FTwealth

OUT WITH THE NEW

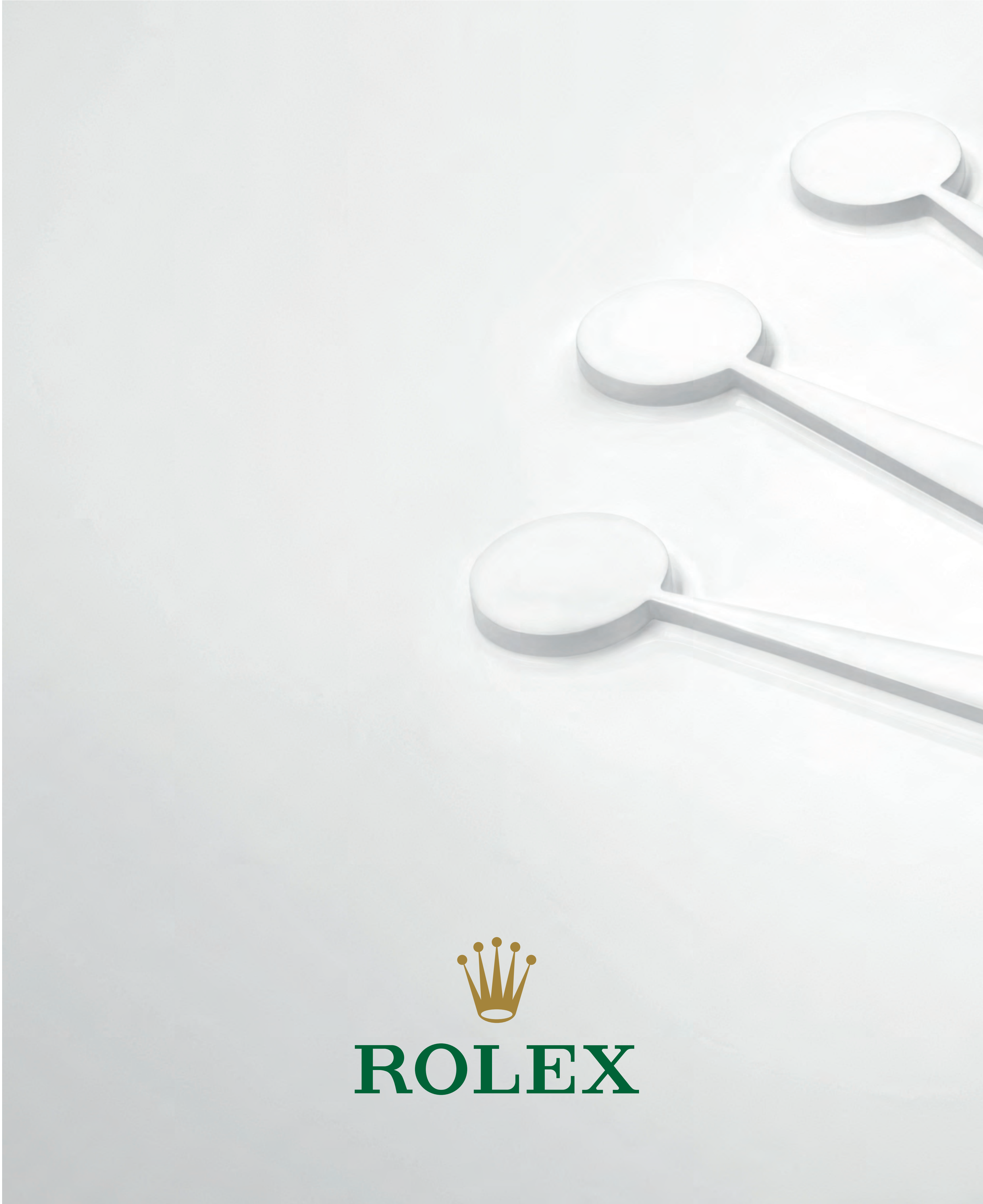
INVESTORS ARE REJECTING CONTEMPORARY ART IN FAVOUR OF OLD MASTERS

BY DALYA ALBERGE

RISE OF THE ASIAN FAMILY OFFICE | INVESTING IN ATHLETES | THE AMBITIOUS WEALTH COLUMN | MEXICO'S RICH UNCOVERED

WWW.FT.COM/WEALTH

JUNE 2015


ROLEX


MONDAY
ROLEX
OYSTER PERPETUAL
DAY-DATE
28
SUPERLATIVE CHRONOMETER
OFFICIALLY CERTIFIED
SWISS MADE
OYSTER PERPETUAL DAY-DATE 40 IN PLATINUM

FT WEALTH
JUNE 2015

"A LOOK ON HOW NEW MONEY IS SEEKING TO ALTER THE WORLD IN ITS OWN IMAGE"

COVER PHOTOGRAPH
ANDREA SCACCIATI'S "A STILL LIFE OF ROSES ON A LEDGE WITH A PARROT ON A HANGING PERCH AND A BUTTERFLY"

Ambitious wealth

It is a time for a change. FT Wealth will relaunch in September with a new look and a new direction. Around the world, wealth is becoming younger — and more engaged. Whether it is Silicon Valley tech heads or scions of emerging-market dynasties, the next generation is becoming more active in business, politics and society. Modes of philanthropy are changing; social entrepreneurs are looking to make money and do good.

