west. Chinese debt has also exploded. But leverage has crept, almost unnoticed, into the corporate world.

> To make matters worse, the structure of markets is changing due to a digital revolution

Standard and Poor's, for example, calculates that global non-financial corporate debt grew by 15 percentage points to 96 per cent of GDP in the past six years, with some 37 per cent of companies deemed to be "highly leveraged", up from 32 per cent in 2007. And while this is easy to service in a world of low interest rates, central banks are starting to raise rates. Indeed, this week the 10-year treasury yield rose above 2.8 per cent.

One way to make sense of this week's events, then, is that investors are starting to wake up to these issues.

This highlights a second point: financial engineering has proliferated in the low-rate era. A decade ago, investors tried to manufacturer higher returns with products like collateralised debt obligations, or CDOs. This week it was other three-letter acronyms, such as those ETNs, that blew up.

Thankfully, the scale of the exotic products creating havoc this week is a mere $6bn-$8bn, and they only affect equity markets, not credit channels. But the bigger point is this: in recent years many investors have built their portfolios assuming that rates would stay low. It will not be easy to unwind this calmly.

To make matters worse, the structure of markets is changing due to a digital revolution. JPMorgan estimates that today a mere 10 per cent of equity trading is being conducted in the old-fashioned way, by discretionary human traders; the rest is mediated by computer programs.

This appears to have contributed to the wild market swings we saw last week. It also creates a practical problem for regulators: the officials (and investors) who understand cyber issues tend to sit in different departments from those who study finance.

The good news is that these issues will not necessarily spark a full-blown crisis — at least not anytime soon. The core of the financial system is much healthier than before, regulators are (a little) wiser, the global economy is still growing and many investors remain flush with cash.

But the crucial point to understand is that as rates rise we will almost certainly see more financial shocks. So scoff, if you like, at Lilkanna's folly. But his or her bad bet was a merely an extreme version of the game that many investors have played in a world of cheap money and rising debt. Ignore that at your peril.

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## Germany defies Europe's nationalist tide

GLOBAL POLITICS
Philip Stephens

There was a time when Europe thought it had made its peace with history. The nations of East Asia — Japan, China, Korea — might nurture the embers of conflicts past, but Europe had liberated itself with the creation of the EU. You did not have to be an ardent Europhile to see that economic integration served as the midwife for postwar reconciliation.

All this was before Poland's authoritarian government reopened a claim for war reparations against its neighbour Germany, and Hungary's prime minister Viktor Orban sought to rehabilitate the reputation of his country's fascist wartime leader Miklos Horthy. The ruling Law and Justice party (PiS) in Warsaw now wants to criminalise any suggestion that some Poles were complicit in the operation of Nazi concentration camps.

Nations mostly celebrate history by marking triumphs over adversity or, sometimes, bathing in the nostalgia of past glories. In its moment of denial, Brexit Britain cannot get enough of Churchillian reminiscence about standing alone. The new nationalism is rooted in mostly imagined grievance.

Mr Orban has never quite reconciled himself to the loss of Hungarian territory under the Treaty of Trianon in 1920. Jaroslaw Kaczynski, the leader of PiS, sees a German or Russian plot around every corner.

The nationalist right has a keen eye for enemies. Jews have always been a favourite target. Now they are joined among adversaries of old by Muslim refugees arriving from the Middle East. Nor is Mr Orban alone in his revisionist take on 1930s dictators. In far-right Italian circles you often hear that history has "misunderstood" the fascist leader Benito Mussolini.

Harder to comprehend have been angry demonstrations in Athens against suggestions that the former Yugoslav Republic of Macedonia might more simply be called Macedonia. The tiny Balkan state stands accused of seeking to appropriate Greek heritage. But is Greece's identity really quite so fragile? Surely after the tribulations of recent years the nationalists could find more recent grudges than an argument about the lineage of Philip of Macedon?

There is one European nation that has never sought to forget the history of the continent during the first half of the 20th century. Germans remain at once uncomfortable about talking about the past, but determined to confront it. This way they can legitimise the present.

Walk the streets of Berlin and there is no escape from Hitler's calumnies — from the small, gold memorial plaques studded in the pavement to mark places where individual Jews were seized, to the grim but inspiring Holocaust memorial next to the Brandenburg gate and the bleak account of the rise of Nazism in the museum of German history.

Next week foreign and defence policy chiefs from across the advanced western democracies will gather for the annual Munich Security Conference. Two of the conclusions of their deliberations can be written in advance. Donald Trump's disavowal of global leadership in favour of "America first" nationalism leaves Europe to do more to safeguard its own security. And the nation most able to shoulder more of the defence burden? Germany.

The hosts cannot complain. It was in Munich that chancellor Angela Merkel last summer offered a caustic assessment of Mr Trump as an unreliable partner. Only last month in Davos she called for Europe to "take its destiny into its own hands". Talk to policymakers in Berlin and you get the same message: as Europe's most powerful nation, Germany will play its part.

> There is one country that has never sought to escape the history of the continent

I wonder. Ms Merkel may tell international audiences that Germany will pay up for defence and security, but the draft coalition agreement her Christian Democrats have negotiated with the Social Democrats tells a rather different story. Beyond a few bromides — "German defence policy is dedicated to peace" — the draft says nothing about Germany's role in preserving an open international order. As for defence, well, "the Bundeswehr remains an indispensable element of German security policy".

Critics call this freeriding. And there is something of that. Germany is a stable, prosperous society and its citizens have grown wealthy as others paid for Europe's security. But no one should underestimate the weight of history.

Berlin's Invaliden cemetery was built more than 250 years ago on the orders of Frederick the Great to memorialise Prussia's war heroes. Among the graves is the tomb of the warrior Gerhard von Scharnhorst. But do not expect grandeur — the monuments sit on a small scrap of ill-tended land hemmed in by apartment blocks and the canal behind the city's main railway station.

Scharnhorst shares the ground with the authors of Operation Valkyrie, the abortive attempt by military officers to assassinate Hitler. Somewhere, in an unmarked grave, lies Reinhard Heydrich, the SS officer who chaired the infamous Wannsee conference.

This is our "Arlington", a former German foreign minister told me laconically. Another way of putting it would be to say that Germany's stubborn pacifism keeps clear sight of history. That is inconvenient for those of us who believe that Europe does indeed need to do more to defend itself. But Germany at least has held on to a true account of events that angry nationalists pretend to have forgotten.

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## Brexit has replaced the stiff upper lip with quivering rage

ECONOMICS
Martin Wolf

Bewildered foreigners often ask me what is happening to my country. This reminds me of my youth, when the UK was known as "the sick man of Europe". This time their concern is not over the economy, but politics.

The surprise is also greater. British economic superiority faded long since. But how, they ask, has a country famed for stable and pragmatic parliamentary democracy fallen into such an embarrassing mess: a government unable to govern; the two main parties split; parliament cowering before "the will of the people" as determined by a referendum; politicians assailing officials, media assailing the judiciary — all happening in the hysterical atmosphere of a witch hunt? This does not seem British. British conservatism was once associated with the stiff upper lip. It now quivers with rage.

So what is going on? The answer is that the country is in the middle of a civil war. The EU referendum did not resolve this war: the two sides are too evenly matched and contemptuous of each other for that. The war is over the sort of country this is, maybe even over whether the UK is to be a country at all. True, this is a peaceful civil war. That is the abiding virtue of the democratic political process. But it is still a schism between irreconcilable opponents.

Civil war has happened in Britain before, in the 17th-century conflict over whether sovereignty lay with king or parliament. A more peaceful conflict accompanied the long march towards universal suffrage. We celebrated a milestone on that journey — the granting of votes to some women in 1918 — this week. The 20th-century conflict between labour and capital might have been far more brutal, without the unifying force of two world wars.

The conflict this time is over the UK's destiny: over whether it is just another European country; over who determines laws binding on British people; over who decides who may live here; and over whether the European project is the path to a better future, or a socialist plot, a capitalist plot, or merely a plot against democratic sovereignty.

The most fascinating feature of the debate is that the far left and far right agree against the centre. They may agree on little else. But they concur that the EU is a conspiracy against parliamentary sovereignty — against the right of a temporary parliamentary majority to do as it pleases with the people. For a leftwing socialist, the aim is to create a socialist paradise. For a rightwing freemarketeer, it is to create a capitalist one. Either way, the EU is the enemy.

> The referendum did not resolve the UK civil war; the two sides remain mutually contemptuous

Successful parties must embrace the extremes, yet also spread far into the centre. That is why Brexit has split both parties. This is also why 20 months after the referendum and nearly 11 months after triggering Article 50, the government has barely discussed what Brexit means and the opposition has no idea what it ultimately desires. The public was persuaded to vote for departure, with next to no discussion of the destination. This was no accident. The various Brexit factions know what they wanted to leave; they have no shared view of where they want to go.

The intensity of feeling is also not so surprising. In part, the UK is victim of its past successes. A small offshore island became, temporarily, a superpower. It defined itself against Europe and, inevitably, against any power wishing to dominate Europe. In this, it found allies. Now, Europe is uniting while the UK is very much not a superpower. So what does it choose? Is it to be an irrelevant offshore island or a part of a united Europe? The choice has to be divisive.

When divisions are so deep, nobody is considered neutral. This is particularly true for the Brexiters, since they are the revolutionary and so the more passionate faction. Anybody not for them is against them. All the great institutions of the state, carefully designed to be neutral, have become suspect. A *soi-disant* conservative, such as Jacob Rees-Mogg, becomes a weapon of constitutional destruction.

How will this end? The answer is that anything is possible. Could there still be a "no-deal Brexit"? Yes. Could there be another referendum? Yes. But the likelihood is that the UK will exit on terms laid down, in detail, by the EU. When a country is this divided and its political processes are in such disarray, someone else has to sort things out. The EU will do so, because that is in its interests.

The EU will not let the UK have its cake and eat it. It is led by people who also have a historical goal: not to return to the past. Their history was not British history and their aims are not British aims. They will determine the terms of the separation. We will then see whether the UK's civil war is resolved, or renewed in other, yet more bitter, ways.

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## *Five Star struggles to sate Italy's hunger for change*

OPINION
Bill Emmott

It is a sign of Silvio Berlusconi's Trump-like talent that the wily 81-year-old has got everyone talking about him in the campaign for Italy's general election on March 4, even when his party is running a distant third in the polls. The party that should really be the centre of attention is the frontrunner, the Five Star Movement. For it, not Mr Berlusconi, is both the country's true hope and its greatest despair.

Five years ago, when Italy held its last general election, two forces emerged proposing radical change, both from outside the mainstream. One was the young mayor of Florence, Matteo Renzi, who a year later stabbed his Democratic party colleague, Enrico Letta, in the back and took over as prime minister despite never having been elected to national office. The other was Five Star, which grabbed more than 25 per cent of the votes despite having been born only four years earlier and being led by a comedian, Beppe Grillo, who wasn't even running for parliament.

Mr Renzi, like Nicolas Sarkozy when he was elected French president in 2007, promised a rupture with the old ways of politics that he struggled to deliver. After less than three years in office he crashed and burnt, losing a referendum on constitutional change on which he had unwisely bet his future.

With Mr Renzi's centre-left Democratic party split and slipping in the polls, 11 per cent of the workforce unemployed, youth unemployment stuck at nearly 33 per cent and economic growth under-performing the rest of the eurozone, the way should now be clear for the other reforming force to sweep into power.

> With the opposition divided, the way should be clear for a reforming force to sweep into power

If Mr Renzi resembles Mr Sarkozy, the party the Five Star Movement resembles most is Emmanuel Macron's La République en Marche. It too draws support and membership from both left and right, young and old and, crucially for Italy, north and south. Like En Marche, its activists and voters are mainly middle class. Now it has dropped Mr Grillo's former insistence on an (unconstitutional) referendum on Italy's euro membership, it even looks potentially constructive in European terms.

Moreover, let there be no doubt: Italy needs change. Burdened by a public debt of over 130 per cent of gross domestic product, inherited from the profligate 1980s but worsened by economic stagnation over the past 20 years, the country went backwards during the eight years Mr Berlusconi served as prime minister in 2001-06 and 2008-11. The old vice of corruption revived, the justice system worsened and no significant reforms were even attempted by his governments.

Five Star is the party that should be offering a new future, and the nearly 30 per cent of the electorate backing it are surely hoping for one. The trouble is it needs 40 per cent to form a government. The reason it does not look like getting it is that although it is Italy's En Marche, it lacks a Macron.

It is not just a matter of a person, although Five Star's 31-year-old candidate for the prime ministership, Luigi Di Maio, plainly lacks Mr Macron's experience, expertise and savoir faire, and is being populist on the issue of trans-Mediterranean migration, putting off centrist voters. It is that the party lacks any cohesive team that looks like a credible government in waiting. This is the fault of Mr Grillo and his insistence on running the party through a fake online democracy, with candidates chosen by handfuls of voters.

With less than four weeks to go, there is scarcely time to make up for this. Announcing a potential cabinet, including a candidate for the crucial post of finance minister, could help. If the only viable government after March 4 proves to be a grand coalition for which Mr Berlusconi acts as kingmaker, Five Star will have just itself to blame. It will have failed its change-hungry voters and it will have failed Italy.

*The writer is author of 'The Fate of the West'*

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## SoftBank/Swiss Re: tome slip

Think of SoftBank boss Masayoshi Son as the owner of the Library of Babel envisaged by writer Jorge Luis Borges. Many of the infinitely expanding collection of tomes, and deals, make no sense. True to form, SoftBank plans to add to its shelves a slice of Swiss Re, the reinsurance group. As with SoftBank's other follies, this one does not offer good value for its shareholders.

Mr Son's plan with Swiss Re is to disrupt the insurance industry. This would add to a SoftBank bibliography of business already covering fields as diverse as energy, robotics and baseball. Organising these stacks takes something more than the Dewey Decimal System. Adding a minority stake in a big reinsurer would only add to the complexity. So far, SoftBank's foray into insurance is represented by a holding, alongside Alibaba, in Zhong-An, a Chinese purveyor of esoteric insurance. Flight-delay insurance anyone? How Swiss Re connects to this quirky business is obscure.

Shares in Swiss Re jumped reflexively 4 per cent, although what the reinsurer hopes to get from any transaction is as mysterious as the motives of Mr Son. We can assume that Swiss Re does not require more capital. A superfluity of that is depressing returns in global reinsurance. Net profits have fallen at a compounded rate of 12 per cent over the past three years. Perhaps SoftBank expects to suck data from Swiss Re's collected works, for use in digital disruption. If so, paying up to $10bn for less than a third of the group looks an expensive way of obtaining a reader's card.

Paying that much does buy yearly dividends of more than $500m. Yet SoftBank separately confirmed yesterday that it planned to list about 30 per cent of its Japanese mobile phone unit. Compare that affiliate income to the post tax stream to be sold — not less than $1.2bn. Even with a capital inflow, over time that hardly looks a good spread. SoftBank's market value lies below the net value of its businesses, especially its holding in Alibaba. Given that the domestic wireless initial public offering is meant to help unlock this conglomerate discount, another investment with unmeasurable contributions to SoftBank can only confuse matters further.

Expect dazed looks from researchers poring over SoftBank's books seeking answers. In black and white, buying a stake in Swiss Re does not read well.

## Tesla: spirited guide

Earnings guidance is a dangerous drug. In 2007, a US bipartisan commission argued it should be scrapped: it creates "adverse incentives to forgo value-added investments in long-term projects". Executives become obsessed with hitting the next quarter's numbers. Often they issue soft targets for a sugar high. Even that gets harder as investors wise up.

Not Elon Musk. The Tesla chief, who blasted a car into space, cannot be accused of being distracted by his Wall Street promises. Nor has he been corrupted by conservatism. On Wednesday, the electric carmaker's earnings were unremarkable — little more than a pit-stop on the way to the glory of the chequered flag or a wipeout. Guidance, though, spewed out of Mr Musk. Nothing as pedestrian as earnings per share — perhaps because Tesla does not have any — but an array of other promises and bets.

Among the goals for this year: sustained positive quarterly operating income, which Tesla has recorded for only one quarter in its history; 5,000-a-week production of the Model 3, which was originally due by the end of 2017; to be profitable according to generally accepted accounting principles, which Tesla has achieved in only two previous quarters in tiny amounts; to have a car drive autonomously from Los Angeles to New York, which was expected last year; an improved gross margin on Tesla's existing S and X models, which has fallen for the past two quarters.

And proving that Mr Musk is not fixated on the short term, he offered guidance that four years from now Tesla would be producing 100,000 electric haulage trucks a year, a vehicle that was unveiled only in November.

Sifting through this guidance and sorting it into buckets of missed targets, achievements that have been realised and those that may still come to pass is exhausting and perhaps ultimately fruitless. The loyalty of Tesla shareholders is proven. Only evidence that long-term profits are not achievable will shake their faith.

## Ashmore: jubilation

Billions of dollars have flowed to countries with patchy reputations for solvency in the post-crisis years of cheap money. Yet there is no need to launch another Jubilee campaign of debt forgiveness just yet. A week or so of global market volatility has not undone the combination of a weak dollar, low global interest rates and GDP growth that keeps problems at bay for indebted emerging economies — and the funds that invest in them.

Yesterday, UK-listed specialist fund manager Ashmore said assets under management increased 18 per cent on the previous half year to $69.5bn. It should see demand for its products continue to rise in 2018.

After a brutal few years, Ashmore's recovery matches that of the bonds in which it invests in. Its shares trade at about 19 times next year's earnings, higher than both its peer group and its historical average. The market environment warrants this, so long as the focus remains on cost control.

Ashmore has decided to absorb its research costs, rather than bill clients, following the introduction of Mifid II last month. Rivals half the size estimate their costs at about £1m. If Ashmore's were double that sum it would almost eliminate the reduction in operating costs earned by a headcount reduction.

Better client money inflows plus investment gains have not been enough to improve profits. Blame adverse currency moves and smaller gains from "seed capital" investments. More client money means higher management fee income. But landing some big new clients has lifted assets at the expense of fee margins, which are down to 50 basis points from 54 a year ago.

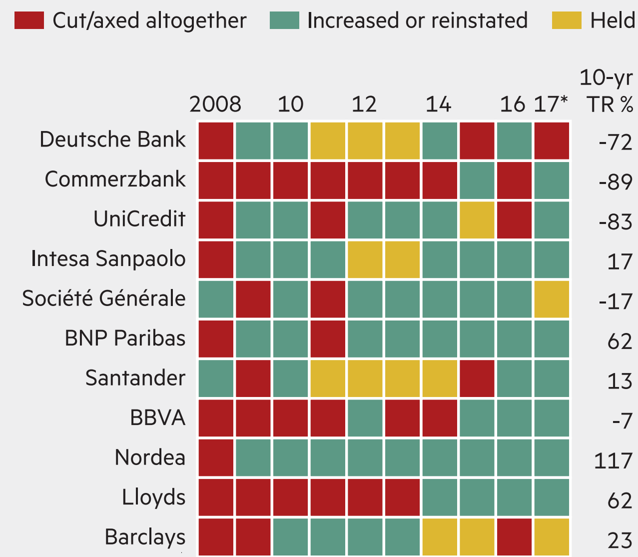
Offering more alternative products would bump up that margin. And higher-yielding EM debt should attract more client interest while rates remain low in the developed world, meaning higher overall fees. The capacity is there. Ashmore is back on an upswing, and it could add another $10bn to assets before it regains its 2013 high.

## European banks: the yield field

Banks are becoming more consistent dividend payers as capital issues are resolved, economies recover and costs are cut. Over the past 10 years, there has been surprisingly little correlation between maintaining dividend payouts and share price performance. That may change as managers focus on profits, not growth

### Dividend scorecard

Cut/axed altogether | Increased or reinstated | Held




### Shares and payouts 2008-18

Share prices vs net cuts/increases

Y axis: 60, 40, 20, 0, -20, -40, -60, -80, -100
X axis: -8, -6, -4, -2, 0, 2, 4, 6, 8, 10
Net cuts ⟵ ⟶ Net increases

FT graphic Source: Bloomberg *2017 dividends for Santander, Barclays and Lloyds are forecasts

Dividends are back. Two of Europe's most popular banking recovery stocks are restarting payouts. So long as lenders focus on profits rather than growth, owning high dividend banks will be a more crowded trade.

Yesterday, Italy's UniCredit said it would pay a 32 cent dividend after beating forecasts. German lender Commerzbank pledged to pay an unspecified amount in respect of 2018. It could arguably have paid out this year given the progress made on its restructuring. Shares in both, already trending up, rose further.

Dividends serve two purposes. One, obviously, is to reward providers of capital. This is an emotive subject for shareholders of investment banks, given how well the men in red braces have been rewarded for destroying shareholder wealth. And dividends are generally responsible for the lion's share of long-term equity returns.

Payouts also have a valuable signalling effect. A steady or rising dividend suggests a business is managed and financed well. In cyclical industries, a consistent ratio of payouts to profits fulfils the same purpose. Here, banks have sent mixed messages, with dividends switched on and then off again, sometimes more than wiped out by huge capital increases.

So far, there has been less correlation between consistency and share prices than one might expect. Yes, Scandi paragons of virtue such as Nordea have the best dividend records and also turned in the best share price performances. But the UK's Lloyds, which paid nothing for six years, has done better than Intesa of Italy, which paid out 74 per cent of total net profit between 2014 and 2017.

This is partly down to company-specific issues such as worries over capital or non-performing loans; and partly to the 2010-12 eurozone crisis, which had less effect on UK, Swiss and Scandinavian banks.

With Europe's economy growing again, serious capital issues mostly resolved and Augean efforts under way to cut costs and resolve bad loans, expect banks to reward shareholders more often. Fairly or not, that may mean banks which have always done so will get rather less recognition for their generosity.

## TDC/Macquarie: felicific calculus

Denmark is among the world's happiest countries. So what happens when its largest pension fund teams up with an Australian infrastructure investor deemed so aggressive it has been dubbed the "vampire kangaroo"?

Nothing as nasty as cost-cutting, if comments from Macquarie and three Danish pension funds can be believed. After approaching TDC, the country's biggest telecoms company, to discuss an all-cash deal of DKr38bn ($6.2bn) they stressed the positives. Their plans include investing to improve Danish networks. Job cuts are not envisaged.

The mooted offer is at a 25 per cent premium to the average three-month share price. At a mooted price of about DKr47 per share, the enterprise value of TDC would be about 7.5 times forecast earnings before usual deductions. Too low, said TDC. It argued investors would be better off with its current strategy, exemplified by its $2.5bn offer for entertainment assets of Sweden's Modern Times Group, the latest in a series of telecoms-media convergence deals.

But the approach should gladden TDC's long-suffering investors. They have watched the company's return on equity drop nearly two-thirds to 6.2 per cent over five years. Nor are they enthusiastic about the company's strategy — news of the MTG deal sent the shares down 8 per cent.

What about the pension funds, which invest for every worker in Denmark? They have good reason to like the low risks of infrastructure. TDC has been a reliable generator of cash flow, and there is scope to increase debt which is currently about 2.7 times forecast earnings before standard deductions.

Yet the investment would face uncertain returns. TDC is a dominant player in the most difficult telecoms market in Europe.

Competition is unlikely to diminish in a small, flat and densely populated state where it is cheap to build networks. A takeover would boost the happiness of TDC investors more than Danish pensioners.

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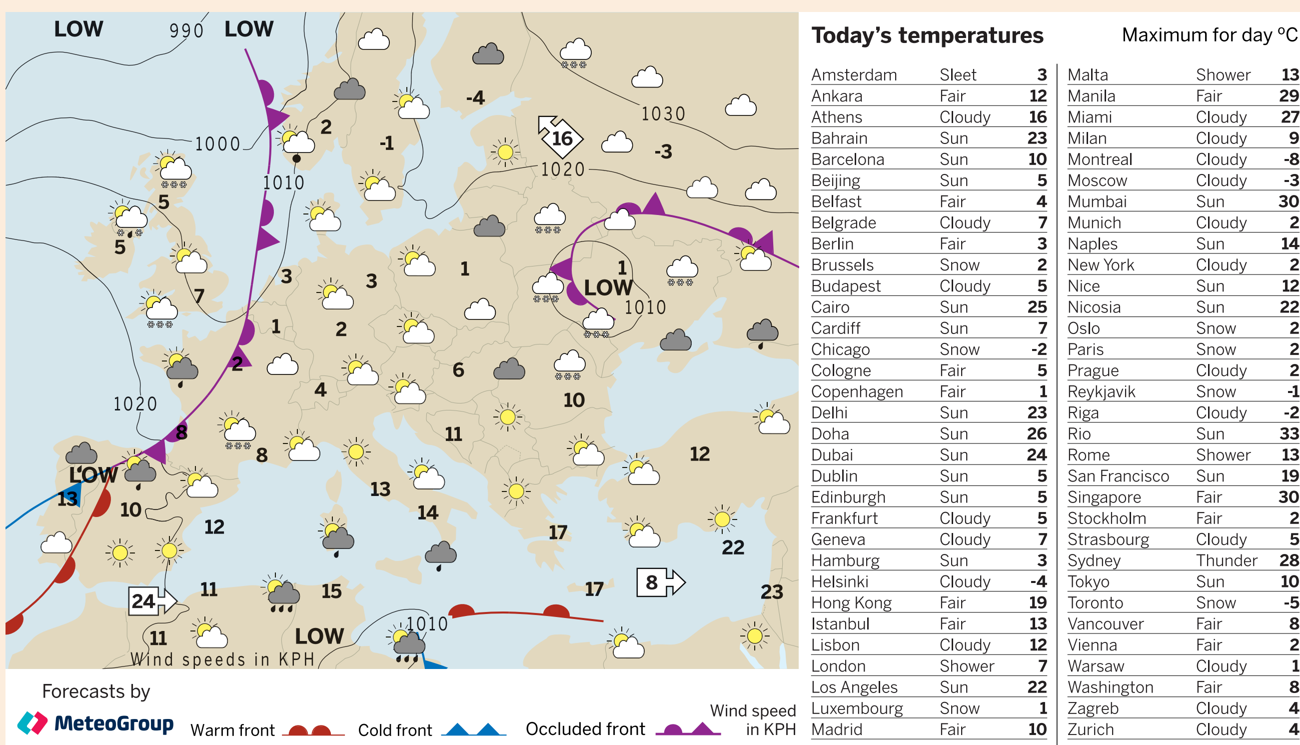
## WEATHER

Your trust, your future, our commitment MUFG




**Today's temperatures** Maximum for day °C

| City | Weather | °C | City | Weather | °C |
|---|---|---|---|---|---|
| Amsterdam | Sleet | 3 | Malta | Shower | 13 |
| Ankara | Fair | 12 | Manila | Fair | 29 |
| Athens | Cloudy | 16 | Miami | Cloudy | 27 |
| Bahrain | Sun | 23 | Milan | Cloudy | 9 |
| Barcelona | Sun | 10 | Montreal | Cloudy | -8 |
| Beijing | Sun | 5 | Moscow | Cloudy | -3 |
| Belfast | Fair | 4 | Mumbai | Sun | 30 |
| Belgrade | Cloudy | 7 | Munich | Cloudy | 2 |
| Berlin | Fair | 3 | Naples | Sun | 14 |
| Brussels | Snow | 2 | New York | Cloudy | 2 |
| Budapest | Cloudy | 5 | Nice | Sun | 12 |
| Cairo | Sun | 25 | Nicosia | Sun | 22 |
| Cardiff | Sun | 7 | Oslo | Snow | 2 |
| Chicago | Snow | -2 | Paris | Snow | 2 |
| Cologne | Fair | 5 | Prague | Cloudy | 2 |
| Copenhagen | Fair | 1 | Reykjavik | Snow | -1 |
| Delhi | Sun | 23 | Riga | Cloudy | -2 |
| Doha | Sun | 26 | Rio | Sun | 33 |
| Dubai | Sun | 24 | Rome | Shower | 13 |
| Dublin | Sun | 5 | San Francisco | Sun | 19 |
| Edinburgh | Sun | 5 | Singapore | Fair | 30 |
| Frankfurt | Cloudy | 5 | Stockholm | Fair | 2 |
| Geneva | Cloudy | 7 | Strasbourg | Cloudy | 5 |
| Hamburg | Sun | 3 | Sydney | Thunder | 28 |
| Helsinki | Cloudy | -4 | Tokyo | Sun | 10 |
| Hong Kong | Fair | 19 | Toronto | Snow | -5 |
| Istanbul | Fair | 13 | Vancouver | Fair | 8 |
| Lisbon | Cloudy | 12 | Vienna | Fair | 2 |
| London | Shower | 7 | Warsaw | Cloudy | 1 |
| Los Angeles | Sun | 22 | Washington | Fair | 8 |
| Luxembourg | Snow | 1 | Zagreb | Cloudy | 4 |
| Madrid | Fair | 10 | Zurich | Cloudy | 4 |

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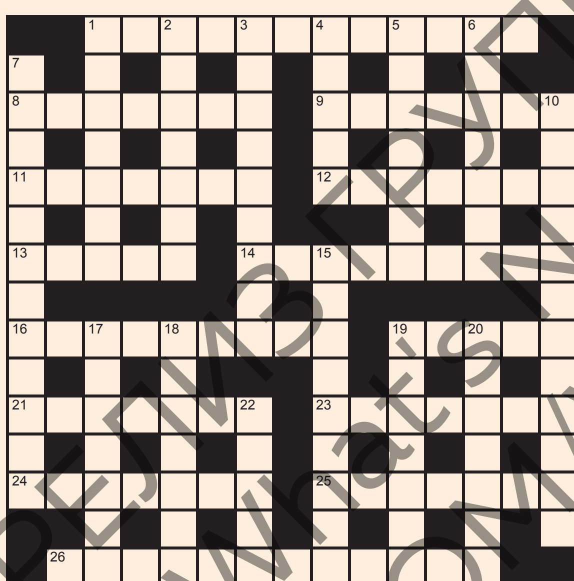
## CROSSWORD
No. 15,778 Set by NEO



JOTTER PAD

**ACROSS**

1 Inflexible two days in with men squabbling over weapon (6-6)
8 Clocked high speed in reverse with surface frozen? (7)
9 Uncultured bachelor interrupts short argument (7)
11 While travelling north, hiding among Europeans (2,5)
12 Group in most natural surroundings (7)
13 Vote to exclude leader's share (5)
14 One joins Selecter playing for another 16 (9)
16 Adventurous writer – he's entitled to stay in with good wife (9)
19 Irishman seats daughter in large chair (5)
21 Flush with success? The opposite! (4,3)
23 Final word's mine in each pub (7)
24 12 of mystery finally revealed in full (7)
25 Around knight find evasive person so polite? (7)
26 End the term on being displaced? (12)

**DOWN**

1 Logical person sure to succeed (7)
2 Election event in detail (7)
3 Peculiar chap is secret fraternal member (9)
4 Driver abroad leaves vehicle for brawl (5)
5 Two presents unlikely to be found? (7)
6 Firm answer man accepts (7)
7 Wife left bed an aroused Athena, inspired by husband's technique (4,8)
10 Dog and Duck? That's where real animals drink! (8,4)
15 Roman historian discounting first class colleges (3,6)
17 Folk instrument's fixed in damper (7)
18 Ancient implement's one tossed on fire, getting hot (7)
19 Extremely sadistic niece perhaps requiring discipline (7)
20 Make connection with European Court in local language (7)
22 Work force in London seen over time (5)

Solution 15,777

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
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| | I | | T | | S | | B | | E | | N | | A | |
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| C | A | R | E | W | O | R | N | | D | O | D | D | L | E |
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FT FINANCIAL TIMES

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28 June 2018 | The Crystal, London

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Companies & Markets

FINANCIAL TIMES

**Lure of LNG** China to the fore as wave of buyers inflates demand — DAVID SHEPPARD, PAGE 20

**Seeking insurance** SoftBank's puzzling bid for a chunk of Swiss Re — ANALYSIS, PAGE 13

# Eurozone growth spurs bank revival

- UniCredit, SocGen and Commerzbank beat forecasts
- Cost-cutting reaps rewards

MARTIN ARNOLD — LONDON
DAVID KEOHANE — PARIS

Europe's banking sector offered a rare glimmer of hope as leading Italian, French and German lenders reported better than expected results, boosted by the strengthening eurozone economy and their cost-cutting efforts.

Eurozone banks have been laggards for several years, weighed down by negative interest rates and high levels of bad loans. But analysts welcomed nascent signs of recovery in fourth-quarter figures published by UniCredit, Société Générale and Commerzbank.

"It's been a decent week for European banks," said Eoin Mullany, analyst at Berenberg. "Cost-cutting is starting to bear fruit for some, others have strong fee growth, but there is no one theme that unifies them."

The star performer was Italy's UniCredit, which reported its best fourth-quarter profit for a decade, boosted by lower operating costs, a big drop in provisions for bad loans, strong revenue growth and a reduced tax bill.

Jean-Pierre Mustier, who targeted costs and bad loans after becoming UniCredit chief executive in 2016, said he was "very pleased". He hailed the "increasingly strong commercial dynamics across the group".

Italy's biggest bank by assets reported net profit of €801m, against a €13.6bn loss a year ago, and said it planned to restart its dividend at 32 cents a share after scrapping its payout last year. Its shares, which have gained 45 per cent in the past year, rose 3 per cent yesterday.

SocGen outstripped forecasts, helped by strong revenue growth in eastern Europe and Africa and resilience at its investment bank compared with rivals.

The French bank's net income fell to €69m in the fourth quarter, down 82 per cent over the previous year. However, analysts had expected a loss of €300m, due to restructuring costs and a hit from tax reform, according to Reuters data.

**€801m**
Fourth-quarter net profit at UniCredit — versus a €13.6bn loss a year ago

**€69m**
SocGen's quarterly net income. Analysts expected a loss of €300m

Revenue was €6.32bn, beating expectations. The stock was up 2.2 per cent.

"If you look at this year's numbers, you see we are at an inflection point as banks are starting to be managed for shareholders rather than regulators," said George Karamanos, banks analyst at Keefe, Bruyette & Woods.

Germany's Commerzbank posted fourth-quarter net income of €90m, down from €182m a year ago but ahead of forecasts at €64m. The shares closed down 2.4 per cent despite its promise to reinstate a dividend in 2018.

*Additional reporting by Patrick McGee in Frankfurt*

**Lex** page 10

## Payout restraint Rising yields spell pain

Rising bond yields as central banks slowly retreat from the era of easy money have already become a challenge for dividend-paying companies. So far this year, Wall Street dividend payers are lagging behind the broad market.

An interesting trend is also emerging in the UK, where some companies have issued profit warnings and cut their payouts.

Andrew Lapthorne at Société Générale says that its monthly dividend risk screen of high-dividend-yield stocks with poor-quality balance sheets is dominated by the UK. Of the 50 companies that make up the list, 21 are listed in the UK.

Is the UK the canary in the coal mine? Loading up balance sheets with debt and keeping dividends flowing has not just been a UK story during the easy money era.

Longview Economics estimates that some 12 per cent of US companies are zombies — defined as having earnings before interest and tax that do not cover their interest expense.

The big difference at the moment is that a weaker UK economy compared with the rest of the world is a catalyst for profit warnings from indebted companies that herald a dividend cut.

As global bond yields rise, Mr Lapthorne says that we are seeing a substantial move against low-quality credit. Any tempering of global growth will weigh against companies with weak balance sheets that pay chunky dividends. *Michael Mackenzie*

**Expect more dividend cuts in the UK**
Relative performance of high dividend risk stocks (Rebased, 100=31 December 2010)

Global excluding UK
UK
110
100
90
80
70
60
50
2011 2012 2013 2014 2015 2016 2017 2018

## Smart Money

John Authers

Everyone could see Monday's financial accident coming. Exchange-traded notes that bet on volatility to stay low tripled their investors' money last year — obviously unsustainable. The US stock market had never managed to go so long without even the mildest hiccup. A jolt was coming. The many who said they were not surprised by the market's brief freefall were telling the truth. But none could claim to have know just *when* it was going to happen.

What signs might have given away that the end of the Big Calm was imminent? No timing model is perfect, which is why most of us should hedge our bets. But by coincidence, Andrew Lapthorne at SocGen published on Monday a model that would have worked. It involves looking at junk.

The nub of the argument is that the volatility of stocks and bonds backed by companies with poor balance sheets will indicate a coming drawdown better than a rise in the popular Vix index, which covers the volatility of the market as a whole. When investors get jumpy about the weakest companies, it is a sign of trouble. Since 2000, SocGen indeed found that when the volatility of the worst quality companies in both equities and bonds is highest, S&P 500 drawdowns follow (shown in the chart). By contrast, the Vix sent no such signal: subsequent returns were roughly equal no matter what the level of the Vix.

What happened this time? When bond yields began to rise, there was a straightforward rotation from defensive stocks that investors were holding for their dividend income — such as utilities, which have sold off most in the last two months — into more cyclical stocks. This said little about the overall market. But then the stocks with the weakest balance sheets began to wobble, shortly before that worry afflicted the entire market. Last week, the volatility of lowest-quality companies rose into the top 30 per cent of its range. Junk companies did function just like canaries in a coal mine.

Meanwhile Vix remained unnaturally calm ahead of its explosion, as did high-yield spreads. They may well be unnaturally depressed by the lingering effects of central bank intervention in bond markets. So those who really want to try timing this mess should watch the stock of over-levered companies. There are plenty to choose from.

**S&P 500 after different risk regimes**
Annualised total returns, 2000-15 (%)

Bottom 1/3 (risk appetite)
Middle 1/3 (normal)
Top 1/3 (risk averse)
15
10
5
0
-5
Vix
Volume of net short quality
High-yield spread

Source: SocGen Research

When the volatility of the worst quality companies in both equities and bonds is highest, equity drawdowns follow. The Vix sent no such signal

john.authers@ft.com

**Ricard chief shows naked ambition for vodka brand**

The new ads for Pernod Ricard's Absolut, pictured, say it is 'the vodka with nothing to hide'. Alexandre Ricard, chief, borrowed the idea in a naked video for the campaign. 'I spend a lot of time saying we need creativity and audacity: someone said: Walk the walk.'

**Analysis** ▶PAGE 12

# L'Oréal ready to offload Sanofi stake to fund buyback of Nestlé's 23% holding

HARRIET AGNEW — PARIS

**The chief executive of L'Oréal has said it would be a buyer if Nestlé wanted to sell its 23 per cent stake in the French cosmetics company.**

When asked if L'Oréal was ready to repurchase the €22.6bn holding, Jean-Paul Agon said in an interview: "Yes, of course."

He added: "We have all the resources for that. We are cash rich. We have our Sanofi stake, we are absolutely financially very solid and we have what it takes to do anything."

Mr Agon was referring to L'Oréal's 9 per cent stake in pharmaceuticals company Sanofi, which it could sell to help buy out Nestlé. That holding is valued at about €7.6bn. In addition, L'Oréal had €1.87bn in cash on its balance sheet at the end of last year.

His comments, which came as L'Oréal reported a 15.3 per cent rise in net profit during 2017 to €3.6bn, are the first by L'Oréal on the Nestlé stake since activist hedge fund Third Point bought a small position in the Swiss group last June.

Dan Loeb, Third Point's founder, has urged Nestlé to offload the stake, which it has held for more than four decades.

Nestlé's stake became the subject of further scrutiny following the death last year of Liliane Bettencourt, the matriarch of L'Oréal's founding family, which analysts said could be a catalyst for a shake-up of L'Oréal's share capital.

Nestlé declined to comment.

L'Oréal's profit growth was driven by strong performances from its luxury division — including the Lancôme, YSL and Giorgio Armani brands — and from Asia. Revenue growth accelerated to 5.5 per cent on a like-for-like basis in the fourth quarter, bringing full-year sales to €26bn, up 4.8 per cent year on year.

"Chinese consumers everywhere are a large part of the growth of the luxury market," Mr Agon said. "Chinese in China, Chinese in Hong Kong, Chinese in Japan, Chinese in travel retail, but also Chinese in Europe."

Growth was more muted in North America, up 1.7 per cent, and in western Europe, up 2.6 per cent.

*Additional reporting by Ralph Atkins in Zurich*

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Oil & gas

# Total boosts payouts as earnings soar

## French producer promises 10 per cent dividend rise and $5bn shares buyback

ANDREW WARD — ENERGY EDITOR

Total says it will increase its dividend 10 per cent in the next three years and buy back up to $5bn worth of shares in a sign of oil investors beginning to reap the benefits of higher crude prices.

Shareholders spent much of the past three years worrying about the sustainability of oil companies' dividends as the industry experienced its deepest downturn for a generation. But those concerns have dissipated as higher oil prices help to repair producers' balance sheets and investors are refocusing on the prospect for improved returns.

Total announced yesterday a 1.2 per cent increase in its full-year dividend for 2017 to €2.48 and said there would be a further 3.2 per cent rise in 2018 with an aim to lift the payout by 10 per cent over the next three years. A further $5bn would be returned to shareholders through buybacks between 2018 and 2020, said the French oil and gas group.

"The board is confident today that we will deliver growing cash flow and we can increase returns to shareholders," said Patrick Pouyanne, chief executive.

Fourth-quarter net earnings jumped 19 per cent to $2.9bn, slightly ahead of analysts' expectations.

BP and Royal Dutch Shell have also reported sharply increased profitability in the past week as deep cost cuts made during the downturn have led to soaring cash flow now that oil prices are recovering. Oil prices averaged $54 per barrel in 2017, up a fifth from 2016, and the recovery has continued this year with Brent crude, the international benchmark, hitting three-year highs above $70 last month before falling back to about $67 in recent days.

**$2.9bn**
Fourth-quarter net earnings, an increase of 19 per cent

**2.57m**
Barrels per day produced in 2017, a rise of 4.6 per cent on 2016

BP announced on Tuesday that it had repurchased $343m of shares during the fourth quarter after becoming the first of the European oil majors to launch a buyback scheme since the downturn.

Royal Dutch Shell is yet to act on its promise, made at the time of its $50bn deal to purchase BG Group in 2015, to buy back $25bn of shares by 2020 but reiterated the pledge last week and said it would start "sooner rather than later".

The buybacks will end a period in which investors in European oil and gas companies have seen shares diluted. Most large European producers avoided cutting their dividends during the downturn by issuing some of their payout in shares, or scrip, rather than cash. Shell ended its scrip programme last November and BP and Total have vowed to counter the dilution by buying back shares equivalent to those issued as scrip. The latest $5bn of buybacks announced by Total would be in addition to the scrip offset already promised.

Shares in Total were up 2 per cent at €45.66 yesterday afternoon.

Over the full year, Total's adjusted net profits, excluding one-off items, were up 28 per cent at $10.6bn. Operating cash flow, excluding working capital changes, rose 25 per cent to $6bn during the quarter and $21.1bn for the full year.

Production averaged 2.57m barrels per day in 2017, 4.6 per cent higher than the year before. Annual cost savings since 2014 reached $3.7bn in 2017 and production costs fell to $5.40 per barrel from $9.90 three years ago.

INSIDE BUSINESS

TECHNOLOGY

Richard Waters

# Time is a commodity Musk cannot control despite SpaceX success

Silicon Valley has always been driven by imitation and enhancement. There are few true breakout ideas: perfecting what someone else has already tried is usually the name of the game. With the right formula — like Google in search, or Facebook in social networking — the results can be spectacular, even if other companies have already tried to blaze the same trail. The obsessive pursuit of building a better mousetrap can leave entire fields unexplored.

This provides one more reason to ponder the meaning of Elon Musk. Rarely, in a potentially giant new tech market, does anyone gain a lead that can be measured in years. To do it in two new markets at the same time is unheard of. That kind of leadership, however, puts severe stress on the business and funding model of the pioneers.

This week, Musk-world provided a perfect demonstration of the ups and downs that come with his brand of expansive thinking.

First came the long-awaited blast-off of the Falcon Heavy, a giant rocket from Mr Musk's SpaceX. No matter that it is four years later than first promised: it still has a big lead over rival heavy-lift rockets.

SpaceX has followed a classic venture capital model. People who have worked close to Mr Musk say that, to protect his ultimate goal of putting humans on Mars, he is adamant about keeping the company private. Venture investors seem happy with the progress: SpaceX has raised $1.6bn and the most recent fundraising valued it at $21bn, double what it was deemed to be worth two years earlier.

The other part of SpaceX's funding has come from customers for the company's Falcon 9, which has gone rapidly from marvel — the first privately funded rocket to reach space at the start of the decade — to workhorse. The risks in rocket programmes are huge: a launch failure could put the company's entire business on hold. But SpaceX bounced back from an explosion less than a year and a half ago to pull off 18 successful launches in 2017.

Tesla's Model 3, the first attempt at a mass-market electric car by the other company Mr Musk runs, is also a vehicle ahead of its time. Like the Falcon Heavy, he used smaller-scale products to work his way up to this point. Mr Musk even managed to scrape, briefly, into profit on those earlier cars, before plunging back into the red for the new model.

But he did not have the luxury of keeping Tesla private, and it has taken huge injections of cash from the public markets to get this far.

> A mark of his achievement has been to keep stock market investors faithful

A mark of Mr Musk's achievement has been to keep stock market investors faithful through a succession of long product delays and manufacturing problems. He was at it again this week, seeking to buy time for the Model 3 after interim production targets slipped by six months. Once again, investors familiar with seeing his short-term promises and predictions come to nothing have been more than willing to give him the benefit of the doubt.

The twin ventures produced a powerful halo effect. It was in full view this week, in the shape of a red Tesla Roadster, with dummy spaceman at the wheel, orbiting Earth.

Mr Musk did not miss the chance to draw on the SpaceX success to rally the faithful. "People think that if we can send a Roadster to the asteroid belt, we could probably solve Model 3 production," he told Wall Street analysts yesterday. "It's just a matter of time."

But it would be a mistake to count too much on this halo staying in place. This week's lurch in the stock markets was a reminder that the end of the era of cheap capital — a commodity that Mr Musk has freely tapped — is approaching. More important, every quarter that the Model 3 falls behind schedule is another when Tesla's lead is eroded.

Its technical achievements — whether in batteries and electric drivetrains, or progress towards autonomous driving — are rapidly being matched by an automobile industry now racing to go electric. This is in no small part because of Mr Musk's own successes. It is now nearly two years since he pulled off the unthinkable: persuading thousands of people to line up for the privilege of handing over $1,000 to join the Model 3 waiting list. Most of those people are still likely to be waiting a year from now.

He may have conquered space, but time is one commodity that even Mr Musk cannot control. The Tesla boss told Wall Street this week that there is no thought at the moment for him to hand over the CEO title — a possibility envisaged in his latest long-range remuneration plan. But if the delays stretch much longer, even Tesla shareholders may be content for him to join the one-way car ride to the asteroid belt.

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See Lex

Telecoms

# TDC shares jump after spurning bid

RICHARD MILNE — OSLO

**Shares in TDC surged after the Danish telecoms operator received an unsolicited bid from three pension funds and Macquarie.**

TDC's board rejected the offer of DKr47 per share, a 25 per cent premium to Wednesday's closing price, but its shares rose 16 per cent yesterday morning to DKr43.60. The bid values it at about DKr38bn ($6.3bn).

The former Danish monopoly operator made a poorly received $2.5bn offer last week for the entertainment assets of Sweden's Modern Times Group, the latest in a series of proposed media-telecoms convergence deals.

The consortium of the PFA, ATP and PKA pension funds and Macquarie Infrastructure said it wanted to start a dialogue with TDC's board, as its offer represented "excellent value" for shareholders.

Rumours have swirled in recent months of broader interest in TDC. Telia, the former monopoly operator in Sweden, has expressed its interest, particularly in TDC's broadband assets in Denmark and Norway.

The consortium said it had prepared "detailed plans for TDC", including large investments in network infrastructure and no job losses. It said it would aim to offer Danish households broadband speeds of 1GB per second by the mid-2020s, pointing out that the government's target was 100MB per second.

TDC has been taken off the stock market before with five private equity firms buying it in 2005, before relisting it five years later. It now has a diverse shareholder base with only T Rowe Price, the US fund manager, owning more than 5 per cent of its shares.

Its board reiterated its support for its own bid for most of MTG, a deal it said would create Europe's first true integrated telecoms and media group offering everything from TV channels to broadband and mobile subscriptions.

But so-called convergence deals around the world have been punished by investors and this was no different, with TDC falling 8 per cent after announcing its bid.

The board said this week's bid was not "in the best interest" of shareholders. It added: "We are confident in the standalone prospects of TDC and convinced of the incremental value creation potential of the announced combination with MTG's Nordic Entertainment and Studio division."

Meanwhile, Swedish investment group Kinnevik wants to combine Tele2 and ComHem, two of its biggest shareholdings, in another convergence deal.

See Lex

Food & beverage. Alcohol

Alexandre Ricard has highlighted the need for creativity and audacity — Leo Novel

# Ricard heir reveals modernising spirit

## Owner of Absolut vodka and pastis brands is working to keep up with changing tastes

HARRIET AGNEW — PARIS

Alexandre Ricard likes to think of himself as "the chief executive who has nothing to hide". The Pernod Ricard chief executive took this idea literally this week when he appeared naked in an internal video to introduce a new advertising campaign for the group's Swedish vodka brand, Absolut.

Styled as "the vodka with nothing to hide", Absolut's employees took off their clothes in what the company said was an attempt to reflect how transparent the spirit's manufacturing process was — from the seed through to the bottle.

Explaining his decision to strip off, Mr Ricard said: "I spend a lot of my time as I travel saying that we need creativity and audacity. Somebody said: 'Walk the walk'. If you want to engage with consumers, you have to be creative and audacious."

Mr Ricard is one of 15 grandchildren of Paul Ricard, the pastis maker who formed Pernod Ricard 43 years ago. In 2015 he took over as chief executive of the world's second-largest distiller by revenues. Yesterday, Pernod Ricard reported organic sales up 5.1 per cent to €5.1bn during the first six months of its fiscal year, with growth across all geographical regions and categories. It also raised profit forecasts: it expects organic profit growth from recurring operations in 2018 of 4-6 per cent, up from guidance of 3-5 per cent at the end of August.

"A lot of the things that we started working on a few years back are starting to come to life," said Mr Ricard.

When he took over the reins following the sudden death of his uncle and then-chief executive Patrick Ricard, he embarked upon a sweeping transformation of the company triggered by consumers' changing habits.

"The most fundamental change over the last few years has been the consumer," he said. "Loyalty to one brand has moved to loyalty to a repertoire of four to six brands, depending on the environment, people or time of week or day." He also said that "people are tending to drink less but better quality".

Pernod Ricard has switched its focus away from brands or categories such as vodka, gin or whisky towards what it calls "consumption moments", based on the social contexts in which its drinks are drunk. It has pushed hard into premium spirits and travel retail, and ramped up innovation. The shift appears to be paying off. In its first half, 2 percentage points of the 5 per cent growth in the top line came from innovation, said Mr Ricard, who at age 45 is one of a new generation of chief executives in corporate France.

> 'Loyalty to one brand has moved to loyalty to a repertoire of four to six brands'
> Alexandre Ricard

He defines innovation as brands or special editions of brands that did not exist a few years ago, such as Jameson Caskmates, an Irish whiskey that has been aged in craft beer barrels, and Absolut Lime, a flavoured vodka.

Pernod Ricard has also improved its data analysis; it can now assess how its brands are doing on social media, a strategy it calls "social listening". By tracking the profiles of customers to see what they buy and when, it uses the data to target similar consumers.

Geographically, Pernod Ricard's growth in the first half was driven by its largest market of Asia, which grew 6 per cent. The acceleration was led by China, where high-end spirits had in the past suffered from a clampdown on luxury gifts. The negative impact of a later Chinese new year was offset by strong demand for the group's Martell cognac.

"There is a new normal in China where middle-class households are reaching levels where they can afford premium brands," Mr Ricard said. "We see significant growth potential there."

Industrials

# ABB upbeat on prospects for global economy

RALPH ATKINS — ZURICH

**Swiss engineering group ABB expects improving global economic conditions to power growth in profits and sales this year, despite reporting weaker than expected results for the final quarter of 2017.**

After contracting in each of the three previous years, revenues at the Zurich-based company rose 1 per cent to $34.3bn in 2017, it said yesterday. But orders in the final three months of the year fell 3 per cent to $8.48bn compared with the same period a year earlier.

Full-year operating profits also fell, by 2 per cent to $4.13bn. ABB's share price closed at SFr23.05 in Switzerland.

Ulrich Spiesshofer, chief executive, has streamlined ABB to focus on higher growth markets and to cut costs, but has struggled to increase sales. Describing 2017 as a "transition year", he said the annual results showed "the dampening effect of our massive transformation".

Orders in the fourth quarter were also hit by fewer big orders in its power grids unit, after a deal from India in 2016.

ABB's products and services are based on automating industries and delivering electricity from power stations to final users, with much of its revenue depending on investment spending by governments and utilities.

It returned to the acquisition trail last year, buying Bernecker & Rainer, an Austrian specialist in factory computer operating systems, for a price estimated at up to $2bn, and General Electric's underperforming industrial solutions division for $2.6bn.

The fall in ABB's share price reflected disappointment about the results relative to analysts' forecasts, said Guillermo Peigneux, a UBS analyst. "Growth will re-emerge later in 2018 and ABB sits in very interesting markets long term, but short term we have our doubts."

Despite the weaker than expected figures, ABB highlighted strong growth in "base orders", worth less than $15m.

Pharmaceuticals

# Teva warns on revenues amid tough US pricing

MEHUL SRIVASTAVA — JERUSALEM

**Shares in Teva Pharmaceutical, the world's largest generic drugmaker, fell sharply after it forecast a drop in revenue in 2018 in spite of aggressive cost-cutting that will lose as many as 14,000 workers by the end of 2019.**

The Israeli group said that revenue this year could fall to $18.3bn, from $22.4bn in 2017, with about half of the decline caused by competition to its largest branded drug, the multiple sclerosis drug Copaxone.

Copaxone sales fell nearly 20 per cent to $821m in the fourth quarter as generic alternatives, such as those made by rival Mylan, took nearly 15 per cent of the market according to IHS Markit.

In the second half of the year, the company will also face competition for its asthma inhaler, Pro Air, amid wider pressure on prices for drug manufacturers in key US and European markets.

Fourth-quarter profits fell to 93 cents per share excluding one-time items, from $1.38 a year earlier, while revenue fell to $5.5bn, 16 per cent lower than the year earlier.

Kare Schultz, who took over as chief executive in November, said the results for the fourth quarter "were as expected" but "reflect the pressure that the business has been under since 2015".

The company took a $17.1bn impairment on goodwill in 2017, mostly on its US generics business. Teva's shares fell more than 7 per cent.

The company has been hobbled by the $40.5bn purchase of Allergan's generics business in 2016, which was followed by the dip in US drug prices. Mr Schultz has pledged to cut debt aggressively. The company paid down $2.2bn in debt in the fourth quarter.

For Teva, managing the relationship with the government of Benjamin Netanyahu has been key. Mr Netanyahu has insisted Teva keeps its headquarters in Israel, and tries to keep as many factories open in Jerusalem as possible.

РЕЛИЗ ГРУППЫ "What's News" VK.COM/WSNWS

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# SoftBank seeks unlikely partner in Swiss Re

## Move for stake in insurer comes as Japanese group unveils expansion plan but benefits for its target look unclear

OLIVER RALPH AND ARASH MASSOUDI — LONDON
KANA INAGAKI — TOKYO
RALPH ATKINS — ZURICH

The culture clash could hardly be more stark. On one side, SoftBank, the expansionary Japanese conglomerate led by billionaire founder Masayoshi Son. On the other, Swiss Re, the buttoned down 154-year-old reinsurance company for which stability and solidity are a competitive advantage.

Mr Son's attempt to take a minority stake in Swiss Re, confirmed on Wednesday, potentially puts these two unlikely partners together. The move left analysts and bankers confused. "I find it difficult to see the attraction," said Stefan Schürmann, who follows Swiss Re for Vontobel in Zurich.

One banker was more direct. "I don't understand the strategic logic," he said, "but I understand the megalomaniac logic."

Mr Son, who has often talked about turning his group into an Asian version of Warren Buffett's Berkshire Hathaway, on Wednesday unveiled a grand vision to create a "strategic holding company" by acquiring a 20 to 30 per cent stake in each of the top operators across a wide array of sectors.

"It's easy to say let's create a coalition of number one companies across the world, but implementation is hard," Mr Son said.

He has already expanded from the core telecoms business into fields as diverse as energy, chip design and ecommerce via a series of prominent deals and canny investments.

Now financial services are starting to take centre stage. Last year Mr Son launched a $93bn Saudi-backed tech investment fund called the Vision Fund, in which SoftBank is an investor and a

> 'I don't understand the strategic logic, but I understand the megalomaniac logic'

fee-earning manager. He also bought Fortress, an alternative investment company.

Insurance acquisitions have so far been limited to stakes in start-ups Lemonade and Zhong-An. The Swiss Re investment — which would come from SoftBank itself rather than the Vision Fund — would be a much bigger piece in the jigsaw puzzle.

As well as broadening Softbank's portfolio, an investment in Swiss Re would also provide some welcome dividends. In the past, SoftBank has funded its expansion partly with the cash generated by its mobile operations. But it is planning to list its Japanese mobile unit in Tokyo within the next 12 months.

Cash could also be used to pay down debt. The group's interest-bearing debt stood at ¥15.8tn ($143bn) at the end of December even as Mr Son has promised investors to improve its debt-ridden balance sheet.

But people close to the situation say Mr Son is not seeking to replicate Mr Buffett's strategy of using the insurance balance sheet to fund acquisitions. A minority shareholder would not necessarily be able to influence Swiss Re's investment strategy. In any case, reinsurers are naturally cautious investors.

"If you are Swiss Re, your credit rating directly impacts your business, so you can't get too aggressive with your asset allocation," said Kamran Hossain, analyst at RBC Capital Markets.

Further down the line, there could be strategic benefits for SoftBank. People close to the Japanese company say that Swiss Re's data would be a significant attraction. Reinsurance companies are notorious collectors and hoarders of information, which they use to try to find an advantage when pricing policies.

"Chief executive Christian Mumenthaler has positioned Swiss Re as more of a knowledge company than a risk carrier. The idea is that you go to them as much for their knowledge as their capital," said Mr Hossain.

But it is not clear how SoftBank would gain access to Swiss Re's data if it is just a minority shareholder.

Other analysts say the deal could help SoftBank to hedge against the risks posed by its diverse operations. That includes Mr Son's ambitious plans for a north-east Asian energy "super grid" that would aim to connect the electricity networks of South Korea, China, Japan, Mongolia and Russia. The pan-Asian super grid "would certainly be a big customer for insurance and re-insurance", CLSA analyst Oliver Matthew said.

Elsewhere, SoftBank has stakes in sharing economy companies such as Uber and WeWork where Swiss Re's insurance could play a role.

For Swiss Re, the benefits of an investment from SoftBank are less clear.

> 'The idea is that you go to them [Swiss Re] as much for their knowledge as their capital'

"They definitely don't need any more capital," said Mr Hossain. The reinsurance industry is awash with too much capital chasing too little business. That has led to falling prices and profits.

Since 2015, Swiss Re has spent SFr3bn on share buybacks, on top of its regular dividend. Its shares rose 2 per cent yesterday in response to the news about SoftBank's interest.

Unlike its rivals such as Munich Re, Swiss Re has not used spare capital to invest in so-called insurtech start-ups. In an interview with the Financial Times last year, Mr Mumenthaler said: "If we see a start-up that can help us, either it's very strategic and then we would buy them 100 per cent or copy what they do, or if it's not that strategic then I think we can collaborate with them. But investing 10 per cent, 15 per cent, 20 per cent in them, I can't make a case. We're not a VC fund."

That view suggests a potential clash with Mr Son, who is happy to take small stakes in a large number of tech companies. But Mr Hossain said Mr Mumenthaler would probably appreciate the investment. "Swiss Re feels under-appreciated by the market. And the Japanese usually think about the long term so I think Swiss Re's management would be quite happy."

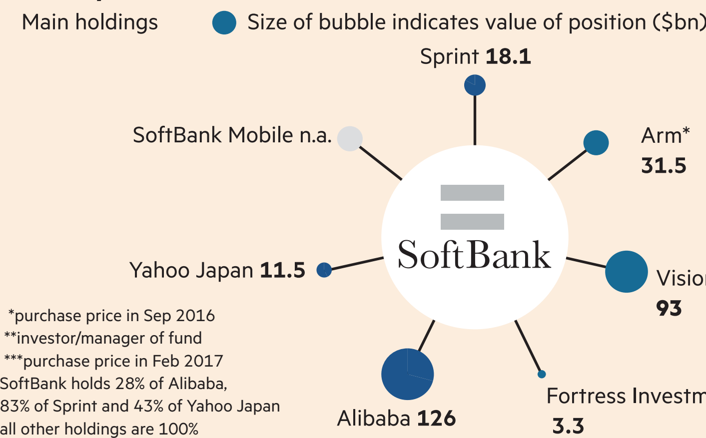
SoftBank's investors might not be quite so relaxed. "Unless it [SoftBank] discloses fee structure for Vision Fund or rewards its own shareholders [through dividends or buybacks] it is not clear if and when any of these investments will benefit SoftBank shareholders," said Jefferies analyst Atul Goyal.

See Lex

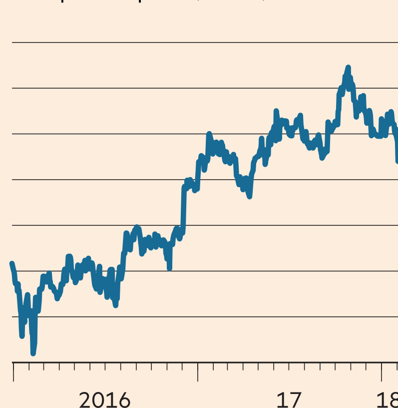
### Hot property

### Galaxy of SoftBank's interests

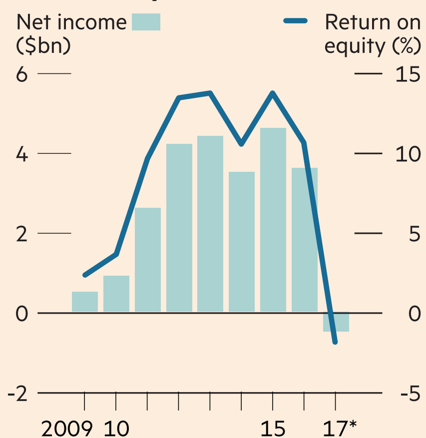
Main holdings — Size of bubble indicates value of position ($bn)




Group share price (¥ '000)




### Swiss Re's performance




*2017 figures are for first nine months of the year

Source: Thomson Reuters Datastream; Bloomberg; company

### Vision Fund

#### Tycoon's joy in searching for disrupters of the future

Since the launch of his $93bn Saudi-backed investment fund last May, Masayoshi Son, SoftBank's chief executive and founder, has been tirelessly searching for start-ups that could disrupt every aspect of life from pets, real estate and cars to healthcare.

"I spend my time everyday analysing new deals and interviewing new companies for the Vision Fund. It's just simply too exciting and fun. This is not work but my joy," Mr Son told analysts this week.

His latest interest in Swiss Re, one of the world's biggest reinsurers, may not involve the Vision Fund, but it underscores his appetite for investing in any sector that could benefit from technology innovation.

In the nine months to December, the Vision Fund and its affiliate have invested $27.5bn in 26 companies including German online car dealer Auto1, chipmaker Nvidia, shared-office provider WeWork, and SoFi, the San Francisco-based online lender.

The two funds contributed ¥50bn to SoftBank's third-quarter operating profit of ¥274bn, which was down 2.8 per cent from a year earlier.

Mr Son's particular fascination has been service providers that may play a central role in the future of mobility and transportation.

SoftBank recently invested $7.7bn to buy a 15 per cent stake in Uber, adding to its portfolio of ride-sharing companies including China's Didi Chuxing, Grab, which operates across Southeast Asia, and India-based Ola.

"In the future, cars may become a commodity and the hardware may just become one component so a platform would have much higher value.

"That is why we want to be the 'platformer' for the broader transportation system," Mr Son said.

*Kana Inagaki*

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Media

# Publicis chief eyes pick-up in advertising agency M&A

HARRIET AGNEW — PARIS

**Mergers and acquisitions involving advertising agencies and consulting or IT services companies are likely to pick up this year as the industries converge, according to the chief executive of Publicis, the world's third-largest advertising group by revenues.**

"The future of our business lies in the convergence of marketing and business transformation," said Arthur Sadoun. "The big trend will be IT services companies who try to qualify themselves on the marketing side, and marketing groups who try to qualify themselves on the tech side . . . There will be deals."

Mr Sadoun was speaking yesterday as the French agency announced its 2017 results, his first full-year numbers since taking over from Maurice Lévy as chief executive in June.

Publicis said organic revenues rose 2.2 per cent in the fourth quarter, to €2.6bn. This was its fastest quarter of revenue growth in 2017 and helped push revenues for the full year to €9.7bn, up 0.8 per cent on an organic basis. Fourth-quarter and full-year revenues were roughly in line with the consensus of analysts' expectations.

Growth accelerated each quarter during the year. North America was a standout performer with organic revenues up 4.4 per cent in the fourth quarter, reflecting good momentum from client wins in 2016 including Hewlett-Packard, USAA and McDonald's.

Publicis swung to a profit of €862m in 2017, after posting a loss of €527m during the previous year related to an impairment charge. It plans to pay a dividend of €2 for 2017, an increase of 8.1 per cent on 2016.

Investors welcomed the results, sending shares up nearly 4 per cent yesterday to €57.94.

The world's largest advertising agencies, including Publicis and rivals WPP and Omnicom, are grappling with several challenges: their clients are cutting advertising budgets, they face the threat of disruption through disintermediation and new competitors are emerging. These include the likes of Facebook and Google in digital advertising, and consulting and IT services companies that are competitors in the field of business transformation.

Publicis's chief Arthur Sadoun says the future lies in convergence of marketing and business

Analysts said last year that advertising agencies could be takeover targets, and highlighted Accenture and Capgemini as potential buyers. Paul Hermelin, Capgemini chief executive, said in October that the group could be pushed towards a deal in the advertising sector if Accenture made a takeover in the industry.

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Financial services

# Alibaba and Tencent fined for overseas payment breaches

LOUISE LUCAS — HONG KONG
EMILY FENG — BEIJING
GABRIEL WILDAU — SHANGHAI

**China tech groups Alibaba and Tencent have been caught up in Beijing's war on capital flight, with both being handed fines for breaches of cross-border foreign exchange payments at their financial services units.**

The clampdown on overseas payments by affiliates of the two internet heavyweights follows similar tightening of controls at China UnionPay, the state-owned bank-card network that increasingly competes with Visa and MasterCard overseas. Since 2016, UnionPay has sought to limit the use of its cards to pay for investments in foreign property and insurance.

"In the long term, the government supports these payment groups to expand overseas, but at the operational level, they need to strengthen compliance and monitoring," said Wang Hanyang, fintech analyst at 86Research in Shanghai.

Ant Financial, the financial affiliate of Alibaba, and Tencent's WeChat Pay dominate China's $16tn third-party mobile payments market, and are increasingly moving overseas — enabling Chinese tourists to pay for everything from shopping to boat trips down the Seine with a swipe of their phones.

But that expansion has also piqued the attention of the State Administration of Foreign Exchange, which manages foreign currency reserves and has been cracking down on capital flight and illicit transfers in the past two years. Safe has issued a steady stream of notices in recent months about its crackdown on illegal money changers, improper forex transactions by banks and fake trade invoices.

The breach by Alipay, run by Ant Financial, is understood to involve payments for Uber rides. While the transactions took place in China — before Didi Chuxing acquired Uber's operations in the country in 2016 — regulators fretted about money going overseas to the ride-hailing app's US headquarters.

According to China Forex, the official magazine of Safe, Alipay was fined Rmb600,000 ($95,000) for "foreign exchange payment business-scope problems [and] cross-border foreign exchange payment balance of payments statistical reporting problems".

Tencent's payments arm was fined the same amount for "failing to transmit unusual risk report materials to the related departments according to regulation" and "processing cross-border foreign exchange payments for non-residents without making a filing".

Ant Financial said the fine related to forex payments made in 2014 that were in breach of its payment services at the time. "Alipay corrected the irregularities as soon as they were identified," the company said. Tencent did not respond to a request for comment.

*Additional reporting by Yizhen Jia*

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Airlines

# Vote secures easyJet's right to continue flying after Brexit

TANYA POWLEY
TRANSPORT CORRESPONDENT

**EasyJet has pushed ahead with plans to protect its flying rights after Brexit following a shareholder vote in favour of legal changes to help ensure the low-cost airline meets EU ownership rules.**

The move makes it the latest carrier to make changes in preparation for Britain's departure from the EU as fears grow that a turbulent exit could cause disruption across the aviation market.

Airlines are grappling with a range of regulatory puzzles in the wake of Britain's decision to leave the EU.

These include agreeing a new legal basis for British airlines to operate flights between EU countries and ownership rules requiring carriers operating in the region to be majority controlled by entities within the bloc.

Yesterday, shareholders at easyJet's annual meeting approved changes to its articles of association that will ensure it is EU-owned and controlled after Brexit.

The move means it has the power to force UK shareholders to divest their shares if the airline needs them to.

John Barton, chairman, said: "Brexit is one of the biggest issues facing the European airline industry." He said that while the airline had no "immediate intention" of using these powers, they were an "important element in ensuring that easyJet plc has the ability to maintain EU ownership and control at all times should we need to do so".

EasyJet said close to 50 per cent of its shares were already held by European Economic Area nationals. It also said it expected the Civil Aviation Authority, Britain's aviation regulator, to grant it an air operator's certificate in the coming weeks to cover its UK-based aircraft.

It added the government had confirmed the airline, easyJet UK, would be treated as a British carrier after Brexit and its parent company was EU-owned.

The airline was one of the first to make moves to protect flying rights following Britain's decision to quit the EU.

Last year, it set up an EU-based airline to ensure that it could continue intra-European flights regardless of Brexit talks. In recent months, other European carriers have taken similar steps.

Ryanair confirmed last month that it had applied for a British air operating certificate to ensure it could continue flights in the country after Brexit.

EasyJet will now be able to maintain ownership within the EU after Brexit

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Technology

# Samsung tycoon to be charged with tax evasion

Critics say move against ailing chairman Lee aims to allay 'chaebol' unrest

BRYAN HARRIS AND SONG JUNG-A
SEOUL

The 76-year-old chairman of Samsung, South Korea's largest conglomerate, is to be charged with tax evasion in the latest twist to the fortunes of the global technology-to-shipbuilding group.

Lee Kun-hee, who is incapacitated in a hospital in Seoul, is suspected of evading $7.5m in taxes and using bank accounts in other people's names that held more than $350m, police said yesterday.

Police referred the case to prosecutors, who will indict the ailing tycoon for tax evasion. Mr Lee is also accused of embezzlement as police believe funds of Samsung C&T, the group's construction unit, were misappropriated for interior renovations of Mr Lee's residence in central Seoul.

But the Samsung patriarch will not face the embezzlement charge, as police cannot investigate him, as he reportedly remains unconscious after suffering a heart attack in 2014.

The move comes just days after his son and likely heir, Lee Jae-yong, was released from prison with a suspended sentence for bribing the country's previous president. His release was criticised by many in South Korea as another example of the judiciary showing leniency towards the country's most powerful businessmen.

Some critics said police unearthed the case and made it public to appease the public after the lenient verdict for the billionaire Samsung heir dashed hopes for reform at the country's big family-run conglomerates known as *chaebol*.

"Public sentiment on the Lee verdict is very bad so authorities had to show their determination for corporate reform somehow," said Park Ju-geun, head of research group CEO Score. "It is important for authorities to keep pressure on Samsung to improve its governance, ahead of local elections later this year."

In 2009, the elder Mr Lee was convicted for tax evasion, but pardoned by then president Lee Myung-bak. Following the decision, he played an instrumental role in lobbying for the Winter Olympics to take place in South Korea.

> 'It is important for authorities to keep pressure on Samsung to improve its governance'

The case, coupled with Lee Jae-yong's release from jail, is expected to intensify calls for chaebol reform in South Korea as the public remains unsatisfied with a lack of progress made since President Moon Jae-in took power last May, calling for better corporate governance.

Police said Mr Lee and one of his executives at Samsung dodged the taxes in 2007-10 by hiding his assets in 260 bank accounts under the names of 72 Samsung executives. They added that about Won3bn ($2.8m) of company funds were misappropriated in 2008-14 as Samsung C&T paid for refurbishment costs for the group's controlling family.

Lee Jae-yong is expected to resume his activities officially by attending the opening ceremony of the Winter Olympic Games in Pyeongchang today. Samsung Electronics said it could not comment on the latest charges against its chairman.

Times they are a changing: the news institution has shifted its commercial strategy to focus on paying readers rather than advertisers — Emmanuel Dunand/AFP

Media

# New York Times reports 49% surge in online subscribers

SHANNON BOND — NEW YORK

**New York Times shares rose to their highest level in more than a decade, as the US newspaper reported a surge in digital subscribers at the end of last year.**

The company signed up 157,000 paying online readers in the fourth quarter, a 49 per cent increase over the previous year, which included the US election and the so-called "Trump bump", a boom in readership among some of the US president's favourite media targets.

The New York Times now has more than 2.6m digital subscribers. Overall subscription revenue passed $1bn for the first time in 2017, accounting for 60 per cent of the company's sales.

Its shares jumped more than 16 per cent in afternoon trading in New York, their highest level since 2007.

At a time when publishers are juggling the decline of printed media and difficulties competing with Google and Facebook for digital advertising budgets, the newspaper has shifted its commercial strategy from marketers to readers.

"We still regard advertising as an important revenue stream, but believe that our focus on establishing close and enduring relationships with paying, deeply engaged users . . . is the best way of building a successful and sustainable news business," said Mark Thompson, chief executive.

To hang on to subscribers it gained during the frantic news cycle of the 2016 election and the first year of the Trump presidency, the company has emphasised the quality of its reporting. This has included a television ad that highlighted its coverage of sexual harassment that ran during the Golden Globes awards broadcast last month.

> 'We believe there remains a large opportunity to continue to extend our subscription reach'

Mr Thompson said the company was encouraged by "strong retention" of the readers it gained at the end of 2016. "We believe there remains a large opportunity to continue to extend our subscription reach and will continue to invest in areas of the business that will allow us to achieve that growth," he said.

The company had set a five-year goal of doubling digital sales to $800m by 2020 and yesterday announced it was more than halfway there. "Pure-play" digital revenue, from online subscriptions and advertising as well as affiliate sales revenue from its product review site Wirecutter, reached $607m at the end of 2017. Total revenue rose 8 per cent to $1.68bn.

In the fourth quarter, revenue rose 10 per cent to $484.1m, well above the $467.3m analysts had forecast, according to S&P Global Market Intelligence.

Digital advertising sales gained 8.5 per cent, accounting for 46 per cent of overall ad revenues. Print advertising slipped 8.4 per cent, however, and total ad sales were down 1.3 per cent.

**SOUTHERN PACIFIC SECURITIES 05-2 PLC**

**Notice to the holders of all outstanding**

**€72,000,000 Class A1a Mortgage Backed Floating Rate Notes due 2025**
**(Common Code Reg S: 022584235; Common Code 144A: 022634089; ISIN – Reg S: XS0225842359; ISIN – 144A: US84359XAA63) Issue Price: 100 per cent.**
**$205,000,000 Class A1b Mortgage Backed Floating Rate Notes due 2025**
**(Common Code Reg S: 022584367; Common Code 144A: 022634275; ISIN – Reg S: XS0225843670; ISIN – 144A: US84359XAB47) Issue Price: 100 per cent.**
**£15,000,000 Class A1c Mortgage Backed Floating Rate Notes due 2025**
**(Common Code Reg S: 022585118; Common Code 144A: 022634356; ISIN – Reg S: XS0225851186; ISIN – 144A: US84359XAC20) Issue Price: 100 per cent.**
**£244,800,000 Class A2c Mortgage Backed Floating Rate Notes due 2043 (Common Code Reg S: 022585851; ISIN – Reg S: XS0225858512)**
**(with Detachable A2c Coupons) (Common Code: 022604660; ISIN: XS0226046604) Issue Price: 100 per cent. plus premium**
**€26,000,000 Class B1a Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 022586149; Common Code 144A: 022634631; ISIN – Reg S: XS0225861490; ISIN – 144A: US84359XAG34) Issue Price: 100 per cent. plus premium**
**£17,700,000 Class B1c Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 022586289; Common Code 144A: 022634682; ISIN – Reg S: XS0225862894; ISIN – 144A: US84359XAJ72) Issue Price: 100 per cent. plus premium**
**€22,000,000 Class C1a Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 022586548; Common Code 144A: 022634712; ISIN – Reg S: XS0225865483; ISIN – 144A: US84359XAK46) Issue Price: 100 per cent. plus premium**
**£7,750,000 Class C1c Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 022587668; Common Code 144A: 022634917; ISIN – Reg S: XS0225876688; ISIN – 144A: US84359XAM02) Issue Price: 100 per cent. plus premium**
**€25,800,000 Class D1a Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 022587765; Common Code 144A: 022635026; ISIN – Reg S: XS0225877652; ISIN – 144A: US84359XAN84) Issue Price: 100 per cent. plus premium**
**£6,375,000 Class E1c Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 022587927; ISIN – Reg S: XS0225879278) Issue Price: 100 per cent. plus premium**
**£19,125,000 Class E2c Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 022587951; ISIN – Reg S: XS0225879518) Issue Price: 100 per cent. plus premium**

**(together the "Notes")**

**issued by Southern Pacific Securities 05-2 plc**
**(the "Issuer")**

NOTICE IS HEREBY GIVEN to the Noteholders that the Mortgage Administrator has delivered a notice to the Issuer in accordance with the provisions of Clause 33 (*Option*) of the Mortgage Administration Agreement, confirming that it is exercising its option to purchase all (but not some only) of the Loans and the Collateral Security from the Issuer on the Interest Payment Date falling in March 2018.

Accordingly, the Issuer is hereby providing notice to the Noteholders in accordance with Condition 5(d) (*Early Redemption*) that it will, on the Interest Payment Date falling in March 2018, redeem the Notes in accordance with Condition 5(d) (*Early Redemption*).

Noteholders who have queries in relation to the above matters should contact the Issuer - email: spvservices@linkgroup.co.uk; attn.: The Directors for further information.

Defined terms used in this notice will have the meaning given to them in the prospectus of the Issuer dated 8 August 2005.

9 February 2018

for and on behalf of
**Southern Pacific Securities 05-2 plc**

**SOUTHERN PACIFIC SECURITIES 04-2 PLC**

**Notice to the holders of all outstanding**

**€100,000,000 Class A1a Mortgage Backed Floating Rate Notes due 2025**
**(Common Code Reg S: 019660982; Common Code 144A: 019695204; ISIN – Reg S: XS0196609829; ISIN – 144A: US84359VAA08) Issue Price: 100 per cent.**
**U.S.$100,000,000 Class A1b Mortgage Backed Floating Rate Notes due 2025**
**(Common Code Reg S: 019661083; Common Code 144A: 019695298; ISIN – Reg S: XS0196610835; ISIN – 144A: US84359VAB80) Issue Price: 100 per cent.**
**£180,900,000 Class A1c Mortgage Backed Floating Rate Notes due 2025**
**(Common Code Reg S: 019661156; Common Code 144A: 019695344; ISIN – Reg S: XS0196611569; ISIN – 144A: US84359VAC63) Issue Price: 100 per cent.**
**€100,000,000 Class A2a Mortgage Backed Floating Rate Notes due 2042**
**(Common Code Reg S: 019661202; Common Code 144A: 019695484; ISIN – Reg S: XS0196612021; ISIN – 144A: US84359VAD47) Issue Price: 100 per cent.**
**£235,200,000 Class A2c Mortgage Backed Floating Rate Notes due 2042**
**(Common Code Reg S: 019661296; ISIN – Reg S: XS0196612963)**
**(with Class A2c Detachable Coupons) (Common Code: 019741273; ISIN: XS0197412736) Issue Price: 100 per cent. plus premium**
**U.S.$22,500,000 Class B1b Mortgage Backed Floating Rate Notes due 2042**
**(Common Code Reg S: 019661342; Common Code 144A: 019695891; ISIN – Reg S: XS0196613425; ISIN – 144A: US84359VAH50) Issue Price: 100 per cent.**
**£31,600,000 Class B1c Mortgage Backed Floating Rate Notes due 2042**
**(Common Code Reg S: 019661482; Common Code 144A: 019695964; ISIN – Reg S: XS0196614829; ISIN – 144A: US84359VAJ17) Issue Price: 100 per cent.**
**€5,000,000 Class C1a Mortgage Backed Floating Rate Notes due 2042**
**(Common Code Reg S: 019661539; Common Code 144A: 019696197; ISIN – Reg S: XS0196615396; ISIN – 144A: US84359VAK89) Issue Price: 100 per cent.**
**£19,400,000 Class C1c Mortgage Backed Floating Rate Notes due 2042**
**(Common Code Reg S: 019661636; Common Code 144A: 019696278; ISIN – Reg S: XS0196616360; ISIN – 144A: US84359VAM46) Issue Price: 100 per cent.**
**€5,000,000 Class D1a Mortgage Backed Floating Rate Notes due 2042**
**(Common Code Reg S: 019661652; Common Code 144A: 019696332; ISIN – Reg S: XS0196616527; ISIN – 144A: US84359VAN29) Issue Price: 100 per cent.**
**£19,400,000 Class D1c Mortgage Backed Floating Rate Notes due 2042**
**(Common Code Reg S: 019661806; Common Code 144A: 019696383; ISIN – Reg S: XS0196618069; ISIN – 144A: US84359VAQ59) Issue Price: 100 per cent.**
**£7,000,000 Class E Mortgage Backed Floating Rate Notes due 2042**
**(Common Code Reg S: 019661849; ISIN – Reg S: XS0196618499) Issue Price: 100 per cent.**

**(together the "Notes")**

**issued by Southern Pacific Securities 04-2 plc (the "Issuer")**

NOTICE IS HEREBY GIVEN to the Noteholders that the Mortgage Administrator has delivered a notice to the Issuer in accordance with the provisions of Clause 30 (*Option*) of the Mortgage Administration Agreement, confirming that it is exercising its option to purchase all (but not some only) of the Loans and the Collateral Security from the Issuer on the Interest Payment Date falling in March 2018.

Accordingly, the Issuer is hereby providing notice to the Noteholders in accordance with Condition 5(d) (*Early Redemption*) that it will, on the Interest Payment Date falling in March 2018, redeem the Notes in accordance with Condition 5(d) (*Early Redemption*).

Noteholders who have queries in relation to the above matters should contact the Issuer - email: spvservices@linkgroup.co.uk; attn.: The Directors for further information.

Defined terms used in this notice will have the meaning given to them in the prospectus of the Issuer dated 29 July 2004.

9 February 2018

for and on behalf of
**Southern Pacific Securities 04-2 plc**

**SOUTHERN PACIFIC FINANCING 04-A PLC**

**Notice to the holders of all outstanding**

**£305,200,000 Class A Mortgage Backed Floating Rate Notes due 2042**
**(Common Code: 019020312; ISIN: XS0190203124)**
**(with Detachable A Coupons) (Common Code: 019020410; ISIN: XS0190204106)**
**£21,000,000 Class B Mortgage Backed Floating Rate Notes due 2042**
**(Common Code: 019020444; ISIN: XS0190204445)**
**£11,550,000 Class C Mortgage Backed Floating Rate Notes due 2042**
**(Common Code: 019020517; ISIN: XS0190205178)**
**£8,750,000 Class D Mortgage Backed Floating Rate Notes due 2042**
**(Common Code: 019020568; ISIN: XS0190205681)**
**£3,500,000 Class E Mortgage Backed Floating Rate Notes due 2042**
**(Common Code: 019020614; ISIN: XS0190206143)**
**(together the "Notes")**

**issued by Southern Pacific Financing 04-A Plc**
**(the "Issuer")**

NOTICE IS HEREBY GIVEN to the Noteholders that the Mortgage Administrator has delivered a notice to the Issuer in accordance with the provisions of Clause 30 (*Option*) of the Mortgage Administration Agreement, confirming that it is exercising its option to purchase all (but not some only) of the Loans and the Collateral Security from the Issuer on the Interest Payment Date falling in March 2018.

Accordingly, the Issuer is hereby providing notice to the Noteholders in accordance with Condition 5(d) (*Early Redemption*) that it will, on the Interest Payment Date falling in March 2018, redeem the Notes in accordance with Condition 5(d) (*Early Redemption*).

Noteholders who have queries in relation to the above matters should contact the Issuer - email: spvservices@linkgroup.co.uk; attn.: The Directors for further information.

Defined terms used in this notice will have the meaning given to them in the prospectus of the Issuer dated 26 April 2004.

9 February 2018

for and on behalf of
**Southern Pacific Financing 04-A Plc**

**SOUTHERN PACIFIC SECURITIES 05-1 PLC**

**Notice to the holders of all outstanding**

**€153,000,000 Class A1a Mortgage Backed Floating Rate Notes due 2025**
**(Common Code Reg S: 021269069; Common Code 144A: 021300527; ISIN – Reg S: XS0212690696; ISIN – 144A: US84359WAA80)**
**£160,850,000 Class A1c Mortgage Backed Floating Rate Notes due 2025**
**(Common Code Reg S: 021269085; Common Code 144A: 021300535; ISIN – Reg S: XS0212690852; ISIN – 144A: US84359WAB63)**
**€153,000,000 Class A2a Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 021269115; Common Code 144A: 021300543; ISIN – Reg S: XS0212691157; ISIN – 144A: US84359WAC47)**
**£230,850,000 Class A2c Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 021269131; ISIN – Reg S: XS0212691314)**
**(with Class A2c Detachable Coupons) (Common Code: 021269140; ISIN: XS0212691405)**
**£45,500,000 Class B1c Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 021269166; Common Code 144A: 021300560; ISIN – Reg S: XS0212691660; ISIN – 144A: US84359WAE03)**
**£26,250,000 Class C1c Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 021269174; Common Code 144A: 021300578; ISIN – Reg S: XS0212691744; ISIN – 144A: US84359WAF77)**
**£22,750,000 Class D1c Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 021269212; Common Code 144A: 021300586; ISIN – Reg S: XS0212692122; ISIN – 144A: US84359WAG50)**
**£3,500,000 Class E Mortgage Backed Floating Rate Notes due 2043**
**(Common Code Reg S: 021269247; ISIN – Reg S: XS0212692478)**

**(together the "Notes")**

**issued by Southern Pacific Securities 05-1 plc**
**(the "Issuer")**

NOTICE IS HEREBY GIVEN to the Noteholders that the Mortgage Administrator has delivered a notice to the Issuer in accordance with the provisions of Clause 30 (*Option*) of the Mortgage Administration Agreement, confirming that it is exercising its option to purchase all (but not some only) of the Loans and the Collateral Security from the Issuer on the Interest Payment Date falling in March 2018.

Accordingly, the Issuer is hereby providing notice to the Noteholders in accordance with Condition 5(d) (*Early Redemption*) that it will, on the Interest Payment Date falling in March 2018, redeem the Notes in accordance with Condition 5(d) (*Early Redemption*).

Noteholders who have queries in relation to the above matters should contact the Issuer - email: spvservices@linkgroup.co.uk; attn.: The Directors for further information.

Defined terms used in this notice will have the meaning given to them in the prospectus of the Issuer dated 15 February 2005.

9 February 2018

for and on behalf of
**Southern Pacific Securities 05-1 Plc**

**SOUTHERN PACIFIC SECURITIES 04-1 PLC**

**Notice to the holders of all outstanding**

**€325,700,000 Class A1a Mortgage Backed Floating Rate Notes due 2029**
**(Common Code Reg S: 018671158; ISIN – Reg S: XS0186711585)**
**U.S.$310,000,000 Class A1b Mortgage Backed Floating Rate Notes due 2029**
**(Common Code Reg S: 018671310; Common Code 144A: 018730723; ISIN – Reg S: XS0186713102; ISIN – 144A: US84359TAA51)**
**£177,700,000 Class A2 Mortgage Backed Floating Rate Notes due 2042**
**(Common Code Reg S: 018671379; ISIN – Reg S: XS0186713797)**
**(with Class A2 Detachable Coupons) (Common Code: 018671409; ISIN: XS0186714092)**
**£31,500,000 Class M Mortgage Backed Floating Rate Notes due 2042**
**(Common Code Reg S: 018671450; Common Code 144A: 018738678; ISIN – Reg S: XS0186714506; ISIN – 144A: US84359TAB35)**
**£6,000,000 Class B Mortgage Backed Floating Rate Notes due 2042**
**(Common Code Reg S: 018671522; ISIN – Reg S: XS0186715222)**

**(together the "Notes")**

**issued by Southern Pacific Securities 04-1 Plc**
**(the "Issuer")**

NOTICE IS HEREBY GIVEN to the Noteholders that the Mortgage Administrator has delivered a notice to the Issuer in accordance with the provisions of Clause 30 (*Option*) of the Mortgage Administration Agreement, confirming that it is exercising its option to purchase all (but not some only) of the Loans and the Collateral Security from the Issuer on the Interest Payment Date falling in March 2018.

Accordingly, the Issuer is hereby providing notice to the Noteholders in accordance with Condition 5(d) (*Optional Redemption*) that it will, on the Interest Payment Date falling in March 2018, redeem the Notes in accordance with Condition 5(d) (*Optional Redemption*).

Noteholders who have queries in relation to the above matters should contact the Issuer - email: spvservices@linkgroup.co.uk; attn.: The Directors for further information.

Defined terms used in this notice will have the meaning given to them in the prospectus of the Issuer dated 23 February 2004.

9 February 2018

for and on behalf of
**Southern Pacific Securities 04-1 Plc**

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# Lawyers frozen out of Chinese deals where price triumphs over advice

## M&A boom provides slim pickings for global firms as Beijing gives preference to local competition

BARNEY THOMPSON — LONDON
EMILY FENG — BEIJING

For the world's top law firms, winning advisory work on cross-border mergers and acquisitions usually comes down to a combination of reputation, track record and client relationships.

But when it comes to the tens of billions of dollars worth of Chinese outbound M&A advisory work at stake for global firms and their Chinese partners, one factor counts above all: cost.

With a boardroom emphasis on price over advice, lawyers working for top firms tell tales of game show-style bidding sessions where they need to pitch for work before a prospective client — what one lawyer familiar with such contests calls "a bizarre kind of open outcry".

This means that while lawyers should be making healthy profits from China outbound advisory work, the reality is often very different.

Several top mergers and acquisitions lawyers have told the Financial Times that Chinese businesses, particularly state-owned enterprises, are unwilling to pay the kinds of fees for which western companies routinely budget. In a country where the legal system is relatively new, state-to-state negotiations and personal relationships are regarded as far more valuable than legal advice.

> 'Lots of people chasing a relatively small number of clients . . . has resulted in fierce competition'

"Some Chinese parties will still say 'we've worked at the deal, now we just want the attorneys to draw up the documents'," says a US lawyer whose firm has worked on some of the biggest China outbound deals of recent years. "Attorneys can just look like a cost centre," he says, without a belief in the "financial and strategic value" that lawyers can add.

The problem is particularly acute for firms seeking work from China's state-owned enterprises. Another M&A lawyer says the "vast majority" of the work done by his US firm was with private companies, where there had been a more "significant change in the sophistication of many clients in China over the past 10-15 years".

With SOE clients, he adds, "it's much more of a crapshoot" as to whether a company will recognise the need for legal services and pay accordingly — or, some lawyers warn, pay at all.

"Lots of people chasing a relatively small number of clients and mandates has resulted in fierce competition, driving prices low," says a Hong Kong-based M&A lawyer. "Added to that, the idea in China of needing a lawyer for transactions [as opposed to disputes] is new."

Consequently, fees are "on the low end of what you would expect from a European or US deal".

Some firms have decided to withdraw. In September 2016, Cadwalader, one of the oldest US law firms, announced it was closing its offices in Hong Kong and Beijing to focus on its "core client base"; the year before, New York-based Fried Frank departed Hong Kong and Shanghai, telling American Lawyer magazine that "the prospects for growth did not justify the cost".

Yet for others the market is impossible to ignore. Data from Dealogic, the market data company, show there was nearly \$150bn of Chinese outbound M&A in 2017, down from the 2016 record of \$217bn but still comfortably the country's second-biggest year.

Among those on the bigger deals include the Wall Street law firm Simpson Thacher & Bartlett, which advised ChemChina on its \$44bn acquisition of the Swiss seeds company Syngenta in February 2016. The top UK firm Clifford Chance acted for China Investment Corporation in its \$13.7bn purchase last July of the European warehouse company Logicor.

"We wouldn't be out here if we didn't think it was worth it," says one of the M&A lawyers. "There's just too much growth."

Good local knowledge, alongside an international reputation, is important. "China is not somewhere you can just plant your flag and away you go," says Paul Rawlinson, global chair of Baker McKenzie, which opened its first Beijing office in 1993. "You need to understand the market and what sort of business you want to do. A number of global firms are in the queue but we're not seeing a flood."

Even so, without partnering with a Chinese firm, legal work would be all but impossible. Non-Chinese lawyers are not allowed to practise Chinese mainland law, although they can provide informal advice. Recruiting Chinese lawyers into global firms does not solve the problem as they have to give up their local licences.

Preferential access to SOE-related legal work, furthermore, often goes to a Chinese firm in good standing with the government, according to a lawyer who now works in the diplomatic arena.

Following Beijing's recent clampdown on outbound deals by some of the most active private Chinese companies, such as HNA and Dalian Wanda, these connections have become even more vital.

To get to the front of the queue, foreign firms have adopted various forms of partnership with Chinese counterparts. One is the full-on merger: in 2012, King & Wood Mallesons was created by an Australian-Chinese alliance, while in 2015 Dentons joined with the Chinese entity Dacheng to create a legal giant that now has about 7,800 lawyers.

A few others have taken advantage of the Shanghai Free Trade Zone, opened in 2013, to launch "joint operations" with Chinese firms. In 2015, Baker McKenzie was the first to announce such an arrangement with FenXun Partners, while Linklaters is establishing a joint venture with a new firm formed by its former employees, Zhao Sheng.

Formal tie-ups are still rare. Most common are co-operation agreements, where firms agree to refer work to each other as needed.

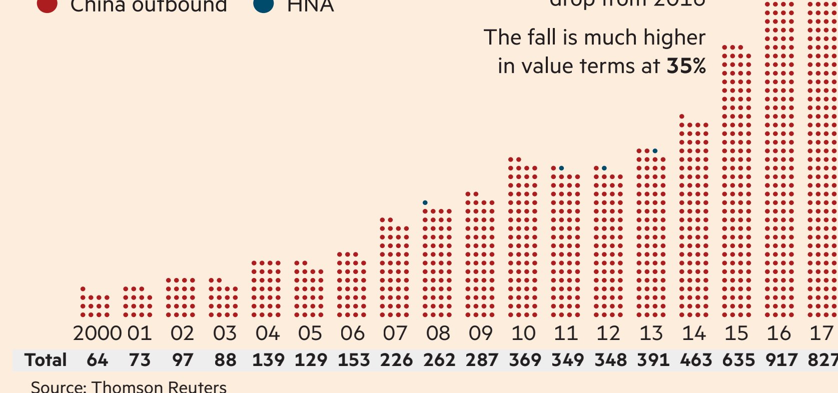
But ambitious domestic lawyers are looking to do more than play second fiddle to an outside firm. Over the past five years both the UK "magic circle" firms and their US counterparts have had partners poached by Chinese rivals — most recently last month when Fangda Partners, one of China's largest firms, hired the former head of the UK firm Linklaters' Chinese practice.

Chinese firms' ambitions are being boosted because Beijing has become wary of letting international firms too close to domestic businesses.

"About two years ago, the state started to strongly encourage companies . . . to use domestic law firms only," said a former lawyer at a Chinese firm who now works in diplomacy.

"Even SOEs who are permitted to 'go out' [and invest abroad] are still encouraged more and more to use domestic firms. They are not objectively the best but it's what the state wants them to do."

Chinese businesses are unwilling to pay the kinds of fees for which western companies routinely budget, say M&A lawyers — Qilai Shen/Bloomberg





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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | 64 | 73 | 97 | 88 | 139 | 129 | 153 | 226 | 262 | 287 | 369 | 349 | 348 | 391 | 463 | 635 | 917 | 827 |

Source: Thomson Reuters

Mining

# Sibanye chief confident of support for Lonmin bid

NEIL HUME — CAPE TOWN

**The chief executive of Sibanye-Still water is confident shareholders and regulators will back his \$285m offer for Lonmin, the platinum producer on the brink of collapse.**

Neal Froneman said initial engagements with the Public Investment Corporation, Lonmin's biggest shareholder, had been very constructive. "If I am able to judge by the body language . . . they are supportive," Mr Froneman said.

PIC, South Africa's powerful state-owned pension fund manager, has yet to make a statement on the deal, which will see Sibanye become the second biggest platinum producer in the world. But with a 30 per cent stake, it has the ability to scupper the transaction.

"The fact they haven't said anything is actually a positive sign," Mr Froneman added. "If they were unhappy I'm sure they would have said so."

He said he also expected South Africa's Competition Commission to back the takeover because in the long-run it would safeguard thousands of jobs in a country where unemployment is running at almost 30 per cent.

> 'Would we have preferred to wait a year? Yes but the company [Lonmin] was about to implode'

"Again, I think if there was any unhappiness we would have heard about it," said Mr Froneman, who has turned Sibanye into a leading player in precious metals through a series of takeovers.

When the dealmaker launched his offer for Lonmin in December, he said Sibanye would stick with the miner's plans to close older shafts and to cut more than 12,600 jobs, of a total workforce of 32,500, over the next three years even if that was unpopular.

With his latest deal, Mr Froneman is betting he can restructure Lonmin and use its smelters and refineries to process the ore Sibanye digs out of the ground. This he says will help the company gain better prices for its metals and move closer to its customers.

The timing of the deal surprised many analysts and investors because Sibanye is still digesting the acquisition of Stillwater in 2016, which left the South African-listed company with a large debt pile it is still trying to reduce. "Would we have preferred to wait a year? Yes but the company [Lonmin] was about to implode," said Mr Froneman.

As vice-president of the Chamber of Mines, which represents the mining industry in South African, Mr Froneman has been a fierce critic of new mining laws the government wants to introduce. Under a revised mining charter — suspended pending a judicial review — miners will be forced to give more ownership to black shareholders in an effort to redress sharp economic inequality.


## Contracts & Tenders

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**Sr. Engineer (PPX-T)**

## Legal Notices

**In the matter of A.B. Aterra Capital Ltd**
**and**
**In the matter of the Cyprus Companies Law Cap 113**

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 9th day of March 2018 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Constantinos Constantinou, of PricewaterhouseCoopers Limited, Julia House, 3 Th. Dervis Street, CY-1066 Nicosia, P.O.Box 21612, CY-1591 Nicosia, Cyprus, the joint liquidator of the said company, and if so required by notice in writing from the said joint liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

*Dated this 9th day of February 2018*

*Constantinos Constantinou*
*PricewaterhouseCoopers Limited*
*Joint Liquidator of A.B. Aterra Capital Ltd*

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INTESA SANPAOLO

**EXTRACT OF THE NOTICE OF CALL OF THE SPECIAL MEETING OF SAVINGS SHAREHOLDERS**
(pursuant to Article 125-bis, paragraph 1, of Legislative Decree 58/1998)

The Special Meeting of Savings Shareholders of Intesa Sanpaolo S.p.A. is convened, **on single call**, at the New Headquarters in Torino, Corso Inghilterra no. 3, at 16:00 **on 27 April 2018**, and in any case at the end of the Meeting of Ordinary Shareholders convened on the same date at 10:00, to discuss and pass resolution on the following

**Agenda:**
Approval, pursuant to Article 146, paragraph 1, letter b) of Legislative Decree no. 58 of 24 February 1998, of the resolutions of the Extraordinary Shareholders' Meeting concerning the mandatory conversion of the Company's savings shares into ordinary shares of the same Company, as well as the removal of the indication of the nominal value of the shares from the Articles of Association and the relative amendments to the Articles of Association. Pertinent and consequent resolutions.

Information on the share capital and on:
- participating and casting votes in the Meeting (in this regard, please note that the record date is 18 April 2018),
- participating and casting votes in the Meeting by proxy and through the Appointed Representative (Computershare S.p.A.),
- exercising the right to add items to the agenda, the right to submit new proposals for resolution and the right to ask questions on the items on the agenda,
- exercising the right of withdrawal of the savings shareholders who do not take part in the approval of the resolution,
- the availability of the report on the item on the agenda and the documentation relating to the Meeting,

is set forth in the full notice of call available on the website group.intesasanpaolo.com ("Governance"/"Shareholders' Meeting" section).

This extract is published in the daily newspapers "Il Sole 24 Ore", "La Stampa", "Corriere della Sera", "Financial Times" and "The Wall Street Journal".

for the Board of Directors
The Chairman - Gian Maria Gros-Pietro

**Intesa Sanpaolo S.p.A.** Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,731,984,115.92 euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund. Parent Company of the "Intesa Sanpaolo" banking group, included in the national register of Banking Groups.

INTESA SANPAOLO

**EXTRACT OF THE NOTICE OF CALL OF THE EXTRAORDINARY SHAREHOLDERS' MEETING**
(pursuant to Article 125-bis, paragraph 1, of Legislative Decree 58/1998)

The Extraordinary Shareholders' Meeting of Intesa Sanpaolo S.p.A. is convened, **on single call**, at the New Headquarters in Torino, Corso Inghilterra no. 3, at 10:00 **on 27 April 2018**, to discuss and pass resolution on the following

**Agenda:**
Mandatory conversion of savings shares into ordinary shares and concurrent removal of the indication of nominal value for the shares of Intesa Sanpaolo from the Articles of Association. Amendment of Articles 5 and 29 and removal of Article 30 of the Articles of Association. Pertinent and consequent resolutions.

Information on the share capital and on:
- participating and casting votes in the Meeting (in this regard, please note that the record date is 18 April 2018),
- participating and casting votes in the Meeting by proxy and through the Appointed Representative (Computershare S.p.A.),
- exercising the right to add items to the agenda, the right to submit new proposals for resolution and the right to ask questions on the items on the agenda,
- the availability of the report on the items on the agenda and the documentation relating to the Meeting,

is set forth in the full notice of call available on the website group.intesasanpaolo.com ("Governance"/"Shareholders' Meeting" section).

This extract is published in the daily newspapers "Il Sole 24 Ore", "La Stampa", "Corriere della Sera", "Financial Times" and "The Wall Street Journal".

for the Board of Directors
The Chairman - Gian Maria Gros-Pietro

**Intesa Sanpaolo S.p.A.** Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,731,984,115.92 euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund. Parent Company of the "Intesa Sanpaolo" banking group, included in the national register of Banking Groups.

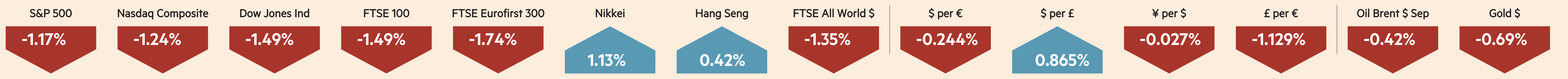

РЕЛИЗ ГРУППЫ "What's News" VK.COM/WSNWS

# MARKET DATA

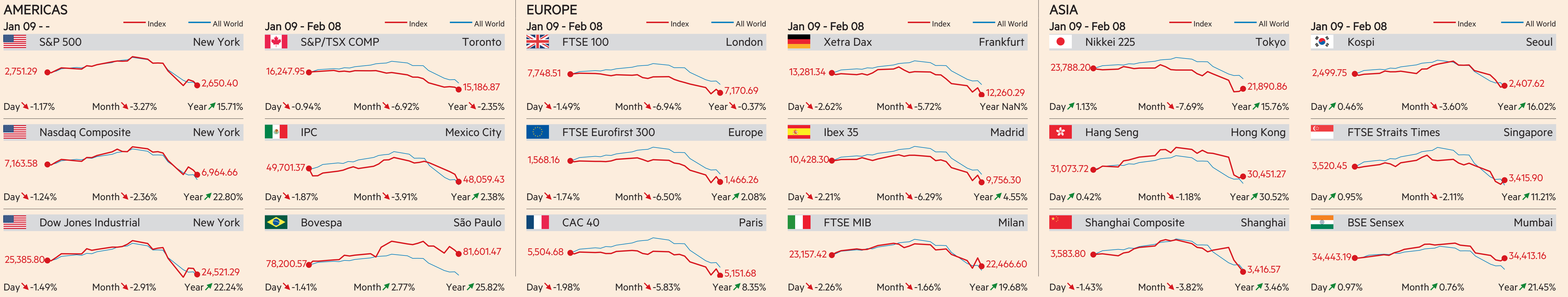
## WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)




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




| Country | Index | Latest | Previous |
|---|---|---|---|
| Argentina | Merval | 31033.71 | 31626.73 |
| Australia | All Ordinaries | 5995.20 | 5981.50 |
| | S&P/ASX 200 | 5890.70 | 5876.80 |
| | S&P/ASX 200 Res | 4002.20 | 4051.10 |
| Austria | ATX | 3398.48 | 3508.42 |
| Belgium | BEL 20 | 3911.96 | 3991.89 |
| | BEL Mid | 7191.35 | 7289.46 |
| Brazil | Bovespa | 81601.47 | 82766.73 |
| Canada | S&P/TSX 60 | 896.93 | 906.87 |
| | S&P/TSX Comp | 15186.87 | 15330.58 |
| | S&P/TSX Div Met & Min | 995.44 | 1031.63 |
| Chile | IGPA Gen | 28630.24 | 28953.99 |
| China | FTSE A200 | 10631.22 | 10763.90 |
| | FTSE B35 | 9000.71 | 8988.96 |
| | Shanghai A | 3416.57 | 3466.11 |
| | Shanghai B | 325.86 | 326.67 |
| | Shanghai Comp | 3262.05 | 3309.25 |
| | Shenzhen A | 1813.61 | 1792.47 |
| | Shenzhen B | 1147.95 | 1142.95 |
| Colombia | COLCAP | 1526.87 | 1526.83 |
| Croatia | CROBEX | 1872.34 | 1876.67 |
| Cyprus | CSE M&P Gen | 70.24 | 69.71 |
| Czech Republic | PX | 1117.32 | 1116.66 |
| Denmark | OMXC Copenahgen 20 | 961.24 | 968.98 |
| Egypt | EGX 30 | 14921.29 | 15037.05 |
| Estonia | OMX Tallinn | 1284.37 | 1271.02 |
| Finland | OMX Helsinki General | 9554.57 | 9763.03 |
| France | CAC 40 | 5151.68 | 5255.89 |
| | SBF 120 | 4126.77 | 4210.22 |
| Germany | M-DAX | 25234.46 | 25884.29 |
| | TecDAX | 2455.76 | 2558.92 |
| | XETRA Dax | 12260.29 | 12590.43 |
| Greece | Athens Gen | 841.38 | 849.94 |
| | FTSE/ASE 20 | 2133.00 | 2157.50 |
| Hong Kong | Hang Seng | 30451.27 | 30323.20 |
| | HS China Enterprise | 12380.38 | 12433.29 |
| | HSCC Red Chip | 4459.94 | 4465.75 |
| Hungary | Bux | 38875.93 | 39698.10 |
| India | BSE Sensex | 34413.16 | 34082.71 |
| | Nifty 500 | 9322.60 | 9206.35 |
| Indonesia | Jakarta Comp | 6544.63 | 6534.87 |
| Ireland | ISEQ Overall | 6650.86 | 6753.19 |
| Israel | Tel Aviv 125 | 1358.24 | 1343.63 |
| Italy | FTSE Italia All-Share | 24717.55 | 25296.46 |
| | FTSE Italia Mid Cap | 41725.85 | 42812.60 |
| | FTSE MIB | 22466.60 | 22986.18 |
| Japan | 2nd Section | 7296.58 | 7210.56 |
| | Nikkei 225 | 21890.86 | 21645.37 |
| | S&P Topix 150 | 1432.64 | 1419.56 |
| | Topix | 1765.69 | 1749.91 |
| Jordan | Amman SE | 2184.28 | 2186.96 |
| Kenya | NSE 20 | 3729.34 | 3759.95 |
| Kuwait | KSX Market Index | 6624.13 | 6712.21 |
| Latvia | OMX Riga | 1013.51 | 1015.97 |
| Lithuania | OMX Vilnius | 673.34 | 667.48 |
| Luxembourg | LuxX | 1620.92 | 1646.66 |
| Malaysia | FTSE Bursa KLCI | 1839.44 | 1836.68 |
| Mexico | IPC | 48059.43 | 48976.45 |
| Morocco | MASI | 12997.44 | 13104.61 |
| Netherlands | AEX | 526.12 | 536.35 |
| | AEX All Share | 784.87 | 800.04 |
| New Zealand | NZX 50 | 8177.14 | 8194.73 |
| Nigeria | SE All Share | 43538.16 | 43877.30 |
| Norway | Oslo All Share | 891.67 | 897.38 |
| Pakistan | KSE 100 | 43679.87 | 44096.49 |
| Philippines | Manila Comp | 8645.08 | 8667.56 |
| Poland | Wig | 62782.42 | 63262.13 |
| Portugal | PSI 20 | 5377.99 | 5441.07 |
| | PSI General | 2942.94 | 2967.44 |
| Romania | BET Index | 8051.28 | 8014.29 |
| Russia | Micex Index | 2227.24 | 2254.64 |
| | RTX | 1210.69 | 1242.53 |
| Saudi-Arabia | TADAWUL All Share Index | 7403.15 | 7417.17 |
| Singapore | FTSE Straits Times | 3415.90 | 3383.77 |
| Slovakia | SAX | 346.79 | 350.37 |
| Slovenia | SBI TOP | 817.49 | 807.93 |
| South Africa | FTSE/JSE All Share | 56635.69 | 56886.45 |
| | FTSE/JSE Res 20 | 35334.69 | 35833.84 |
| | FTSE/JSE Top 40 | 49934.79 | 50182.35 |
| South Korea | Kospi | 2407.62 | 2396.56 |
| | Kospi 200 | 311.62 | 310.48 |
| Spain | IBEX 35 | 9756.30 | 9976.90 |
| Sri Lanka | CSE All Share | 6542.90 | 6507.25 |
| Sweden | OMX Stockholm 30 | 1519.77 | 1551.15 |
| | OMX Stockholm AS | 552.63 | 563.95 |
| Switzerland | SMI Index | 8763.11 | 8975.01 |
| Taiwan | Weighted Pr | 10528.52 | 10551.54 |
| Thailand | Bangkok SET | 1786.66 | 1785.44 |
| Turkey | BIST 100 | 115570.19 | 115457.30 |
| UAE | Abu Dhabi General Index | 4599.47 | 4595.69 |
| UK | FT 30 | 3112.30 | 3158.00 |
| | FTSE 100 | 7170.69 | 7279.42 |
| | FTSE 4Good UK | 6408.55 | 6496.67 |
| | FTSE All Share | 3941.25 | 4002.51 |
| | FTSE techMARK 100 | 4279.40 | 4344.77 |
| USA | DJ Composite | 8123.54 | 8222.43 |
| | DJ Industrial | 24521.29 | 24893.35 |
| | DJ Transport | 10418.48 | 10560.59 |
| | DJ Utilities | 660.16 | 657.76 |
| | Nasdaq 100 | 6498.03 | 6582.02 |
| | Nasdaq Cmp | 6964.66 | 7051.98 |
| | NYSE Comp | 12544.19 | 12687.18 |
| | S&P 500 | 2650.40 | 2681.66 |
| | Wilshire 5000 | 27513.63 | 27824.86 |
| Venezuela | IBC | 3200.14 | 3082.30 |
| Vietnam | VNI | 1023.25 | 1040.55 |
| Cross-Border | DJ Global Titans ($) | 296.54 | 299.91 |
| | Euro Stoxx 50 (Eur) | 3361.34 | 3454.52 |
| | Euronext 100 ID | 1001.17 | 1021.67 |
| | FTSE 4Good Global ($) | 6521.47 | 6626.65 |
| | FTSE All World ($) | 334.91 | 339.49 |
| | FTSE E300 | 1466.26 | 1492.15 |
| | FTSE Eurotop 100 | 2841.17 | 2887.51 |
| | FTSE Global 100 ($) | 1640.94 | 1667.54 |
| | FTSE Gold Min ($) | 1444.61 | 1468.57 |
| | FTSE Latibex Top (Eur) | 4271.50 | 4371.60 |
| | FTSE Multinationals ($) | 1948.12 | 1949.36 |
| | FTSE World ($) | 590.51 | 598.96 |
| | FTSEurofirst 100 (Eur) | 4130.65 | 4195.08 |
| | FTSEurofirst 80 (Eur) | 4749.86 | 4856.32 |
| | MSCI ACWI Fr ($) | 513.30 | 512.97 |
| | MSCI All World ($) | 2101.07 | 2098.85 |
| | MSCI Europe (Eur) | 1574.48 | 1544.83 |
| | MSCI Pacific ($) | 2830.43 | 2822.43 |
| | S&P Euro (Eur) | 1584.59 | 1620.43 |
| | S&P Europe 350 (Eur) | 1508.42 | 1534.01 |
| | S&P Global 1200 ($) | 2323.69 | 2347.99 |
| | Stoxx 50 (Eur) | 3018.25 | 3070.30 |

(c) Closed. (u) Unavaliable. † Correction. ♥ Subject to official recalculation. For more index coverage please see www.ft.com/worldindices. A fuller version of this table is available on the ft.com research data archive.

## STOCK MARKET: BIGGEST MOVERS

### AMERICA

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Amazon.com | 47.9 | 1395.17 | -21.61 |
| Apple | 31.8 | 160.41 | 0.87 |
| Facebook | 31.3 | 177.23 | -2.95 |
| Nvidia | 22.5 | 225.73 | -3.07 |
| Microsoft | 13.5 | 88.37 | -1.24 |
| [illegible] | | | |

### LONDON

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Royal Dutch Shell | 856.5 | 2279.50 | -52.00 |
| British American Tobacco | 290.0 | 4497.50 | -147.50 |
| Glaxosmithkline | 267.9 | 1303.80 | 18.40 |
| Rio Tinto | 258.9 | 3757.00 | -123.50 |
| Glencore | 247.1 | 365.60 | -12.50 |
| [illegible] | | | |

### EURO MARKETS

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Unicredit | 823.0 | 17.84 | 0.37 |
| Santander | 699.7 | 5.58 | -0.15 |
| Total | 581.4 | 45.07 | 0.32 |
| Intesa Sanpaolo | 476.3 | 3.15 | -0.06 |
| Siemens Ag Na | 452.4 | 109.50 | -2.80 |
| [illegible] | | | |

### TOKYO

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Softbank . | 931.1 | 8773.00 | 85.00 |
| Sony | 703.1 | 5320.00 | -97.00 |
| Toyota Motor | 625.9 | 7551.00 | 179.00 |
| Mitsubishi Ufj Fin,. | 593.3 | 800.60 | 8.60 |
| Fanuc | 531.8 | 28120.00 | 970.00 |
| [illegible] | | | |

## UK MARKET WINNERS AND LOSERS

| FTSE 100 | Feb 08 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| **Winners** | | | |
| Compass | 1513.50 | 2.3 | -4.2 |
| Wpp | 1301.00 | -0.2 | -2.7 |
| Admiral | 1819.50 | -0.3 | -6.6 |
| Bunzl | 2058.00 | -0.4 | 0.7 |
| Glaxosmithkline | 1303.80 | -0.4 | -1.4 |
| [illegible] | | | |

| FTSE 250 | Feb 08 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| **Winners** | | | |
| Investec | 614.00 | 9.5 | 14.4 |
| Convatec | 197.95 | 1.3 | -2.8 |
| John Laing Infrastructure Fund | 119.00 | 0.2 | -3.6 |
| F&c Commercial Property Trust | 141.00 | -1.7 | 4.0 |
| 3i Infrastructure | 199.00 | -0.7 | -5.0 |
| [illegible] | | | |

| FTSE SmallCap | Feb 08 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| **Winners** | | | |
| Moss Bros | 66.60 | 6.2 | -23.9 |
| Anglo-eastern Plantations | 800.00 | 5.8 | 9.6 |
| Kainos | 348.00 | 3.6 | 4.8 |
| U And I | 205.00 | 3.0 | 6.1 |
| Hg Capital Trust | 1795.00 | 2.7 | 1.1 |
| [illegible] | | | |

| Industry Sectors | Feb 08 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| **Winners** | | | |
| Industrial Transportation | 3455.37 | 0.6 | 4.1 |
| Nonlife Insurance | 3068.99 | -1.2 | -4.7 |
| Pharmaceuticals & Biotech. | 11906.31 | -2.2 | -7.3 |
| Banks | 4481.35 | -2.4 | -3.0 |
| Media | 7186.60 | -2.4 | -4.9 |
| [illegible] | | | |

## CURRENCIES

[illegible]

## FTSE ACTUARIES SHARE INDICES

[illegible]

## FT 30 INDEX

[illegible]

## FX: EFFECTIVE INDICES

[illegible]

## FTSE GLOBAL EQUITY INDEX SERIES

[illegible]

## FTSE SECTORS: LEADERS & LAGGARDS

[illegible]

## FTSE 100 SUMMARY

[illegible]

## UK STOCK MARKET TRADING DATA

[illegible]

Data provided by Morningstar | www.morningstar.co.uk

## UK RIGHTS OFFERS

There are currently no rights offers by any companies listed on the LSE.

## UK COMPANY RESULTS

[illegible]

## UK RECENT EQUITY ISSUES

[illegible]

РЕЛИЗ ГРУППЫ "What's News" VK.COM/WSNWS

# MARKET DATA

## FT500: THE WORLD'S LARGEST COMPANIES

## FT 500: TOP 20

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|
| Bk Cent Asia | 23700.00 | 23500.00 | 200.00 | 0.85 | 975.00 | 4.3 | 6.04 |
| AstellasPh | 1495.50 | 1465.00 | 30.50 | 2.08 | 55.50 | 3.9 | 3.02 |
| Fuji Hvy Ind | 3720.00 | 3615.00 | 105.00 | 2.90 | 102.00 | 2.8 | 0.98 |
| Nokia | 4.43 | 4.53 | -0.10 | -2.10 | 0.10 | 2.4 | 8.89 |
| Compass | 1513.50 | 1437.00 | 76.50 | 5.32 | 33.50 | 2.3 | -99.02 |
| Sony | 5320.00 | 5417.00 | -97.00 | -1.79 | 111.00 | 2.1 | -2.48 |
| Viacom | 33.66 | 30.51 | 3.15 | 10.32 | 0.45 | 1.4 | 15.56 |
| BrisMySq | 63.64 | 62.63 | 1.01 | 1.61 | 0.84 | 1.3 | 3.09 |
| HondaMtr | 3873.00 | 3840.00 | 33.00 | 0.86 | 47.00 | 1.2 | -3.52 |
| DBS | 26.71 | 25.36 | 1.35 | 5.32 | 0.31 | 1.2 | 1.48 |
| ITC | 274.10 | 275.15 | -1.05 | -0.38 | 2.70 | 1.0 | 4.26 |
| Toyota | 7551.00 | 7372.00 | 179.00 | 2.43 | 71.00 | 0.9 | 0.15 |
| SunPhrmInds | 584.10 | 549.50 | 34.60 | 6.30 | 4.20 | 0.7 | 0.92 |
| SK Hynix | 73900.00 | 71100.00 | 2800.00 | 3.94 | 400.00 | 0.5 | -6.81 |
| H & M | 140.18 | 139.90 | 0.28 | 0.20 | 0.66 | 0.5 | -14.03 |
| Novatek | 731.00 | 736.40 | -5.40 | -0.73 | 3.30 | 0.5 | 4.28 |
| Surgutneftegas | 28.87 | 29.42 | -0.55 | -1.85 | 0.13 | 0.5 | 2.30 |
| Swiss Re | 92.06 | 90.18 | 1.88 | 2.08 | 0.36 | 0.4 | 0.83 |
| Amazon | 1395.17 | 1416.78 | -21.61 | -1.53 | 5.17 | 0.4 | 12.13 |
| Unicred | 17.84 | 17.47 | 0.37 | 2.10 | 0.07 | 0.4 | 8.98 |

Based on the FT Global 500 companies in local currency

## FT 500: BOTTOM 20

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|
| Sinopec Oil | 2.27 | 2.19 | 0.08 | 3.65 | -0.38 | -14.3 | -22.53 |
| Devon Energy | 36.47 | 36.76 | -0.29 | -0.80 | -5.75 | -13.6 | -15.47 |
| ExxonMb | 77.02 | 76.94 | 0.08 | 0.10 | -12.05 | -13.5 | -11.71 |
| WellsFargo | 56.70 | 57.54 | -0.85 | -1.47 | -8.82 | -13.5 | -8.49 |
| Deut Bank | 12.80 | 13.11 | -0.31 | -2.36 | -1.97 | -13.4 | -13.36 |
| Alphabet | 1036.68 | 1055.41 | -18.73 | -1.77 | -144.91 | -12.3 | -6.86 |
| Prudntl | 106.55 | 111.17 | -4.62 | -4.16 | -13.97 | -11.6 | -9.09 |
| FastRetail | 43070.00 | 43380.00 | -310.00 | -0.71 | -5620.00 | -11.5 | -7.90 |
| Hew-Pack | 20.63 | 21.21 | -0.59 | -2.76 | -2.68 | -11.5 | -5.36 |
| Citic Secs | 18.42 | 18.32 | 0.10 | 0.55 | -2.38 | -11.4 | 8.87 |
| ABB | 23.07 | 24.73 | -1.66 | -6.71 | -2.96 | -11.4 | -14.33 |
| ChinaMBank | 34.00 | 34.15 | -0.15 | -0.44 | -4.35 | -11.3 | 4.29 |
| Halliburton | 48.52 | 49.69 | -1.17 | -2.35 | -5.99 | -11.0 | -6.94 |
| PngAnBnk | 12.54 | 12.92 | -0.38 | -2.94 | -1.51 | -10.7 | -5.71 |
| EOG Res | 104.02 | 105.78 | -1.76 | -1.66 | -12.50 | -10.7 | -7.59 |
| Ch OSLnd&Inv | 27.10 | 27.05 | 0.05 | 0.18 | -3.20 | -10.6 | -3.04 |
| ChConstBk | 8.08 | 8.10 | -0.02 | -0.25 | -0.94 | -10.4 | 6.18 |
| CanNatRs | 38.09 | 38.57 | -0.48 | -1.24 | -4.40 | -10.4 | -16.51 |
| JapanTob | 3243.00 | 3301.00 | -58.00 | -1.76 | -369.00 | -10.2 | -10.88 |
| HaitongSecs | 11.48 | 11.64 | -0.16 | -1.37 | -1.30 | -10.2 | -3.69 |

Based on the FT Global 500 companies in local currency

## INTEREST RATES: OFFICIAL

| Feb 08 | Rate | Current | Since | Last | Mnth Ago | Year Ago |
|---|---|---|---|---|---|---|
| US | Fed Funds | 1.25-1.50 | 15-06-2017 | 1.00 | 1.25-1.50 | 0.50-0.75 |
| US | Prime | 4.50 | 15-06-2017 | 3.75 | 4.25 | 3.50 |
| US | Discount | 0.75 | 15-06-2017 | 0.75 | 1.75 | 1.00 |
| Euro | Repo | 0.00 | 16-03-2016 | 0.05 | 0.00 | 0.00 |
| UK | Repo | 0.50 | 04-08-2016 | 0.25 | 0.25 | 0.25 |
| Japan | O'night Call | 0.00-0.00 | 01-02-2016 | 0.00 | 0.00--0.10 | 0.00--0.10 |
| Switzerland | Libor Target | 0.00-0.25 | 15-01-2015 | 0.00-0.75 | -1.25--0.25 | -1.25--0.25 |

## INTEREST RATES: MARKET

| Feb 08 (Libor: Feb 07) | Over night | Change Day | Change Week | Change Month | One month | Three month | Six month | One year |
|---|---|---|---|---|---|---|---|---|
| US$ Libor | 1.43875 | 0.000 | -0.001 | 0.000 | 1.57932 | 1.79989 | 2.00438 | 2.28588 |
| Euro Libor | -0.44286 | -0.004 | -0.003 | 0.001 | -0.40471 | -0.38214 | -0.33429 | -0.25686 |
| £ Libor | 0.47246 | 0.000 | 0.000 | 0.000 | 0.49363 | 0.52865 | 0.60550 | 0.80950 |
| Swiss Fr Libor | | | | 0.000 | -0.79755 | -0.74540 | -0.66080 | -0.53200 |
| Yen Libor | | | | -0.002 | -0.05350 | -0.05850 | 0.00317 | 0.10350 |
| Euro Euribor | | | | 0.000 | -0.36900 | -0.32900 | -0.27800 | -0.19100 |
| Sterling CDs | | | | 0.000 | 0.47000 | 0.52000 | 0.62500 | |
| US$ CDs | | | | 0.370 | 1.58000 | 1.78000 | 1.95000 | |
| Euro CDs | | | | 0.000 | -0.44500 | -0.40500 | -0.34500 | |

| Feb 08 | Short term | | 7 Days notice | | One month | | Three month | | Six month | | One year | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Euro | -0.50 | -0.35 | -0.50 | -0.35 | -0.62 | -0.37 | -0.48 | -0.33 | -0.42 | -0.27 | -0.43 | -0.18 |
| Sterling | | | 0.42 | 0.52 | 0.42 | 0.52 | 0.47 | 0.57 | 0.55 | 0.70 | 0.76 | 0.91 |
| Swiss Franc | - | - | - | - | - | - | - | - | - | - | - | - |
| Canadian Dollar | - | - | - | - | - | - | - | - | - | - | - | - |
| US Dollar | 1.47 | 1.57 | 1.44 | 1.54 | 1.57 | 1.67 | 1.77 | 1.87 | 1.97 | 2.07 | 2.28 | 2.38 |
| Japanese Yen | -0.20 | 0.00 | -0.30 | 0.00 | -0.40 | 0.10 | -0.45 | 0.05 | -0.35 | 0.15 | -0.20 | 0.10 |

Libor rates come from ICE (see www.theice.com) and are fixed at 11am UK time. Other data sources: US $, Euro & CDs: Tullett Prebon; SDR, US Discount: IMF; EONIA: ECB; Swiss Libor: SNB; EURONIA, RONIA & SONIA: WMBA.

## BOND INDICES

| | Index | Day's change | Month's change | Year change | Return 1 month | Return 1 year |
|---|---|---|---|---|---|---|
| **Markit IBoxx** | | | | | | |
| ABF Pan-Asia unhedged | 193.20 | 0.40 | -0.36 | 1.46 | 0.64 | 8.90 |
| Corporates( £) | 341.70 | -0.11 | -0.76 | -1.44 | -1.62 | 3.86 |
| Corporates($) | 275.47 | -0.09 | -0.56 | -1.50 | -0.56 | -1.50 |

## VOLATILITY INDICES

| | Feb 08 | Day Chng | Prev | 52 wk high | 52 wk low |
|---|---|---|---|---|---|
| VIX | 28.74 | 1.01 | 27.73 | 50.30 | 8.56 |
| VXD | 26.52 | 5.03 | 21.49 | 35.51 | 3.93 |
| VXN | 27.32 | 2.59 | 24.73 | 38.11 | 9.75 |
| VDAX | - | - | - | - | - |

† CBOE. VIX: S&P 500 index Options Volatility, VXD: DJIA Index Options Volatility, VXN: NASDAQ Index Options Volatility. ‡ Deutsche Borse. VDAX: DAX Index Options Volatility.

## BONDS: BENCHMARK GOVERNMENT

| | Red Date | Coupon | Bid Price | Bid Yield | Day chg yield | Wk chg yield | Month chg yld | Year chg yld |
|---|---|---|---|---|---|---|---|---|
| Australia | 10/19 | 2.75 | 101.44 | 1.88 | -0.02 | -0.01 | 0.01 | 0.01 |
| | 11/28 | 2.75 | 98.86 | 2.87 | 0.02 | 0.03 | 0.19 | - |
| Austria | 10/19 | 0.25 | 101.26 | -0.49 | 0.01 | -0.02 | 0.04 | 0.10 |
| | 04/27 | 0.50 | 97.11 | 0.83 | 0.03 | 0.03 | 0.23 | - |
| Belgium | 09/19 | 3.00 | 105.72 | -0.48 | 0.02 | -0.01 | 0.04 | 0.06 |
| | 06/27 | 0.80 | 99.46 | 0.86 | 0.02 | 0.02 | 0.20 | -0.14 |
| Canada | 02/20 | 1.25 | 98.85 | 1.85 | 0.03 | 0.01 | 0.05 | - |

## BONDS: HIGH YIELD & EMERGING MARKET

| | Red date | Coupon | S* | M* | F* | Bid price | Bid yield | Day's chge yield | Mth's chge yield | Spread vs US |
|---|---|---|---|---|---|---|---|---|---|---|
| Colombia | 03/23 | 2.63 | BBB- | Baa2 | BBB | 96.25 | 3.43 | -0.07 | 0.30 | 0.87 |
| Turkey | 03/23 | 3.25 | - | Ba1 | BB+ | 94.25 | 4.52 | -0.06 | 0.27 | 1.96 |
| Poland | 03/23 | 3.00 | BBB+ | A2 | A- | 99.42 | 3.12 | 0.00 | 0.36 | 0.56 |
| Turkey | 03/27 | 6.00 | - | Ba1 | BB+ | 104.25 | 5.40 | -0.05 | 0.40 | 2.56 |
| Peru | 08/27 | 4.13 | BBB+ | A3 | BBB+ | 104.90 | 3.52 | 0.05 | 0.55 | 0.68 |
| Russia | 06/28 | 12.75 | BB+ | Ba1 | BBB- | 171.64 | 4.17 | -0.02 | 0.20 | 1.33 |
| Brazil | 02/47 | 5.63 | BB- | Ba2 | BB | 98.25 | 5.75 | -0.01 | 0.38 | - |
| **Emerging Euro** | | | | | | | | | | |
| Mexico | 02/20 | 5.50 | BBB+ | A3 | BBB+ | 110.80 | 0.15 | 0.01 | 0.08 | -1.98 |
| Brazil | 04/21 | 2.88 | BB- | Ba2 | BB | 106.50 | 0.77 | -0.05 | -0.01 | - |
| Mexico | 04/23 | 2.75 | BBB+ | A3 | BBB+ | 108.60 | 1.04 | 0.01 | 0.26 | -1.52 |
| Bulgaria | 03/28 | 3.00 | BBB- | Baa2 | BBB | 112.88 | 1.61 | 0.00 | 0.21 | -1.23 |

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company. US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch.

## BONDS: GLOBAL INVESTMENT GRADE

## GILTS: UK CASH MARKET

## GILTS: UK FTSE ACTUARIES INDICES

## COMMODITIES

## BONDS: INDEX-LINKED

## BONDS: TEN YEAR GOVT SPREADS

Data provided by Morningstar | www.morningstar.co.uk

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# MANAGED FUNDS SERVICE

Fund Bid Offer D+/- Yield

**Algebris INVESTMENTS**

**Algebris Investments** (IRL)
Regulated
Algebris Financial Credit Fund - Class I EUR € 159.01 - 0.61 0.00
Algebris Financial Income Fund - Class I EUR € 150.05 - 0.82 0.00
Algebris Financial Equity Fund - Class B EUR € 142.16 - 1.54 0.00
Algebris Asset Allocation Fund - Class B EUR € 98.18 - -0.05 0.00
Algebris Macro Credit B EUR Acc € 113.95 - 0.78 0.00
Algebris Core Italy Fund - Class B EUR € 98.87 - 0.79 -

**The Antares European Fund Limited**
Other International
AEF Ltd Usd (Est) $ 754.02 - -17.15 -
AEF Ltd Eur (Est) € 743.65 - -16.18 0.00

**Arisaig Partners**
Other International Funds
Arisaig Africa Consumer Fund Limited $ 14.32 - 0.13 0.00
Arisaig Asia Consumer Fund Limited $ 91.92 - 0.40 0.00
Arisaig Global Emerging Markets Consumer Fund $ 11.94 - 0.02 0.00
Arisaig Global Emerging Markets Consumer UCITS $ 12.57 - 0.07 0.00
Arisaig Global Emerging Markets Consumer UCITS STG £ 14.13 - 0.04 0.00
Arisaig Latin America Consumer Fund $ 28.06 - -0.11 0.00

**Artisan Partners Global Funds PLC** (IRL)
Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland
Tel: 44 (0) 207 766 7130
FCA Recognised
Artisan Partners Global Funds plc
Artisan Global Equity Fund Class I USD Acc $ 19.14 - 0.01 0.00
Artisan Global Opportunities I USD Acc $ 17.30 - 0.01 0.00
Artisan Global Value Fund Class I USD Acc $ 17.58 - 0.02 0.00
Artisan US Value Equity Fund Class I USD Acc $ 15.10 - -0.16 0.00
Artisan Global Opportunities Class I GBP Acc £ 21.20 - 0.19 0.00

**Ashmore Sicav** (LUX)
2 rue Albert Borschette L-1246 Luxembourg
FCA Recognised
Ashmore SICAV Emerging Market Debt Fund $ 101.22 - 0.24 6.15
Ashmore SICAV Emerging Market Frontier Equity Fund $ 197.03 - -0.12 0.62
Ashmore SICAV Emerging Market Total Return Fund $ 91.79 - 0.24 5.58
Ashmore SICAV Global Small Cap Equity Fund $ 166.49 - -0.42 0.57
EM Mkts Corp.Debt USD F $ 99.57 - 0.15 6.52
EM Mkts Loc.Ccy Bd USD F $ 91.08 - 0.23 4.82
EM Short Duration Fund Acc USD $ 137.50 - 0.25 0.00

**aspect capital**

**Aspect Capital Ltd (UK)**
Other International Funds
Aspect Diversified USD $ 448.69 - -11.94 0.00
Aspect Diversified EUR € 260.09 - -7.86 0.00
Aspect Diversified GBP £ 138.25 - -4.06 0.00
Aspect Diversified CHF SFr 122.52 - -3.70 0.00
Aspect Diversified Trends USD $ 119.28 - -0.97 0.00
Aspect Diversified Trends EUR € 115.30 - -0.97 0.00
Aspect Diversified Trends GBP £ 122.32 - -1.02 0.00

**Atlantas Sicav** (LUX)
Regulated
American Dynamic $ 4557.76 - -275.63 0.00
American One $ 4214.06 - -344.58 0.00
Bond Global € 1362.17 - -2.03 0.00
Eurocroissance € 990.74 - -40.35 0.00
Far East $ 966.62 - -66.34 0.00

**Bank of America Cap Mgmt (Ireland) Ltd** (IRL)
Regulated
Global Liquidity USD $ 1.00 - 0.00 0.61

**Barclays Investment Funds (CI) Ltd** (JER)
39/41 Broad Street, St Helier, Jersey, JE2 3RR Channel Islands 01534 812800
FCA Recognised
Bond Funds
Sterling Bond F £ 0.47 - 0.00 2.74

**BlackRock** (JER)
Regulated
BlackRock UK Property £ 44.06 - 0.02 2.08
BLK Intl Gold & General $ 5.51 5.81 -0.07 0.00

**CCLA Investment Management Ltd** (UK)
Senator House 85 Queen Victoria Street London EC4V 4ET
Authorised Inv Funds
Diversified Income 1 Units GBP Inc £ 1.52 1.52 -0.01 3.32
Diversified Income 2 Units GBP Inc £ 1.47 1.47 0.00 3.33
Diversified Income 3 Units GBP Inc £ 1.48 1.48 0.00 -

**CG Asset Management Limited** (IRL)
25 Moorgate, London, EC2R 6AY
Dealing: Tel. +353 1434 5098 Fax. +353 1542 2859
FCA Recognised
Capital Gearing Portfolio Inc £ 31204.16 31204.16 -112.84 0.53
CG Portfolio Fund Plc
Absolute Return Cls M Inc £ 113.86 113.86 0.68 1.29
Capital Value Cls V Inc £ 150.53 150.53 -0.65 0.45
Dollar Fund Cls D Inc £ 142.10 142.10 -0.18 1.78
Dollar Hedged GBP Inc £ 96.29 96.29 -0.29 1.73
Real Return Cls A Inc £ 184.58 184.58 -0.31 2.32

**Cedar Rock Capital Limited** (IRL)
Regulated
Cedar Rock Capital Fd Plc $ 458.29 - -5.06 1.24
Cedar Rock Capital Fd Plc € 525.47 - -12.15 1.36
Cedar Rock Capital Fd Plc £ 392.58 - -8.95 1.41

**Charles Schwab Worldwide Funds Plc** (IRL)
Regulated
Schwab USD Liquid Assets Fd $ 1.00 - 0.00 0.24

**Chartered Asset Management Pte Ltd**
Other International Funds
CAM-GTF Limited $ 331191.69 331191.69 21633.32 0.00
CAM GTi Limited $ 693.77 - -19.24 0.00
Raffles-Asia Investment Company $ 1.70 1.70 0.05 1.18

**Cheyne Capital**

**Cheyne Capital Management (UK) LLP** (IRL)
Regulated
Cheyne Convertibles Absolute Return Fund - I1 € 1468.26 - 1.99 0.00
Cheyne Global Credit Fund (D) € 125.96 - 0.10 0.00
Cheyne European Mid Cap Fund (MF) € 1075.09 - 1.39 0.00

**Cheyne Capital Management (UK) LLP**
Other International Funds
Cheyne European Event Driven Fund (M) € 147.75 - 0.67 -
price updated (D) daily, (W) weekly, (M) monthly

**DAVIS Funds SICAV** (LUX)
Regulated
Davis Value A $ 52.96 - -0.47 0.00
Davis Global A $ 40.87 - -0.42 0.00

**DODGE & COX WORLDWIDE FUNDS**

**Dodge & Cox Worldwide Funds** (IRL)
6 Duke Street,St.James,London SW1Y 6BN
www.dodgeandcox.worldwide.com 020 3713 7664
FCA Recognised
Dodge & Cox Worldwide Funds plc - Global Bond Fund
EUR Accumulating Class € 12.25 - 0.10 0.00
EUR Accumulating Class (H) € 10.36 - -0.01 0.00
EUR Distributing Class € 10.77 - 0.09 3.96
EUR Distributing Class (H) € 9.09 - -0.01 3.63
GBP Distributing Class £ 11.58 - 0.05 3.93
GBP Distributing Class (H) £ 9.37 - 0.00 3.25
USD Accumulating Class $ 10.84 - 0.00 0.00
Dodge & Cox Worldwide Funds plc-Global Stock Fund
USD Accumulating Share Class $ 22.03 - -0.22 0.00
GBP Accumulating Share Class £ 28.11 - -0.14 0.00
GBP Distributing Share Class £ 18.70 - -0.11 0.47
EUR Accumulating Share Class € 26.98 - -0.04 0.00
GBP Distributing Class (H) £ 11.90 - -0.12 0.34
Dodge & Cox Worldwide Funds plc-International Stock Fund
USD Accumulating Share Class $ 17.80 - -0.27 0.00
EUR Accumulating Share Class € 17.09 - -0.10 0.00
Dodge & Cox Worldwide Funds plc-U.S. Stock Fund
USD Accumulating Share Class $ 25.71 - -0.12 0.00
GBP Accumulating Share Class £ 28.81 - 0.00 0.00
GBP Distributing Share Class £ 18.03 - 0.00 0.74
EUR Accumulating Share Class € 27.19 - 0.11 0.00
GBP Distributing Class (H) £ 11.63 - -0.06 0.37

**DRAGON CAPITAL**

**Dragon Capital Group**
1501 Me Linh Point, 2 Ngo Duc Ke, District 1, Ho Chi Minh City, Vietnam
Fund information, dealing and administration: funds@dragoncapital.com
Other International Funds
Vietnam Property Fund (VPF) NAV $ 0.80 - 0.03 0.00

**DSM Capital Partners Funds** (LUX)
www.dsmsicav.com
Regulated
DSM Global Growth I Acc € 181.47 - -0.57 0.00
DSM Global Growth I1 Acc € 122.20 - 0.19 0.00
DSM US Large Cap Growth I3 $ 123.95 - 1.96 -
DSM US Large Cap Growth A $ 149.02 - -1.42 0.00
DSM US Large Cap Growth I € 121.38 - -0.65 0.00

**Edinburgh Partners Limited** (IRL)
27-31 Melville Street, Edinburgh EH3 7JF
Tel: +353 1 434 5143 Dealing - Fax +353 1 434 5230
FCA Recognised
Edinburgh Partners Opportunities Fund PLC
Emerging Opportunities I USD $ $ 1.46 - -0.01 1.17
European Opportunities I EUR € 2.79 - 0.05 1.61
European Opportunities I GBP £ 2.46 - 0.04 1.59
European Opportunities A EUR € 2.72 - 0.05 1.31
Global Opportunities I EUR € 2.18 - 0.00 1.91
Global Opportunities I USD $ 2.03 - 0.00 1.98
Global Opportunities I GBP £ 1.47 - 0.01 2.08
Pan European Opportunities I EUR € 1.86 - 0.04 -

**Ennismore Smaller Cos Plc** (IRL)
5 Kensington Church St, London W8 4LD 020 7368 4220
FCA Recognised
Ennismore European Smir Cos NAV £ 126.27 - -0.17 0.00
Ennismore European Smir Cos NAV € 142.59 - 0.14 0.00

**Ennismore European Smlr Cos Hedge Fd**
Other International Funds
NAV € 526.10 - -1.84 0.00

**Equinox Fund Mgmt (Guernsey) Limited** (GSY)
Regulated
Equinox Russian Opportunities Fund Limited $ 200.36 - 11.75 0.00

**Euronova Asset Management UK LLP** (CYM)
Other International Funds
Smaller Cos Cls One Shares € 44.38 - -0.11 0.00
Smaller Cos Cls Two Shares € 30.02 - -0.07 0.00
Smaller Cos Cls Three Shares € 15.11 - -0.04 0.00
Smaller Cos Cls Four Shares € 19.41 - -0.05 0.00

**Eurobank FMC-LUX**

**Eurobank Fund Management Company (Luxembourg) S.A.**
Regulated
(LF) Absolute Return € 1.37 - 0.00 0.00
(LF) Eq Emerging Europe € 0.93 - 0.01 0.00
(LF) Eq Mena Fund € 12.78 - 0.15 0.00
(LF) Greek Government Bond € 29.95 - 0.20 0.00
(LF) Greek Corporate Bond € 14.97 - 0.03 0.00
(LF) FOF Dynamic Fixed Inc € 11.83 - -0.01 0.00
(LF) FOF Real Estate € 14.62 - 0.08 0.00

**FIL Investment Services (UK) Limited (1200)F** (UK)
130, Tonbridge Rd, Tonbridge TN11 9DZ
Callfree: Private Clients 0800 414161
Broker Dealings: 0800 414 181
OEIC Funds
Cash Fund Y-Acc-GBP £ 1.00 - 0.00 0.18
Cash Fund Y-Inc-GBP £ 1.00 - 0.00 0.18
Fidelity Select 50 Balanced Fund PI-ACC-GBP £ 1.00 - 0.00 -
Fidelity Short Dated Corporate Bond Fund Y - Gross Acc £ 9.86 - 0.00 4.21
Fidelity Short Dated Corporate Bond Fund Y - Gross Acc £ 10.28 - -0.01 1.17
Target 2020 A-ACC-GBP £ 0.65 - 0.00 0.45
Target 2025 A-ACC-GBP £ 1.60 - 0.00 0.51
Target 2030 A-ACC-GBP £ 1.80 - 0.00 0.56
Institutional OEIC Funds
Europe (ex-UK) Fund ACC-GBP £ 5.08 - -0.07 1.10
UK Gilt Fund Inc £ 1.34 - 0.00 1.64
UK Long Corporate Bond - Gross Inc £ 12.20 - 0.00 2.95

**Findlay Park Funds Plc** (IRL)
30 Herbert Street, Dublin 2, Ireland Tel: 020 7968 4900
FCA Recognised
American Fund USD Class $ 108.49 - -0.71 0.00
American Fund GBP Hedged £ 57.81 - -0.39 0.00
American Fund GBP Unhedged £ 78.13 - -0.38 0.00
Latin American Fund USD Class $ 17.47 - -0.20 0.00
Latin American Fund GBP Unhedged £ 12.82 - -0.13 0.00

**The First Investor QSCC**
5th Floor, Barwa Bank Building, Grand Hamad Street, P.O. Box 16034, Doha, State of Qatar
+974 4459 6111
http://www.tfi.com.qa/
Other International Funds
TFI GCC Equity Opportunities Fund (QQUAR 1280.10 - 0.04 0.00

**Foord Asset Management**
Website: www.foord.com - Email: info@foord.com
FCA Recognised - Luxembourg UCITS
Foord International Fund | R $ 40.49 - -0.15 -
Foord Global Equity Fund (Lux) | R $ 13.43 - -0.02 -
Regulated
Foord Global Equity Fund (Sing) | B $ 16.20 - -0.02 0.00
Foord International Trust (Gsy) $ 40.17 - -0.15 0.00

**Franklin Templeton International Services Sarl** (IRL)
JPMorgan House - International Financial Services Centre,Dublin 1, Ireland
Other International Funds
Franklin Emerging Market Debt Opportunities Fund Plc
Franklin Emg Mkts Debt Opp CHFSFr 17.85 - 0.14 8.01
Franklin Emg Mkts Debt Opp GBP £ 11.10 - 0.08 5.94
Franklin Emg Mkts Debt Opp SGD S$ 23.97 - 0.39 4.58
Franklin Emg Mkts Debt Opp USD $ 18.75 - 0.41 5.89

**GAM**
funds@gam.com, www.funds.gam.com
Regulated
LAPIS TOP 25 DIV.YLD-D £ 103.44 - -0.36 1.87

**GYS Investment Management Ltd** (GSY)
Regulated
Taurus Emerging Fund Ltd $ 242.83 247.78 6.83 0.00

**Genesis Asset Managers LLP**
Other International Funds
Emerging Mkts NAV £ 8.03 - -0.02 1.27

**HPB Assurance Ltd**
Anglo Intl House, Bank Hill, Douglas, Isle of Man, IM1 4LN 01638 563490
International Insurances
Holiday Property Bond Ser 1 £ 0.54 - 0.00 0.00
Holiday Property Bond Ser 2 £ 0.65 - 0.00 0.00

**Haussmann**
Other International Funds
Haussmann Cls A $ 2769.32 - -10.23 0.00
Haussmann Cls C £ 2300.71 - -13.31 0.00
Haussmann Cls D SFr 1238.45 - -7.47 0.00

**HERMES INVESTMENT MANAGEMENT**

**Hermes Investment Funds Plc** (IRL)
Hermes Investment Management Limited, 1 Portsoken Street, London E1 8HZ +44 (0)20 7680 2121
FCA Recognised
Hermes Asia Ex-Japan Equity Fund Class F Acc £ 1.16 1.16 0.00 0.00
Hermes Asia Ex-Japan Equity Fund Class F Acc € 1.92 1.92 -0.01 0.00
Hermes Asia Ex-Japan Equity Fund Class F Acc $ 2.58 2.58 -0.03 0.00
Hermes Asia Ex-Japan Equity Fund Class F Acc £ 2.83 2.83 0.00 0.00
Hermes Europe Ex-UK Equity Fund Class F Acc £ 2.02 2.02 -0.03 0.00
Hermes Europe Ex-UK Equity Fund Class F Acc € 3.89 3.89 -0.01 0.00
Hermes European Alpha Equity Fund Class F Acc € 1.68 1.68 -0.02 0.00
Hermes European Alpha Equity Fund Class F Dis £ 1.58 1.58 -0.03 1.14
Hermes European Alpha Equity Fund Class F Acc £ 3.33 3.33 0.00 0.00
Hermes Global Emerging Markets Fund Class F Acc £ 2.00 2.00 -0.01 0.00
Hermes Global Emerging Markets Fund Class F Acc € 4.18 4.18 0.04 0.00
Hermes Global Equity Fund Class F Acc € 2.15 2.15 -0.03 0.00
Hermes Global Equity Fund Class R Acc USD € 4.65 4.65 0.01 0.00
Hermes Global ESG Equity Fund Class F Acc € 1.62 1.62 -0.03 0.00
Hermes Global High Yield Credit Fund Class F Acc £ 1.44 1.44 -0.01 0.00
Hermes Global High Yield Credit Fund Class F Acc £ 1.50 1.50 0.00 0.00
Hermes Global High Yield Credit Fund Class F Acc £ 3.19 3.19 0.01 0.00
Hermes Global Small Cap Fund Class F Acc USD € 3.19 3.19 0.01 0.00
Hermes Global Small Cap Fund Class F Acc USD € 2.17 2.17 -0.01 0.00
Hermes Impact Opportunities Equity Fund F $ 1.93 - -0.01 -
Hermes Impact Opportunities Equity Fund F £ 0.93 - -0.01 -
Hermes Multi Asset Inflation Fund Class F GBP Acc £ 1.04 1.04 0.00 0.00
Hermes Multi Strategy Credit Fund Class F Acc Hed £ 1.15 1.15 0.00 0.00
Hermes SDG Engagement Equity Fund F £ 1.02 - 0.00 -
Hermes SDG Engagement Equity Fund F £ 0.98 - 0.00 -
Hermes US All Cap Equity Class F Stg £ Acc £ 1.38 1.38 -0.02 0.00
Hermes US All Cap Equity Class F Acc USD € 2.18 2.18 0.00 0.00
Hermes US SMID Equity Fund Class F Acc € 2.25 2.25 -0.03 0.00
Hermes US SMID Equity Fund Class F Acc USD € 3.96 3.96 0.02 0.00

**INDIA VALUE INVESTMENTS LIMITED (INVIL)**
www.invil.mu
Other International Funds
NAV $ 8.34 - -0.01 0.00

**Intrinsic Value Investors (IVI) LLP** (IRL)
1 Hat & Mitre Court, 88 St John Street, London EC1M 4EL +44 (0)20 7566 1210
FCA Recognised
IVI European Fund EUR € 22.18 - 0.34 0.00
IVI European Fund GBP £ 26.28 - 0.33 0.00

**Invesco Fund Managers Ltd** (UK)
Perpetual Park, Henley-On-Thames, Oxon, RG9 1HH
Dealing: 0800 085 8571
Investor Services: 0800 085 8677
www.invescoperpetual.co.uk
Authorised Inv Funds
Invesco Perpetual Funds (No Trail)
Global Targeted Income Fund Acc (No Trail) 101.34 - 0.20 3.39
Global Targeted Income Fund Inc (No Trail) 105.40 - 0.21 3.29
Invesco Global Emerging Mkts Bond Acc (No Trail) 96.02 - -0.75 -
Invesco Global Emerging Mkts Bond Inc (No Trail) 92.11 - -0.72 -

**Invesco**

**Invesco**
Dublin 00 353 1 439 8100 Hong Kong 00852 3191 8282
FCA Recognised
Invesco Management SA
Invesco Active Multi-Sector Credit Fund A € 3.17 - 0.01 0.00
Invesco Asia Balanced A dist $ 14.95 - -0.03 2.85
Invesco Asia Consumer Demand Fund A income $ 16.00 - -0.03 0.00
Invesco Asia Infrastructure (A) $ 15.27 - -0.07 0.72
Invesco Asia Opportunities Equity A $ 144.10 - -0.20 0.00
Invesco Balanced Risk Allocation Fund A € 16.57 - -0.13 0.00
Invesco Emerging Europe Equity Fund A $ 12.38 - -0.14 0.00
Invesco Emerging Local Currencies Debt A Inc $ 7.22 - -0.06 5.66
Invesco Emerging Market Structured Equity Fund A $ 13.06 - -0.03 0.00
Invesco Energy A $ 16.75 - -0.44 0.00
Invesco Euro Corporate Bond Fund (A) € 17.94 - -0.03 0.00
Invesco Euro Reserve A € 320.22 - -0.01 0.00
Invesco Euro Bond A € 7.52 - -0.01 0.00
Invesco European Growth Equity A € 27.02 - 0.11 0.00
Invesco Global Absolute Return Fund A Class € 11.14 - -0.03 0.00
Invesco Global Bond A Inc $ 5.87 - -0.03 0.78
Invesco Global Conservative Fund 90 (EUR) A € 11.75 - -0.02 0.00
Invesco Global Inv Grd Corp Bond A Dist $ 12.42 - -0.03 2.78
Invesco Global Leisure A $ 56.23 - -0.24 0.00
Invesco Global Real Estate Sec A dist $ 9.32 - -0.02 1.99
Invesco Global Smaller Comp Eq Fd A $ 77.93 - 0.03 0.00
Invesco Global Structured Equity A $ 51.04 - -0.05 0.72
Invesco Global Total Ret (EUR) Bond Fund A € 13.74 - -0.02 0.00
Invesco Gold & Precious Metals A $ 5.03 - -0.07 0.00
Invesco Greater China Equity A $ 65.97 - -0.17 0.00
Invesco India Equity A $ 73.54 - 0.87 0.00
Invesco Japanese Equity Adv Fd A ¥ 4784.00 - 47.00 0.00
Invesco Japanese Value Eq Fd A ¥ 1671.00 - 19.00 0.00
Invesco Latin American Equity A $ 8.14 - -0.14 0.00
Invesco Nippon Small/Mid Cap Equity A ¥ 1667.00 - 32.00 0.00
Invesco Pan European Equity A EUR Cap € 20.46 - 0.10 0.00
Invesco Pan European Equity Income A € 14.50 - 0.00 1.89
Invesco Pan European Small Cap Equity A € 24.86 - 0.17 0.00
Invesco Pan European Structured Equity A € 18.58 - 0.06 0.00
Invesco Real Return (EUR) Bond Fund A € 8.62 - -0.01 0.00
Invesco UK Equity Income A £ 31.81 - 0.03 0.00
Invesco UK Investment Grade Bond A £ 1.05 - 0.00 1.95
Invesco US Structured Equity A $ 26.76 - -0.06 0.00
Invesco US Value Eq Fd A $ 41.80 - -0.18 0.00
Invesco USD Reserve A $ 87.98 - 0.00 0.00

**Invesco Global Asset Management Ltd** (IRL)
Dublin 00 353 1 439 8100 Hong Kong 00 852 2847 7200
FCA Recognised
Invesco Strtg Bd A QD F $ 2.70 - 0.00 3.20
Invesco Asian Equity A $ 9.30 - -0.01 0.21
Invesco ASEAN Equity A $ 110.45 - -0.28 0.29
Invesco Bond A $ 28.10 - -0.14 2.22
Invesco Continental Europ Small Cap Equity A $ 301.28 - -2.78 0.00
Invesco Emerging Markets Equity A $ 50.82 - -0.01 0.00
Invesco Emerging Markets Bond A $ 22.35 - 0.09 5.00
Invesco Continental European Equity A € 9.30 - 0.02 0.94
Invesco Gilt A £ 15.67 - -0.10 0.91
Invesco Global Small Cap Equity A NAV $ 164.06 - -0.15 0.00
Invesco Global High Income A NAV $ 12.29 - 0.03 5.01
Invesco Gbl R/Est Secs A GBP FF £ 8.46 - -0.08 1.94
Invesco Global Health Care A $ 125.75 - -0.64 0.00
Invesco Global Select Equity A $ 16.54 - -0.05 0.40
Invesco Japan Equity Core A $ 23.39 - 0.09 0.00
Invesco Japanese Equity A $ 26.88 - 0.18 0.00
Invesco Korean Equity A $ 27.94 - -0.02 0.00
Invesco PRC Equity A $ 63.94 - 0.11 0.05
Invesco Pacific Equity A $ 69.18 - 0.15 0.06
Invesco Global Technology A $ 22.08 - -0.29 0.00
Invesco UK Eqty A £ 8.85 - 0.00 1.85

**KAMES CAPITAL**

**Kames Capital VCIC** (IRL)
1 North Wall Quay, Dublin 1, Ireland +35 3162 24493
FCA Recognised
Absolute Return Bond B GBP Acc 1108.62 - -0.14 0.19
Eq Market Neutral B Acc 937.11 - -5.49 0.00
High Yield Global Bond A GBP Inc 520.66 - 1.14 3.00
High Yield Global Bond B GBP Inc 1083.34 - 2.37 3.51
Investment Grade Global Bd A GBP Inc 574.95 - -1.30 1.85
Kames Emerging Market Bond Fund - B Acc USD $ 11.26 - -0.03 0.00
Kames Global Equity Income B GBP Acc 1619.60 - -8.05 0.00
Kames Global Equity Income B GBP Inc 1455.44 - -8.32 3.19
Kames Global Diversified Growth Fund - B Acc EUR € 11.18 - -0.03 0.00
Kames Global Equity Market Neutral Fund - B Acc £ 10.33 - -0.03 0.00
Kames Global Strategic Portfolio UCITS Fund - USD Acc $ 12.36 - -0.14 0.00
Global Sustainable Equity B Acc GBP £ 13.66 - -0.14 0.00
Global Sustainable Equity C Acc GBP £ 13.70 - -0.15 0.00
Kames Absolute Return Short Dated Fund - B Acc EUR € 10.00 - -0.01 0.00
Short Dated High Yld Bd B Acc GBP £ 10.05 - 0.01 -
Short Dated High Yld Bd C Acc GBP Hedged £ 10.08 - 0.02 -
Strategic Global Bond A GBP Inc 1132.84 - -6.63 0.72
Strategic Global Bond B GBP Inc 642.23 - -0.35 1.23

**Link Asset Services**
65 Gresham Street, London, EC2V 7NQ
Order Desk and Enquiries: 0345 922 0044
Authorised Inv Funds
LF Heartwood Balanced MA B Acc F 144.10 - 0.20 0.35
LF Heartwood Cautious MA B Acc F 139.75 - 0.05 0.43
LF Heartwood Defensive MA B Acc F 114.17 - 0.07 0.52
LF Heartwood Growth MA B Acc F 173.77 - 0.13 0.09
LF Heartwood Income MA B Acc F 111.61 - 0.00 1.02
LF Heartwood Income Plus MA B Inc F 118.51 - 0.18 4.28
LF Seneca Diversified Growth A Acc 269.37 - 0.43 2.08
LF Seneca Diversified Growth B Acc 161.65 - 0.26 2.67
LF Seneca Diversified Growth N Acc 159.20 - 0.26 2.44
LF Seneca Diversified Income A Inc 93.65 - 0.21 4.85
LF Seneca Diversified Income B Inc 121.28 - 0.26 4.84
LF Seneca Diversified Income N Inc 110.82 - 0.26 4.84
Investment Adviser - Morant Wright Management Limited
LF Morant Wright Japan A Acc F 398.37 - -0.60 0.00
LF Morant Wright Japan A Inc F 390.01 - -0.60 0.00
LF Morant Wright Japan B Acc F 428.56 - -0.65 0.91
LF Morant Wright Japan B Inc F 397.12 - -0.60 0.92
LF Morant Wright Nippon Yield A Acc F 422.56 - -0.66 2.15
LF Morant Wright Nippon Yield A Inc F 349.05 - -0.55 2.18
LF Morant Wright Nippon Yield B Acc F 442.98 - -0.69 2.14
LF Morant Wright Nippon Yield B Inc F 366.01 - -0.57 2.19

**Lloyds Investment Fund Managers Limited (1000)F** (JER)
PO Box 311, 11-12 Esplanade, St. Helier, Jersey, JE4 8ZU 01534 845555
Other International Funds
Lloydstrust Gilt £ 12.3300xd - -0.0700 2.01
Lloyds Investment Funds Limited
Euro High Income € 1.5940xd - -0.0020 3.16
High Income £ 0.8050xd - -0.0040 0.47
International £ 5.4530 - -0.0080 0.27
North American £ 21.8600 - -0.0800 0.00
Sterling Bond £ 1.3390xd - -0.0020 2.82
UK £ 7.4910 - -0.0150 0.73
Lloyds Gilt Fund Limited
Lloyds Gilt Quarterly Share £ 1.2940xd - -0.0020 1.58
Monthly Share £ 1.2430xd - -0.0010 1.58
Lloyds Money Fund Limited
Sterling Class £ 52.5200 - -0.0010 -0.20
Lloyds Multi Strategy Fund Limited
Conservative Strategy £ 1.2260 - -0.0040 0.86
Growth Strategy £ 1.7750 - -0.0120 0.67
Aggressive Strategy £ 2.3850 - -0.0200 0.00
Global USD Growth Strategy $ 1.6480 - -0.0080 0.00
Dealing Daily

**MMIP Investment Management Limited** (GSY)
Regulated
Multi-Manager Investment Programmes PCC Limited
UK Equity Fd Cl A Series 01 £ 2803.81 2878.76 73.22 0.00
Diversified Absolute Rtn Fd USD Cl AF2 $ 1665.98 - 6.15 0.00
Diversified Absolute Rtn Stlg Cell AF2 £ 1646.61 - 2.06 0.00
Global Equity Fund A Lead Series £ 1443.51 1448.33 21.92 0.00

**Marwyn Asset Management Limited** (CYM)
Regulated
Marwyn Value Investors £ 446.78 - -14.47 0.00

**Emerging Markets Managed Accounts PLC** (IRL)
emma@millitrust.com, +44(0)20 8123 8369, www.millitrust.com
Regulated
Millitrust ASEAN A $ 118.96 - -2.07 0.00
Millitrust India A $ 178.71 - -2.67 0.00
Millitrust Latin America A $ 112.93 - -1.52 0.00
Millitrust Keywise China Fund $ 159.47 - -5.71 0.00
Millitrust SEDCO MENA Fund (Class A) $ 99.75 - -1.55 0.00

**Millitrust International Managed Investments ICAV** (IRL)
mimi@millitrust.com, +44(0)20 8123 8369 www.millitrust.com
Regulated
MAI - Buy & Lease (Australia) A$ 99.42 - -0.58 -
MAI - Buy & Lease (New Zealand)NZ$ 99.44 - -0.56 0.00
British Innovation Fund £ 98.71 - -1.03 -
EICM South Asia Hospitality I $ 101.98 - 4.50 -

**Mirabaud Asset Management** (LUX)
www.mirabaud.com, marketing@mirabaud-am.com
Please click on the 'Funds' tab for details on relevant funds available here www.mirabaud-am.com
Regulated
Mir. - Glb Strat. Bd I USD $ 110.13 - 0.02 0.00
Mir. - EqPanEuropeSm&Mid € 155.22 - 3.67 0.00
Mir. - Eq UK High Income I GBP £ 125.28 - 2.68 0.00

**Morgan Stanley**

**Morgan Stanley Investment Funds** (LUX)
6b Route de Trèves L-2633 Senningerberg Luxembourg (352) 34 64 61
www.morganstanleyinvestmentfunds.com
FCA Recognised
US Advantage A F $ 81.32 - 1.50 0.00
Asian Equity A F $ 55.85 - -0.04 0.00
Asian Property A F $ 20.80 - -0.13 0.00
Emerg Europ, Mid-East & Africa Eq A F € 82.45 - 1.18 0.00
Emerging Markets Debt A F $ 88.29 - 0.26 0.00
Emerging Markets Domestic Debt A F $ 12.38 12.38 -0.01 5.20
Emerging Markets Equity A F $ 47.06 47.06 0.20 0.00
Euro Bond A F € 16.18 16.18 0.01 0.00
Euro Corporate Bond A F € 27.88 27.88 -0.10 1.29
Euro Strategic Bond A F € 46.47 46.47 0.00 0.00
European Currencies High Yield Bd A F € 24.73 24.73 0.06 0.00
European Equity Alpha A F € 44.23 - 0.28 0.00
European Property A F € 34.56 34.56 0.49 0.00
Eurozone Equity Alpha A F € 12.78 12.78 0.08 0.00
Global Bond A F $ 42.89 42.89 0.05 0.00
Global Brands A F $ 126.85 - 1.64 0.00
Global Convertible Bond A F $ 45.35 - 0.31 0.00
Global Property A F $ 29.82 - 0.20 0.00
Indian Equity A F $ 47.65 - 0.54 0.00
Latin American Equity A F $ 60.19 - 0.67 0.00
Short Maturity Euro Bond A F € 20.44 20.44 0.01 0.00
US Dollar Liquidity A F $ 13.14 - 0.00 0.00
US Growth A F $ 101.90 - 1.76 0.00
US Growth AH F € 68.20 68.20 1.21 0.00
US Growth AX F £ 73.11 73.11 0.95 0.00
US Property A F $ 66.77 - 0.90 0.00

**Morgens Waterfall Vintiadis.co Inc**
Other International Funds
Phaeton Intl (BVI) Ltd (Est) $ 495.53 - -18.20 0.00

**NATIXIS INVESTMENT MANAGERS**

**Natixis International Funds (LUX) I SICAV** (LUX)
FCA Recognised
ASG Managed Futures Fund I/A (USD) $ 101.92 101.92 -0.31 0.00
Harris Global Equity Fund R/A (USD) $ 336.37 336.37 1.26 0.00
H2O MultiReturns Fund N/A (GBP) £ 129.00 129.00 -0.23 0.00
Loomis Sayles US Global Growth Equity Fund I/A (USD) $ 133.34 133.34 -0.64 0.00
Loomis Sayles U.S. Growth Equity Fund I/A (USD) $ 136.82 136.82 -1.22 0.00

**Natixis Investment Funds** (UK)
Authorised Funds
DNCA European Select Equity Fund £ 1.03 - -0.01 -
Harris Global Concentrated Equity Fund £ 1.68 - -0.02 1.25
Harris Global Equity Fund £ 1.63 - -0.02 1.58
Loomis Sayles U.S. Equity Leaders N/A (GBP) £ 2.29 - -0.04 0.00

**new capital**
funds by EFG Asset Management

**New Capital UCITS Fund PLC** (IRL)
Leconfield House, Curzon Street, London, W1J 5JB
www.newcapitalfunds.com
FCA Recognised
New Capital Asia Value Credit Fund - USD Ord Inc $ 94.72 - -0.05 3.83
New Capital Asia Pacific Equity Income Fund - USD Ord Acc $ 110.51 - -0.20 2.94
New Capital Dynamic European Equity Fund - EUR Ord Acc € 184.18 - 3.90 2.59
New Capital China Equity Fund - USD Ord Acc $ 168.65 - -3.43 0.00
New Capital Global Value Credit Fund - USD Ord Acc $ 185.00 - -0.01 0.00
New Capital Global Equity Conviction Fund - USD Ord Acc $ 122.82 - -0.06 0.00
New Capital Strategic Portfolio UCITS Fund - USD Ord Acc $ 120.68 - -0.05 0.00
New Capital Swiss Select Equity Fund - CHF Ord Acc SFr 165.76 - -0.18 4.31
New Capital Swiss Select Equity Fund - CHF Ord Acc SFr 122.04 - 4.04 0.00
New Capital US Growth Fund - USD Ord Acc $ 270.86 - -2.22 0.00
New Capital US Value Fund - USD Ord Acc $ 132.95 - 1.68 0.00
New Capital Global Alpha Fund - GBP Ord Acc £ 108.41 - 2.04 0.00
New Capital US Small Cap Growth Fund - USD Ord Acc $ 128.33 - 0.75 0.00
New Capital Wealthy Nations Bond Fund - USD Ord Inc $ 105.89 - 0.06 3.31

**NORTHWEST INVESTMENT MANAGEMENT**

**Northwest Investment Management (HK) Ltd**
11th Floor, Kinwick Centre, 32, Hollywood Road, Central Hong Kong +852 8004 4373
Other International Funds
Northwest China Opps $ Class $ 3126.49 - 92.75 0.00
Northwest $ Class $ 2385.69 - 68.91 0.00

**OASIS**

**Oasis Crescent Management Company Ltd**
Other International Funds
Oasis Crescent Equity Fund R 10.15 - -0.02 0.00

**Oasis Global Mgmt Co (Ireland) Ltd** (IRL)
Regulated
Oasis Global Investment (Ireland) Plc
Oasis Crescent Global Short Term Income Fund $ 0.99 - 0.01 1.60
Oasis Global Equity $ 30.29 - 0.02 0.49
Oasis Crescent Global Investment Fund (Ireland) plc
Oasis Crescent Global Equity Fund $ 31.10 - 0.00 0.41
Oasis Crescent Variable Balanced Fund £ 10.34 - 0.10 0.00
OasisCresGl Income Class A $ 10.70 - 0.00 2.64
OasisCresGl LowBal D ($) Dist $ 12.27 - 0.01 0.00
OasisCresGl Med Eq Bal A ($) Dist $ 12.92 - 0.00 0.38
Oasis Crescent Gbl Property Eqty $ 9.27 - 0.02 1.81

**ODEY ASSET MANAGEMENT**

**Odey Asset Management LLP** (CYM)
Regulated
OEI Mac Inc GBP A £ 145.25 - 2.58 0.00
OEI Mac Inc GBP B £ 83.04 - 0.37 0.00
OEI MAC Inc USD $ 772.82 - 14.46 0.00
Odey European Inc EUR € 337.10 - 6.13 0.00
Odey European Inc GBP A £ 134.79 - 2.54 0.00
Odey European Inc GBP B £ 76.41 - 1.44 0.00
Odey European Inc USD $ 161.16 - 3.18 0.00
Giano Capital EUR Inc € 438.01 - -154.67 0.00

**Odey Asset Management LLP** (IRL)
FCA Recognised
Odey Pan European EUR R € 306.66 - 1.29 0.00
Odey Allegra International EUR O € 163.30 - 0.17 0.00
Odey Allegra Developed Markets USD I $ 160.81 - 1.81 0.00
Odey European Focus Fund € 18.78 - 0.23 0.00
Odey Euro Expansion Fund R EUR R € 119.01 - 0.41 0.00
Odey Odyssey USD I $ 94.07 - -0.76 0.00
Odey Swan Fund EUR I € 41.11 - -0.60 0.00
Odey Absolute Return Focus Fund € 86.15 - 0.83 0.00

**Odey Wealth Management (CI) Ltd** (IRL)
www.odey.com/prices
FCA Recognised
Odey Opportunity EUR I € 238.37 - 0.77 0.00

**Omnia Fund Ltd**
Other International Funds
Estimated NAV $ 991.09 - 5.36 0.00

**OPTIMA Fund Management**

**Optima Fund Management**
Other International Funds
Cuttyhunk Fund II Limited $ 1695.01 - 24.07 0.00
JENOP Global Healthcare Fund Ltd $ 17.22 - 1.32 0.00
OPTIKA Fund Limited - Cl A $ 134.26 - 4.31 0.00
Optima Fd NAV $ 98.82 - 0.35 0.00
Optima Discretionary Macro Fund Limited $ 88.04 - 1.05 0.00
The Dorset Energy Fd Ltd NAV $ 23.65 - 0.45 0.00
Platinum Fd Ltd $ 119.25 - 2.01 0.00
Platinum Fd Ltd EUR € 100.65 - 0.63 0.00
Platinum Japan Fd Ltd $ 76.04 - 0.56 0.00
Optima Partners Global Fd $ 17.19 - 0.12 0.00
Optima Partners Focus Fund A $ 17.80 - 0.10 0.00
Optima STAR Fund (hedged) $ 108.72 - 0.12 0.00
Optima STAR Long Fund $ 143.37 - -1.20 0.00

**Oryx International Growth Fund Ltd** (UK)
Other International Funds
NAV (Fully Diluted) £ 8.98 - -0.01 0.00

**PICTET Asset Management**

**Pictet Asset Management (Europe) SA** (LUX)
15, Avenue J.F. Kennedy L-1855 Luxembourg
Tel: 0041 58 323 3000
FCA Recognised
Pictet-Absl Rtn Fix Inc-HI EUR € 107.47 - -0.18 0.00
Pictet-Asian Equities Ex Japan-I USD F $ 324.51 - -0.56 0.00
Pictet-Asian Local Currency Debt-I USD F $ 170.42 - -0.46 0.00
Pictet-Biotech-I USD F $ 832.23 - -0.47 0.00
Pictet-CHF Bonds-I CHF SFr 505.01 - -0.48 0.00
Pictet-China Index-I USD $ 165.34 - -2.05 0.00
Pictet-Clean Energy-I USD F $ 100.03 - -0.21 0.00
Pictet-Digital-I USD F $ 399.11 - 0.16 0.00
Pictet-Em Lcl Ccy Dbt-I USD F $ 189.16 - 0.19 0.00
Pictet-Emerging Europe-I EUR F € 402.33 - 4.07 0.00
Pictet-Emerging Markets-I USD F $ 712.25 - 4.51 0.00
Pictet-Emerging Markets Index-I USD $ 317.11 - -0.57 0.00
Pictet-Emerging Corporate Bonds-I USD $ 126.25 - 0.07 0.00
Pictet-Emerging Markets High Dividend-I USD $ 132.80 - -0.98 0.00
Pictet-Emerging Markets Sust Eq-I USD $ 114.56 - 0.07 0.00
Pictet-EUR Bonds-I F € 581.61 - 0.71 0.00
Pictet-EUR Corporate Bonds-I F € 211.79 - -0.25 0.00
Pictet-EUR Government Bonds-I EUR € 162.33 - -0.22 0.00
Pictet-EUR High Yield-I F € 283.65 - 0.22 0.00
Pictet-EUR Short Mid-Term Bonds-I F € 137.72 - -0.07 0.00
Pictet-EUR Short Term HY-I EUR € 125.51 - -0.11 0.00
Pictet-EUR Sov.Sht.Mon.Mkt EUR € 101.66 - 0.00 0.00
Pictet-Euroland Index IS EUR € 154.42 - 3.29 0.00
Pictet-Europe Index-I EUR F € 237.41 - 0.10 0.00
Pictet-European Equity Selection-I EUR F € 747.33 - 16.02 0.00
Pictet-European Sust Eq-I EUR F € 265.37 - 5.16 0.00
Pictet-Global Bonds Fundamental-I USD $ 129.22 - 0.23 0.00
Pictet-Global Bonds-I EUR € 161.65 - 0.01 0.00
Pictet-Global Defensive Equities-I USD $ 176.67 - 0.69 0.00
Pictet-Global Emerging Currencies-I USD $ 107.44 - 0.21 0.00
Pictet-Global Emerging Debt-I USD F $ 408.93 - 0.29 0.00
Pictet-Global Env Opport-I EUR € 197.16 - 1.69 0.00
Pictet-Global Megatrend Selection-I USD F $ 297.20 - 0.27 0.00
Pictet-Global Sust.Credit-HI EUR € 149.51 - -0.11 0.00
Pictet-Greater China-I USD F $ 675.83 - -4.14 0.00
Pictet-Health-I USD $ 280.35 - -0.47 0.00
Pictet-High Dividend Sel I EUR F € 163.91 - 1.35 0.00
Pictet-India Index I USD $ 127.23 - -0.23 0.00
Pictet-Indian Equities-I USD F $ 622.37 - 5.74 0.00
Pictet-Japan Index-I JPY F ¥ 18974.31 - 175.58 0.00
Pictet-Japanese Equities Opp-I JPY F ¥ 12132.91 - 114.85 0.00
Pictet-Japanese Equity Selection-I JPY F ¥ 17246.13 - 157.99 0.00
Pictet-LATAM Lc Ccy Dbt-I USD F $ 163.73 - 0.52 0.00
Pictet-Multi Asset Global Opportunities-I EUR € 121.65 - 0.24 0.00
Pictet-Nutrition-I EUR € 208.63 - 2.63 0.00
Pictet-Pacific Ex Japan Index-I USD F $ 456.62 - -0.12 0.00
Pictet-Premium Brands-I EUR F € 170.12 - 2.44 0.00
Pictet-Russia Index-I USD $ 80.00 - 0.51 0.00
Pictet-Russian Equities-I USD F $ 78.37 - 0.61 0.00
Pictet-Security-I USD F $ 253.53 - 0.20 0.00
Pictet-Select Cities I EUR € 104.51 - -0.46 0.00
Pictet-Small Cap Europe-I EUR F € 1360.51 - 33.44 0.00
Pictet-ST.MoneyMkt-I £ 139.44 - -0.01 0.00
Pictet-ST.MoneyMkt JPY-I JPY ¥ 101.30 - 2.99 0.00
Pictet-ST.MoneyMkt-ICHF SFr 122.04 - 0.00 0.00
Pictet-ST.MoneyMkt-IUSD $ 138.66 - 0.01 0.00
Pictet-Timber-I USD F $ 192.51 - 0.37 0.00
Pictet-TR-Agora I EUR € 123.37 - 0.47 0.00
Pictet-TR-Corto Europe I EUR € 146.23 - 0.84 0.00
Pictet-TR-Divers Alpha I EUR € 112.72 - 0.16 0.00
Pictet-TR-Kosmos I EUR € 110.75 - 0.06 0.00
Pictet-TR-Mandarin I USD $ 162.67 - -0.16 0.00
Pictet-US Equity Selection-I USD $ 238.88 - -1.13 0.00
Pictet-US High Yield-I USD F $ 165.23 - 0.61 0.00
Pictet-USA Index-I USD F $ 243.05 - -1.22 0.00
Pictet-USD Government Bonds-I F $ 640.24 - -2.51 0.00
Pictet-USD Short Mid-Term Bonds-I F $ 131.43 - -0.10 0.00
Pictet-USD Sov.ST.Mon.Mkt-I $ 104.63 - 0.00 0.00
Pictet-Water-I EUR F € 332.78 - 2.19 0.00

**Platinum Capital Management Ltd**
Other International Funds
Platinum All Star Fund - A $ 130.67 - - -
Platinum Global Dividend Fund - A $ 48.38 - - -
Platinum Global Growth UCITS Fund $ 10.00 - - -

**POLAR CAPITAL**

**Polar Capital Funds Plc** (IRL)
Regulated
Automation & Artificial Intelligence Cl I USD Acc $ 10.51 10.51 0.03 -
Asian Financials I USD $ 398.55 398.55 0.39 0.00
Biotechnology I USD $ 23.75 23.75 0.36 0.00
European Income Acc EUR € 12.07 12.07 0.20 0.00
European Ex UK Inc EUR Acc € 11.04 11.04 0.16 0.00
Financial Opps I USD $ 15.05 - -0.12 1.71
GEM Income I USD $ 12.69 - 0.03 0.00
Global Convertible I USD $ 12.86 12.86 0.01 0.00
Global Insurance I GBP £ 5.91 - 0.04 0.00
Global Technology I USD $ 40.01 - -0.21 0.00
Healthcare Blue Chip Fund I USD Acc $ 12.10 12.10 -0.01 0.00
Healthcare Opps I USD $ 42.51 - -0.07 0.00
Income Opportunities B2 I GBP Acc £ 2.26 2.26 0.02 0.00
Japan Alpha I JPY ¥ 259.26 259.26 2.09 0.00
Japan I JPY ¥ 2644.31 - 20.93 0.00
North American I USD $ 24.62 24.62 0.40 0.00
UK Absolute Equity I GBP £ 20.76 20.76 -0.30 0.00
UK Val Opp I GBP Acc £ 11.61 11.61 0.06 0.00

**Polar Capital LLP** (CYM)
Regulated
European Forager A EUR € 184.81 - 2.66 0.00

**Private Fund Mgrs (Guernsey) Ltd** (GSY)
Regulated
Monument Growth 30/01/2018 £ 482.31 487.89 -28.80 3.18

**Prusik Investment Management LLP** (IRL)
Enquiries - 0207 493 1331
Regulated
Prusik Asian Equity Income B Dist $ 208.09 - 0.23 3.22
Prusik Asia A $ 283.61 - 1.00 0.00
Prusik Asian Smaller Cos A $ 171.07 - 0.08 0.00

**Purisima Investment Fds (CI) Ltd** (JER)
Regulated
PCG B * 212.26 - 4.05 0.00
PCG C * 208.52 - 3.98 0.00

**ram ACTIVE INVESTMENTS**

**Ram Active Investments SA**
www.ram-ai.com
Other International Funds
RAM Systematic Emerg Markets Core Eq $ 110.02 - -0.72 -
RAM Systematic Emerg Markets Eq $ 192.66 - -0.47 -
RAM Systematic European Eq € 449.03 - 10.01 -
RAM Systematic Global Shareholder Yield Eq $ 131.72 - 0.60 0.00
RAM Systematic Long/Short Emerg Markets Eq $ 120.57 - -0.34 -
RAM Systematic Long/Short European Eq € 154.44 - 1.22 -
RAM Systematic North American Eq $ 301.57 - -0.95 -
RAM Tactical Convertibles Europe € 149.43 - 0.21 -
RAM Tactical Global Bond Total Return € 145.22 - 0.07 -
RAM Tactical II Asia Bond Total Return $ 142.05 - 0.01 -

**ROBECO The Investment Engineers**

**Robeco Asset Management** (LUX)
Weena 850, 3014 DA Rotterdam, The Netherlands
www.robeco.com/contact
FCA Recognised
Asia-Pacific Equities (EUR) € 160.85 - -0.80 0.00
BP US Premium Equities (EUR) € 231.45 - -0.20 0.00
BP US Premium Equities (USD) $ 268.01 - -0.20 0.00
Chinese Equities (EUR) € 97.21 - -1.81 0.00
Em Stars Equities (EUR) € 224.16 - -0.12 0.00
Emerging Markets Equities (EUR) € 194.74 - -1.41 0.00
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LF Ruffer Pacific C Acc 369.51 - -16.97 0.94
LF Ruffer Pacific C Inc 103.90 - -4.77 -
LF Ruffer Pacific O Acc 363.14 - -16.70 0.64
LF Ruffer Total Return C Acc 445.02 - -2.59 1.52
LF Ruffer Total Return C Inc 299.49 - -1.74 1.53
LF Ruffer Total Return O Acc 437.71 - -2.57 1.52
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RobecoSAM Sm.Materials/A € 203.48 - 0.62 1.25
RobecoSAM Sm.Materials/B € 206.50 - 1.12 0.00
RobecoSAM Sm.Materials/Na € 138.86 - 0.63 1.24
RobecoSAM Gl.Small Cap Eq/A € 111.40 - 0.76 1.09
RobecoSAM Gl.Small Cap Eq/N € 194.88 - 1.79 0.00
RobecoSAM Sustainable Gl.Eq/B € 211.48 - 1.52 0.00
RobecoSAM Sustainable Gl.Eq/N € 185.28 - 1.34 0.00
RobecoSAM S.Healthy Liv/B € 182.78 - 2.33 0.00
RobecoSAM S.HealthyLiv/N € 173.09 - 2.21 0.00
RobecoSAM S.HealthyLiv/Na € 130.47 - 1.36 1.38
RobecoSAM S.Water/A € 233.08 - 0.89 1.41
RobecoSAM S.Water/N € 198.19 - 1.22 0.00

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Rubrics Global Credit UCITS Fund $ 15.86 - 0.00 0.00
Rubrics Global Fixed Income UCITS Fund $ 161.75 - -0.14 0.00
Rubrics India Fixed Income UCITS Fund $ 11.39 - 0.01 0.00
Rubrics Yield Focus Fixed Income UCITS Fund $ 97.69 - 0.00 0.00

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Slater Income A Inc 158.81 158.81 0.45 4.02
Slater Recovery 231.04 245.13 1.90 0.00
Slater Artorius 196.47 196.47 -0.03 0.24

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Global Equity Fund £ 2.2920 - -0.0292 0.89
Global Fixed Interest Fund £ 1.0033 - -0.0001 4.16
Income Fund £ 0.5494 - -0.0023 3.30
Sterling Fixed Interest Fund £ 0.8689 - -0.0014 3.42
UK Equity Fund £ 2.1210 - -0.0026 3.11

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Stenham Equity UCITS USD $ 188.79 - 2.01 0.00
Stenham Growth USD $ 223.84 - 1.21 -
Stenham Healthcare USD $ 204.00 - 2.49 0.00
Stenham Managed Fund USD $ 119.15 - 0.76 0.00
Stenham Quadrant USD A $ 418.39 - 0.63 -
Stenham Trading Inc USD $ 120.55 - 0.18 -
Stenham Universal USD $ 448.36 - 0.65 -
Stenham Universal II USD $ 164.38 - 0.17 0.00

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**E.I. Sturdza Strategic Management Limited** (GSY)
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Strat Evarich Japan Fd Ltd JPY ¥ 85540.00 - -3816.00 0.00
Strat Evarich Japan Fd Ltd USD $ 944.69 - -37.42 0.00

**E.I. Sturdza Funds PLC** (IRL)
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Nippon Growth (UCITS) Fd - B ¥ 96885.00 - -1177.00 0.00
Strategic China Panda Fd - USD $ 3574.24 - -37.89 0.00
Strategic Euro Bond Fd - Acc € 1127.66 - 0.11 0.00
Strategic Europe Value Fd - EUR € 208.41 - 3.40 0.00
Strategic European Smaller Companies Fd - EUR € 1373.82 - 27.19 0.00
Strategic Global Bond Fd - USD $ 1046.02 - -0.96 0.00
Strategic Global Quality Fd - USD Inst $ 136.40 - 0.37 0.00
Strategic Quality Emerging Bond Fd - USD $ 1068.29 - 1.95 0.00
Strategic US Momentum and Value Fd - USD Class $ 844.26 - -3.64 0.00
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Other International Funds
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**Toscafund Asset Management LLP**
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Tosca A USD $ 387.31 - 27.36 -
Tosca Mid Cap GBP £ 287.86 - -5.72 -
Tosca Opportunity B USD $ 420.58 - -9.31 -
Pegasus Fund Ltd A-1 GBP £ 70.18 - -0.39 0.00

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TreeTop Convertible Sicav
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International B £ 437.89 - 8.03 0.00
International C € 137.25 - 2.54 2.43
International D € 286.92 - 5.33 2.33
TreeTop Global Sicav
Global Opp A € 175.34 - 1.26 0.00
Global Opp B £ 186.06 - 1.08 0.00
Global Opp C € 246.29 - 1.83 0.00
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UBS Global Optimal C Acc £ 0.97 - -0.01 0.47
UBS UK Opportunities C Acc £ 0.86 - 0.00 1.63
UBS US Equity C Acc £ 1.16 - -0.02 0.14
UBS S&P 500 Index C Acc £ 0.79 - 0.00 1.47
UBS Targeted Return C Acc £ 13.57 - -0.02 1.26
UBS Sterling Corporate Bond Indexed C Acc £ 0.60 - 0.00 2.96
UBS Global Strategic Bond C Acc £ 0.54 - 0.00 3.04
UBS Multi Asset Income C Inc Net £ 0.49 - 0.00 3.94
UBS UK Equity Income C Inc Net £ 0.69 - 0.00 2.69
UBS Corporate Bond UK Plus C Inc Net £ 0.53 - 0.00 4.16
UBS Global Allocation (UK) C Acc £ 0.78 - 0.00 1.62
UBS Global Equity Income C Inc £ 0.45 - 0.00 8.17
UBS US Growth C Acc £ 1.22 - -0.02 0.00
UBS Emerging Markets Equity Income C Inc £ 0.65 - 0.00 3.99
UBS FTSE RAFI Dev 1000 Index C Acc £ 142.13 - 0.59 2.37
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www.valuepartners-group.com, fis@vp.com.hk
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Value Partners Classic Equity Fund V USD Unhedged $ 15.23 - 0.02 0.00
Value Partners Classic Equity Fund CHF Hedged SFr 15.11 - 0.01 0.00
Value Partners Classic Equity Fund EUR Hedged € 15.37 - 0.01 0.00
Value Partners Classic Equity Fund GBP Hedged £ 15.98 - 0.01 0.00
Value Partners Classic Equity Fund GBP Unhedged £ 18.20 - 0.04 0.00
Value Partners Classic Equity USD Unhedged $ 18.92 - 0.02 0.00
Value Partners Health Care Fund EUR Unhedged € 10.53 - -0.02 0.00
Value Partners Health Care Fund GBP Unhedged £ 10.78 - -0.06 -
Value Partners Greater China Equity Fund $ 11.88 - 0.00 0.00
Value Partners Health Care Fund HKD Class A Unhedged HK$ 11.54 - 0.05 0.00
Value Partners Health Care Fund USD Class A Unhedged $ 11.66 - 0.05 0.00

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waverton.investments@citi.com
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Waverton Global Equity Fund A GBP £ 19.00 - -0.08 0.24
Waverton Global Strategic Bond Fund A USD $ 8.76 - 0.01 4.93
Waverton UK Fund A GBP £ 13.32 - -0.01 1.82
Waverton Equity Fund A GBP £ 18.68 - 0.00 0.00
Waverton Sterling Bond Fund A GBP £ 9.46 - -0.03 4.40

**WA Fixed Income Fund Plc** (IRL)
Regulated
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Koc Affiliate and Equity Fund TRY 0.971565 - 0.01609 -
DPM Bonds and Bills Fund (FX) $ 1.357858 - 0.00212 0.00

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Yuki Mizuho Japan Dynamic Growth ¥ 9968.00 - -183.00 0.00
Yuki Japan Low Price ¥ 47968.00 - -990.00 0.00
Yuki Japan Value Select ¥ 21725.00 - -478.00 0.00
Yuki Asia Umbrella Fund
Yuki Japan Rebounding Growth Fund JPY Class ¥ 36178.00 - -520.00 0.00
Yuki Japan Rebounding Growth Fund USD Hedged Class $ 1516.55 - -24.34 0.00

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**Guide to pricing of Authorised Investment Funds:** (compiled with the assistance of the IMA. The Investment Management Association, 65 Kingsway, London WC2B 6TD.
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Different share classes are issued to reflect a different currency, charging structure or type of holder.

**Selling price:** Also called bid price. The price at which units in a unit trust are sold by investors.

**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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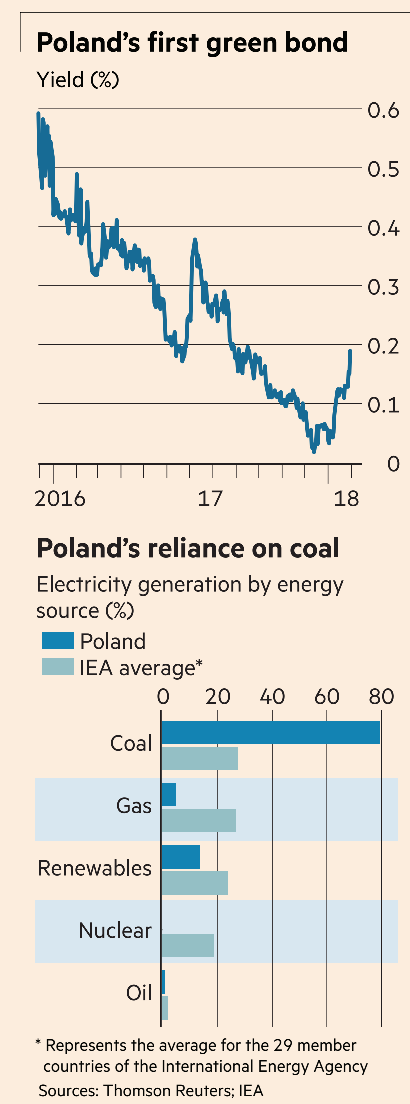
Analysis. Capital markets

# Environmental qualms cloud Poland's green bond sale

On some winter days Warsaw's Palace of Culture and Science vanishes behind a dense layer of smog — Alamy




**Debt issued by coal-focused economy attracts criticism while tapping demand**

KATE ALLEN — LONDON
JAMES SHOTTER — WARSAW

Warsaw's Palace of Culture and Science — a towering communist-era landmark — is normally visible from miles away. But on some days this winter, as the Polish government drew up the paperwork that would cement the country's reputation as a pioneer in green finance, the complex vanished into the smog that sometimes haunts the city.

Poland last week became the first country in the world to sell a second green bond, after a debut issue in December 2016 that launched the market for sovereign borrowers.

France and Fiji have since followed suit, with other countries, including Belgium and Indonesia, planning to do so. Companies and banks have also piled into the market, tapping demand from investors who want to lend to institutions with environmental aims.

But the eastern European country's starring role in green finance has not won applause from everyone. Environmental campaigners argue that the €1.75bn of debt sales are a publicity stunt that obscures the Polish government's poor record on green issues. It is a view echoed by some investors who are sceptical of Warsaw's self-avowed belief in sustainability.

"There is a clear inconsistency between issuing green bonds by Poland and the major strategic direction that our country is following," says Piotr Wojcik, energy market analyst at Greenpeace in Warsaw. "Investors buying those bonds should do an in-depth analysis of whether the idea they would like to finance is really reflected in reality."

Lombard Odier Asset Management shares Mr Wojcik's view. It did not buy into Poland's first green bond and last week sat out its second deal.

"When measuring the impact of a specific [bond] issue it is important to look at the direct use of proceeds but also the overall context," says Bertrand Gacon, head of impact investing at Lombard Odier AM. "Our position so far as the Polish climate strategy has not changed — we are still not positive on that."

In his maiden speech in December, Poland's new prime minister Mateusz Morawiecki recognised that the fight for clean air was a big challenge, but said coal would remain the foundation of its energy policy. The fossil fuel was the source of 80 per cent of Polish electricity in 2016.

**€1.75bn** The level of Poland's green finance debt sales to date

**80%** Proportion of Polish electricity produced using coal in 2016

Poland has plentiful coal reserves and the industry employs tens of thousands of people, making it a powerful political lobby.

This is taking a toll. Warsaw's air quality has repeatedly breached EU air standards this winter. It was so bad last month that city authorities sent a notice to schools warning them to keep children inside.

In a bid to address the potential tensions between the broad sweep of borrowers' activities and their desire to raise green-labelled finance, the International Capital Market Association and the Climate Bonds Initiative have both published guidelines that advise issuers on how to demonstrate their use of the money.

The proceeds of Poland's first green bond complied with these rules, an independent report found. A third was spent on clean transport, 40 per cent went on sustainable agriculture, while renewable energy received 20 per cent.

The second bond will also finance projects that meet the standards, the Polish government says.

That is not enough for some investors. Rhys Petheram, who co-manages Jupiter Asset Management's global ecology diversified fund, says the finance ministry is "cherry-picking" its sustainability achievements. Its latest green bond sale "does not have much of an alignment with the overall national strategy, which focuses on increasing the role of coal," Mr Petheram argues.

> 'Investors buying those bonds should do an in-depth analysis of whether the idea they would like to finance is really reflected in reality'

"The green bond principles say that they aim to support issuers towards transitioning to greater sustainability, and for us this bond isn't really doing that at all."

While bankers who helped arrange last week's debt sale agree with critics that the wider context is critical, they draw the opposite conclusion.

"Poland is on a journey, as are other countries, and not everyone is at the same point on that sustainability journey," says Stephanie Sfakianos, head of sustainable capital markets at BNP Paribas.

Piotr Nowak, undersecretary of state at the finance ministry, points to the "huge investor demand [and] high participation of green accounts [in the first green bond] and vocal interest in our second issue", as evidence that investors are comfortable with the country's green credentials. The sale last week was more than three times subscribed, while the yield on its first bond has fallen since it was sold.

"Because of the high share of coal energy in our economy we have to work harder and start our efforts earlier — that's why we were the first to issue sovereign green bonds," he says.

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Tail risk

## Tokyo Exchange has nasty news for Toshiba investors

LEO LEWIS

If you squint a bit at Toshiba's share price chart over the past 12 months and ignore the catastrophic, post-write-down plunge last December, you could almost decide that the accident-prone conglomerate was back on track.

The chart bears the scars of inevitable bumps and wriggles as the company has handled the sale of its memory business, lawsuits of varying acrimony and financial menace, the negative comments of its auditor and the risk of delisting. But, in terms of underlying trajectory, Toshiba's stock has been trudging steadily north at roughly the same pace that it was in 2016, when it was emerging from the accounting and senior management meltdown of the previous year.

Part of the rise, say analysts, has been an assumption in the market that Toshiba, having just about navigated the most fundamental of its existential threats, would fairly straightforwardly unravel one of the more cosmetic humiliations of 2017 — its demotion to the Tokyo Stock Exchange's second section after falling into negative shareholder equity. That demotion, which shoved mighty Toshiba in the same box as some pretty ropey minnows, triggered the automatic selling of its shares, as funds tracking either the (first section) Topix index or Nikkei 225 Average force-ejected one of their longest-standing stocks.

Fine, thought the market: a nasty slap in the face for Toshiba, but surely reversible in the relatively short term once its balance sheet was off the critical list. After all, Sharp made the return journey to the first section after only a year in the drunk tank. There could even be a nice uptick for Toshiba to look forward to as all that passive money streams back in. Wrong.

Like putting on an old pair of trousers and finding an unpaid invoice, Toshiba's (now resolved) dispute with its auditors has a sting in its tail that means it cannot be re-admitted to the first section before March 2022. Travis Lundy, analyst, writing in Smartkarma, pointed this issue out last month after weeks of to-and-fro with the TSE.

As the TSE indicated was the case, Toshiba cannot reapply for re-entry for five years from the third quarter of the year ending March 2017 when its auditor submitted a disclaimed opinion on its financial report. A very long wait, untracked by passive money, in the second division.

Toshiba cannot return to the exchange's first section for years

Capital markets

## Spain sheds 'peripheral' tag as weaker eurozone nations show debt resilience

MICHAEL STOTHARD — MADRID
KATE ALLEN AND NICHOLAS MEGAW
LONDON

**Eurozone countries that were hardest hit by the bloc's debt crisis just five years ago are proving resilient in the face of rising global sovereign yields, with one leading Treasury official claiming her nation has returned to "semi-core" status.**

Spain has shaken off its label as a "peripheral" European country in the eyes of the international financial markets, according to Emma Navarro, its Treasury head.

Yields on eurozone periphery countries' debt are at or near multiyear lows, as are the spreads of those yields over the German equivalent — in effect the eurozone's risk-free rate.

Spanish bond yields this week hit their narrowest gap over the equivalent German debt since 2010, with Bunds rising as a general rebound in riskier assets boosted demand for debt from the eurozone's more "peripheral" markets. The spread between Italian and German debt also hit its lowest level since September 2016.

This comes despite the Italian election, scheduled for March, with Silvio Berlusconi's rightwing alliance leading the way in polls. Goldman Sachs last month suggested markets were "complacent" about the risks of the election.

Ms Navarro said the sharp fall in Spanish borrowing costs showed investors "do not view Spain as a peripheral country".

"The capital markets have already upgraded Spain to semi-core status," she said in an interview with the Financial Times.

Sales of fresh debt by periphery nations are also thriving. Earlier this month Italy and then Spain set successive records for the size of the order books their debt sales attracted.

Emma Navarro: investors 'do not view Spain as a peripheral country'

Last month a €10bn Spanish 10-year benchmark attracted €43bn of orders, while Italy saw €31bn of demand for a €9bn deal.

Periphery countries are also enjoying improving credit ratings. Fitch upgraded Spain's credit rating to A last month, its first A rating since the eurozone debt crisis.

Rabobank analysts suggested that the relative stability of bonds from the eurozone's weaker states this week "is a particularly bullish signal as it indicates that peripherals have decorrelated to some very significant degree from risky assets more broadly".

Mark Dowding, head of developed markets at BlueBay Asset Management, said periphery yields were reacting to waning geopolitical risk, and argued that "bullish price action may start to reassert itself in February, in the absence of much to dent confidence".

"Italian spreads are being dragged tighter as investors increasingly realise that there is no realistic path towards an 'Italexit' anytime soon, notwithstanding the upcoming election," he said. "We continue to see the most value in Greece in the context of a compression trade."

Greece sold €3bn in seven-year debt with a coupon of 3.375 per cent yesterday, attracting €6bn of orders.

РЕЛИЗ ГРУППЫ "What's News" VK.COM/WSNWS

Capital markets

## Volatility derivatives have become tail that wags the dog, says Vix futures co-inventor

MILES JOHNSON
CAPITAL MARKETS EDITOR

**Vast speculative trading in derivatives tied to stock market volatility is dangerously scrambling key inputs used for risk management by banks, one of the original inventors of Vix futures contracts has warned.**

Sandy Rattray, who jointly devised the formula to trade futures contracts tied to the Vix in 2003 when working at Goldman Sachs, said products that allowed investors to trade volatility could be creating a "circular system" of measuring risk in financial markets.

"If the tail was wagging the dog before, you didn't notice it very much. What happened on Monday was the tail grabbed the dog and gave it a swing around the room," said Mr Rattray, who is now chief investment officer of Man Group, which runs some of the world's largest systematic trading funds. "The Vix has moved from being a measure of something to being something that influences this thing it is trying to observe."

On Monday, a number of so-called inverse Vix exchange traded products collapsed in value and were liquidated following a massive spike in implied volatility, inflicting losses on anyone who had been using them to pocket small, consistent profits by betting on tranquil markets. At the same time US equity markets were jolted as many sectors sold off in unison as the Vix spiked. "I don't think all the people buying these products understand the complex mechanics of it. I think they are terrible products that serve no real purpose," he said.

Mr Rattray said the rise of volatility-linked products had resulted in a distortion of the Vix index as a reliable indicator of market risk and inadvertently created more risk for risk models that relied on Vix as an input. "I think the Vix is being used by banks as an important input into models for risk management, credit spreads, bid-ask spreads. The fact that it has been wired into all of these ways of measuring risk is worrying to me," he said.

> 'I don't think all the people buying these products understand the complex mechanics of it'

"You have an incredibly active market now in Vix futures, and now the market is clearly moving Vix itself. You have potential for a circular system. Something changed on Monday. If anybody doubted that . . . I don't think they will doubt it now."

The boom in speculative trading products tied to Vix futures and options has seen open interest in contracts rise from fewer than 20,000 in 2009, when the first such product was launched, to frequently more than 1m by 2016.

Mr Rattray said that when he had helped to devise a way to trade the Vix using futures contracts in 2003, with Vix futures launching on the Cboe Global Markets in 2004, he and his colleagues had decided that they were unsuitable for any type of exchange traded fund product due to their risks.

Following the launch of Vix futures traded on the Cboe Global Markets, investment banks and exchange traded fund providers launched products that allowed investors to speculate on the outlook for US stock market volatility.

Because of the way these products are structured, which involves them consistently rolling forward futures contracts as they expire, they lose money each time and steadily lose value. Products that allow investors to bet on volatility staying low, such as those that fell this week, make money consistently by pocketing premium but are prone to crash as soon as the Vix index spikes, as they must rush to cover their exposure.

Markets & Investing
FINANCIAL TIMES

## The day in the markets

### What you need to know

- S&P 500 back in negative territory for 2018 as bond sell-off resumes
- Xetra Dax on verge of 10 per cent correction from record high
- 10-year Treasury yield nears four-year high
- Sterling and gilt yields lifted by hawkish Bank of England comments
- Brent oil hits low for year

Global markets ran into a fresh bout of turbulence yesterday, with US stocks coming under renewed pressure from higher bond yields and another rise for the Cboe's Vix (volatility index).

The sell-off on Wall Street once again took the S&P 500 index below where it ended 2017. The US equity benchmark was down nearly 8 per cent from the record high set less than two weeks ago.

The turmoil spread to Europe, with the Xetra Dax in Frankfurt ending the day down 9.8 per cent from its all-time high reached on January 23.

The Cboe Vix index was back up to 32 — some way short of the reading above 50 seen earlier this week, but well above its long-term average of 20.

The latest bout of stock selling came as government bond prices retreated on both sides of the Atlantic. The yield on the 10-year Treasury touched 2.884 per cent — within a whisker of the four-year high reached on Monday — before easing back by midday in New York.

Tom DiGaloma at Seaport Global Holdings noted that the selling pressure on Treasuries had been intensified by a sharp rise for European bond yields — particularly UK gilts.

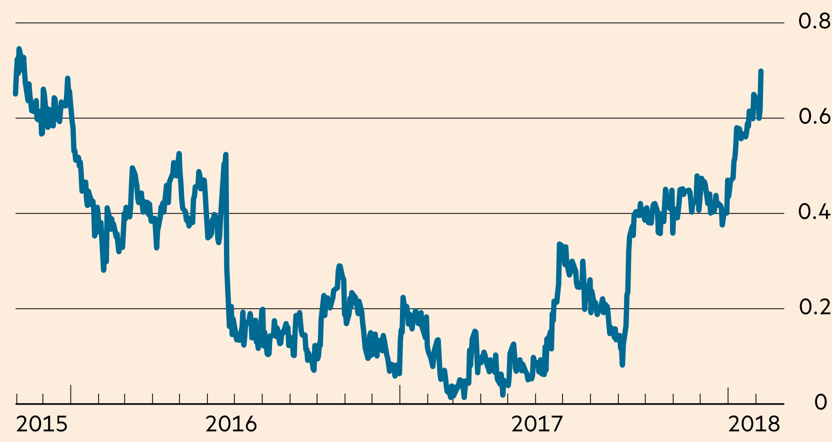
Indeed, the two-year gilt yield briefly touched 0.73 per cent, up 9 basis points on the day, and the highest since November 2015, after the Bank of England left interest rates unchanged but delivered some hawkish policy comments.

"The change in tone on the policy outlook looks relatively large compared to the underlying changes in the economic forecasts, in our view," said Sam Hill, senior UK economist at RBC Capital Markets. "Nevertheless, it is difficult to ignore the message that the Monetary Policy Committee clearly intends to look to increase bank rate again and more quickly than previously intended."

Meanwhile, oil prices continued to retreat after data showed that US weekly crude production had hit a record last week. Indeed, the latest decline for Brent left it more than 9 per cent below a three-year high above $71 a barrel hit in late January.

**Dave Shellock**

**Hawkish BoE fuels UK rate rise speculation**
UK 2-year gilt yield (%)



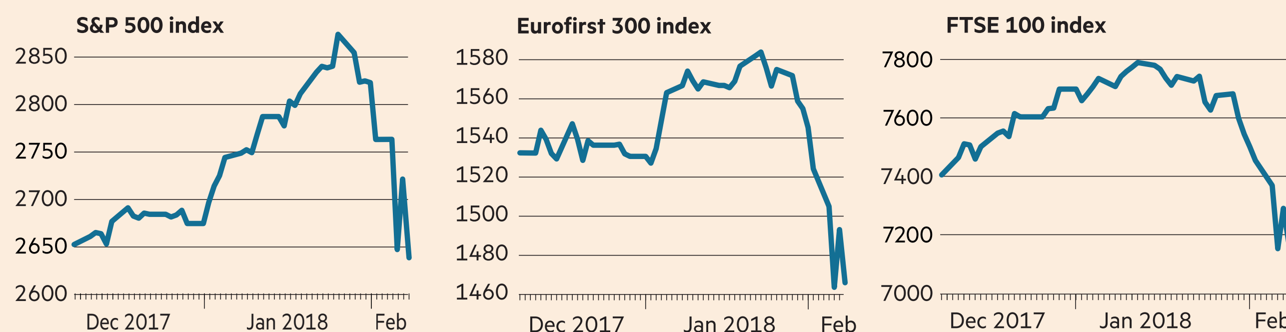

Source: Thomson Reuters Datastream

### Markets update

| | US | Eurozone | Japan | UK | China | Brazil |
|---|---|---|---|---|---|---|
| **Stocks** | **S&P 500** | **Eurofirst 300** | **Nikkei 225** | **FTSE100** | **Shanghai Comp** | **Bovespa** |
| Level | 2635.90 | 1466.26 | 21890.86 | 7170.69 | 3262.15 | 81340.96 |
| % change on day | -1.71 | -1.74 | 1.13 | -1.49 | -1.42 | -1.72 |
| **Currency** | **$ index (DXY)** | **$ per €** | **Yen per $** | **$ per £** | **Rmb per $** | **Real per $** |
| Level | 90.36 | 1.2239 | 108.71 | 1.3901 | 6.3222 | 3.2977 |
| % change on day | 0.12 | -0.22 | -0.55 | 0.12 | 0.91 | 0.87 |
| **Govt. bonds** | **10-year Treasury** | **10-year Bund** | **10-year JGB** | **10-year Gilt** | **10-year bond** | **10-year bond** |
| Yield | 2.828 | 0.756 | 0.071 | 1.615 | 3.879 | 4.906 |
| Basis pt change on day | 0.70 | 1.70 | 0.70 | 6.70 | 0.70 | 9.50 |
| **World index, Commods** | **FTSE All-World** | **Oil – Brent** | **WTI** | **Gold** | **Silver** | **Metals (LMEX)** |
| Level | 333.88 | $64.77 | $60.79 | $1,319.99 | $16.41 | 3318.80 |
| % change on day | -1.65 | -1.13 | -1.62 | 1.88 | 0.23 | -2.12 |

### Main equity markets

S&P 500 index — Eurofirst 300 index — FTSE 100 index




### Biggest movers (%)

| | US | | Eurozone | | UK | |
|---|---|---|---|---|---|---|
| Ups | Coty | 11.2 | Publicis Groupe | 4.0 | Compass Group | 5.3 |
| | Viacom | 7.9 | Akzo Nobel | 2.9 | WPP | 3.1 |
| | Fiserv | 5.5 | Pernod Ricard | 2.1 | Just Eat | 2.1 |
| | Cardinal Health | 4.3 | UniCredit | 2.1 | J Sainsbury | 1.7 |
| | Essex Property Trust | 3.4 | Jeronimo Martins SGPS | 2.1 | GlaxoSmithKline | 1.4 |
| Downs | Newell Brands | -6.1 | ASML | -5.0 | Sage Group | -4.5 |
| | Nielsen Hldgs | -7.2 | Deutsche Lufthansa | -5.2 | Berkeley Group | -4.5 |
| | Goodyear Tire & Rubber | -7.7 | Infineon Tech | -5.4 | DCC | -4.7 |
| | Michael Kors | -8.4 | Covestro | -5.0 | Ashtead Group | -4.9 |
| | HanesBrands | -9.3 | STMicroelectronics | -5.7 | EVRAZ | -5.1 |

Based on the constituents of the FTSE Eurofirst 300 Eurozone index

### Wall Street

In another turbulent day for US stocks, Teva Pharmaceuticals registered a mid-session fall of 8 per cent after the US drugmaker cut its profit guidance to between $4.7bn and $5bn, compared with a Wall St estimate of $5.3bn, which analysts said revived fears around a breach of credit covenants if cost cutting did not deliver.

Teva blamed the warning on a further deterioration in the US generics market due to pricing pressure and said drug companies were getting better at retaining market share even after the launch of generics.

iRobot, maker of the automatic vacuum cleaning device Roomba, plunged 28 per cent mid-session on unexpectedly downbeat 2018 earnings guidance, with the company saying it would increase sales and marketing spend to promote product launches in the second half.

JPMorgan highlighted that iRobot had jumped 33 per cent since early December, "when investor expectations for a strong holiday period began to build."

Twitter shares, by contrast, hit their highest level in more than two and a half years — up as much as 30 per cent to $35 — after the social media site posted its first quarterly net profit alongside upbeat sales. *Bryce Elder and Mamta Badkar*

### Eurozone

Eurozone stocks dropped sharply late yesterday afternoon, erasing gains from the previous day as a bearish correction gathered pace.

Germany's Dax closed down 2.6 per cent and has nearly fallen 10 per cent from its recent high. France's Cac 40 dipped 2 per cent.

The Euro Stoxx 50, Europe's blue-chip index, closed down 2.2 per cent, with 47 of its members' shares falling.

The only sector to escape the rout was energy, which closed up slightly at 0.1 per cent. Technology stocks fell 3.3 per cent, while materials stocks were down 3.2 per cent. Industrials and real estate stocks were both 3 per cent lower.

Dutch chip manufacturer ASML Holdings was the worst hit stock in the Euro Stoxx 50, off 5 per cent by close of trading. Volkswagen, the German carmaker, lost 3.8 per cent of its market value, while Deutsche Post was close behind with a loss of 3.7 per cent.

By contrast, French banking group Société Générale was the Euro Stoxx 50's best performer, rising 2 per cent after reporting a better than expected fourth quarter. Farhad Moshiri, an analyst at independent research house AlphaValue, forecast more relief for SocGen investors in the next quarter. *Chloe Cornish*

### London

A surprise slowdown in sales growth left Sophos, the cyber security software maker, with its biggest daily decline since its flotation in 2015.

Sophos tumbled after posting billings growth of 14 per cent before currency effects, against expectations of about 17 per cent growth. "The beat-and-raise pattern at Sophos looks to be, at least temporarily, on hold for now," said Numis.

Sterling held back the wider market as the FTSE 100 dived. A 4.8 per cent drop in February so far puts the index on course for its worst month since 2015.

Metals and mining companies were laggards as metals prices weakened. Russian steelmaker Evraz was the sector's sharpest faller after quarterly results from Voestalpine, its Austrian peer, missed expectations.

TalkTalk hit a record low after the broadband provider cut its dividend and launched a £200m share sale to reduce debt and invest in a new network venture.

Hospital operator Spire Healthcare drifted lower after NHS data for December pointed to a further slowdown in referrals to the private sector.

WPP outperformed after sector peer Publicis reported improving US demand and predicted a further acceleration of organic growth. *Bryce Elder*

# LNG tests the laws of economics to become a US energy success story

David Sheppard
Markets Insight

US energy secretary Rick Perry was roundly mocked last summer for suggesting that the US coal industry, a key base for the Trump Administration, could simply start producing more of the highly polluting fuel despite signs that demand is stagnating.

"Here's a little economics lesson: supply and demand," Mr Perry is reported to have said when visiting a coal-fired power plant in West Virginia. "You put the supply out there and the demand will follow."

Critics were quick to pile on, arguing that this assertion — known as "Say's Law" in economic circles — has been proved wrong time and again by markets.

Demand, most economists argue, tends to lead supply rather than the other way round, with both, eventually, meeting somewhere in the middle, helped along by the small matter of price, and, yes, sometimes politics.

It was alleged that Mr Perry was peddling dangerous dreams to a coal industry that Donald Trump has promised to revive, despite domestic demand falling by more than third in the past decade, and even dipping worldwide in the previous two years.

But his questionable economic assertion, for all the opprobrium it generated, might have been on slightly steadier ground if he had been speaking instead about a real American energy success story from this century.

A surge in US liquefied natural gas exports, unleashed by the shale revolution, has proven to be highly successful in finding new buyers, despite expectations that the market for seaborne gas was about to become saturated.

The super-chilled fuel, delivered on pipelines to coastal terminals before being frozen and loaded on to tankers, is supposed to be in the midst of a global glut with supplies growing almost 50 per cent between 2015 and 2020, led by rising exports from the US and Australia.

That was supposed to weigh significantly on prices, leading some analysts to suggest that the industry would face a few difficult years. But major LNG suppliers have instead been pleasantly surprised. Demand for LNG has soared and prices in Asia, the key consumer centre for LNG, recently hit their highest level in three years.

"The LNG glut — conspicuously absent isn't it?" said Royal Dutch Shell chief executive Ben van Beurden last week, in a rare display of public self-satisfaction from the a modern energy major head. He had good reason to allow himself a moment's celebration. Shell's decision to buy BG Group in 2015 was, at least in part, a major bet on the future of LNG. It looks now as if it should pay out far sooner than many anticipated.

> Demand for LNG has soared and prices in Asia recently hit their highest level in three years

The reason the market has not been weighed down substantially by rising supplies is that a new host of willing buyers has rapidly emerged, attracted by its flexibility and much lower emission levels than coal or oil.

China, for one, raised its imports of the fuel by 50 per cent last year to about 38m tonnes after Beijing strengthened measures designed to control pollution from coal use, overtaking South Korea as the second-biggest importer globally, after Japan.

Pakistan, Egypt, Jordan and a host of other countries, including in Latin America and Europe, have also become buyers. Some, like Egypt, have faced temporary fuel supply problems at home. Others, like Lithuania, have been pleased to show they have an alternative to Russian pipeline supplies.

In Latin America, Mexico, Brazil and Argentina have taken a large proportion of US LNG exports since they started up on the Gulf Coast two years ago.

While each country has their individual reasons for turning to LNG, what is clear is that they would have struggled — or had to pay far more — to source these supplies just a few years ago.

While it might not quite be a *Field of Dreams* scenario ("If you build it, he will come") for Mr van Beurden and other pillars of this growing market, what has been unleashed by this wave of new supply is pent-up demand for gas imports from countries without easy or ample access to pipeline imports.

Though the industry will still need to find more buyers to absorb additional supplies coming online over the next three years, so far the record suggests that this "glut" may be more easily absorbed than first feared.

It will be helped along by trading giants such as Trafigura, Vitol, Glencore and Gunvor, all of which have increased their focus on LNG in recent years.

Energy consultancy Wood Mackenzie estimates that they accounted for a fifth of short-term LNG trades in 2016, with the market slowly moving away from longer-term supply deals, allowing gas to trade more like oil globally.

For Mr Perry the lesson may be that supply can, after all, help raise demand. But it needs to be for a commodity where there is untapped potential. LNG fits that bill much better than coal.

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