In this issue we look at impact investing — which provides returns, but with one eye on improving society — but how else are the new rich employing their funds to change the world? Wealth has become more ambitious, funding ventures ranging from space to disease and ageing. Featuring more coverage of venture capital and angel investing, the magazine will move to focus on how the next generation is seeking to alter the world in its own image — for good and for bad.

How does that fit with you, the reader? In this rapidly changing world, what do you think are the catalysts behind what we are terming "Ambitious Wealth"? Do let us know your thoughts on the new direction, and the areas we should investigate.

Hugo Greenhalgh, *Editor*
hugo.greenhalgh@ft.com

Special reports editor Leyla Boulton
FT Wealth editor Hugo Greenhalgh
Deputy editor Rohit Jaggi
Production editor George Kyriakos
Art director Jonathan Saunders
Picture editor Michael Crabtree
Sub-editor Philip Parrish
Global advertising sales and strategy director Dominic Good
Global relationship director for banking and finance Valerie Xiberras
Publishing systems manager Andrea Frias-Andrade
Advertising production Daniel Lesar

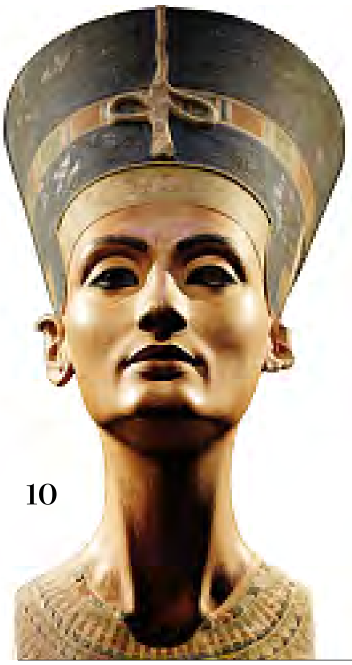
CONTRIBUTORS

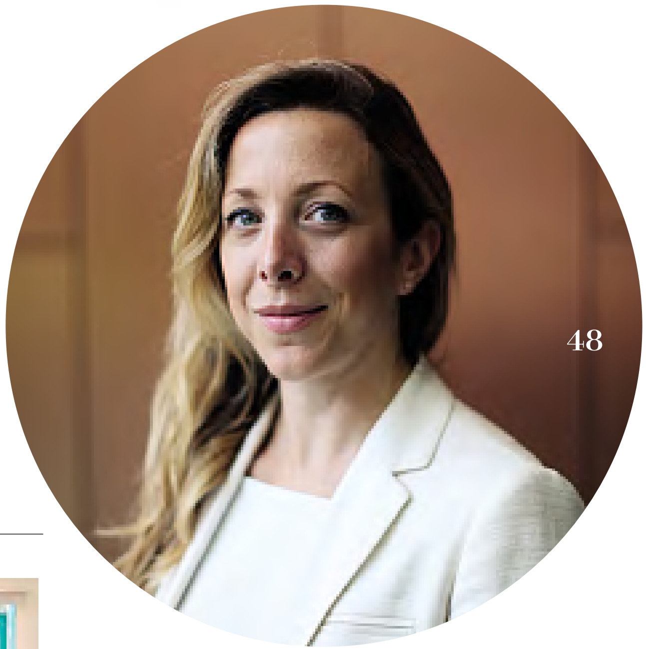
Dalya Alberge is a freelance arts writer
Daniel Ben-Ami is a freelance journalist and writer
Emma Boyde is a commissioning editor for FT Special Reports
Stephen Foley is the FT's US investment correspondent
Emma Jacobs is the FT's Business Life writer
Rohit Jaggi is the FT's aircraft, car and motorcycle columnist
Jeremy Hazlehurst is founder of Family Capital, a website for the family business sector
Simoney Kyriakou is news editor of Financial Adviser, an FT publication
James Mackintosh is the FT's investment editor
Sarah Murray is a regular FT contributor
Ania Nussbaum is a former FT intern
Roman Osharov is a freelance journalist based in Moscow
Feargus O'Sullivan is a freelance journalist
James Shotter is the FT's Frankfurt correspondent
Aaron Stanley is the FT's Washington bureau manager
Matthew Vincent is the FT's deputy companies editor
Lucy Warwick-Ching is the FT's online Money editor
Jude Webber is the FT's Mexico and Central America correspondent

YOUR NEXT FT WEALTH
18 September 2015

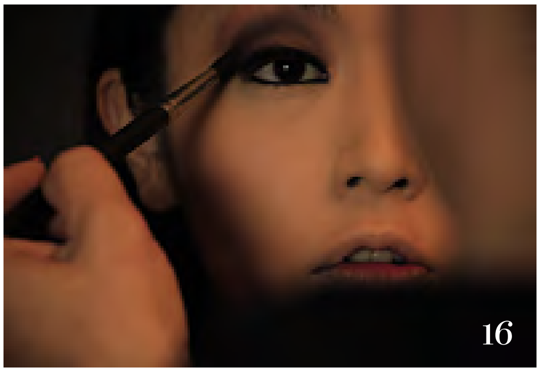
CONTENTS


56


10


48

OPENINGS


16


28

FEATURES


22

INSIGHT

PHOTOS: AFP/GETTY IMAGES; CHARLIE BIBBY; CJ EVERARD; MAGALI DELPORTE

INVESTMENT FOCUS
LUCY WARWICK-CHING

GRAPHIC BY RUSSELL BIRKETT

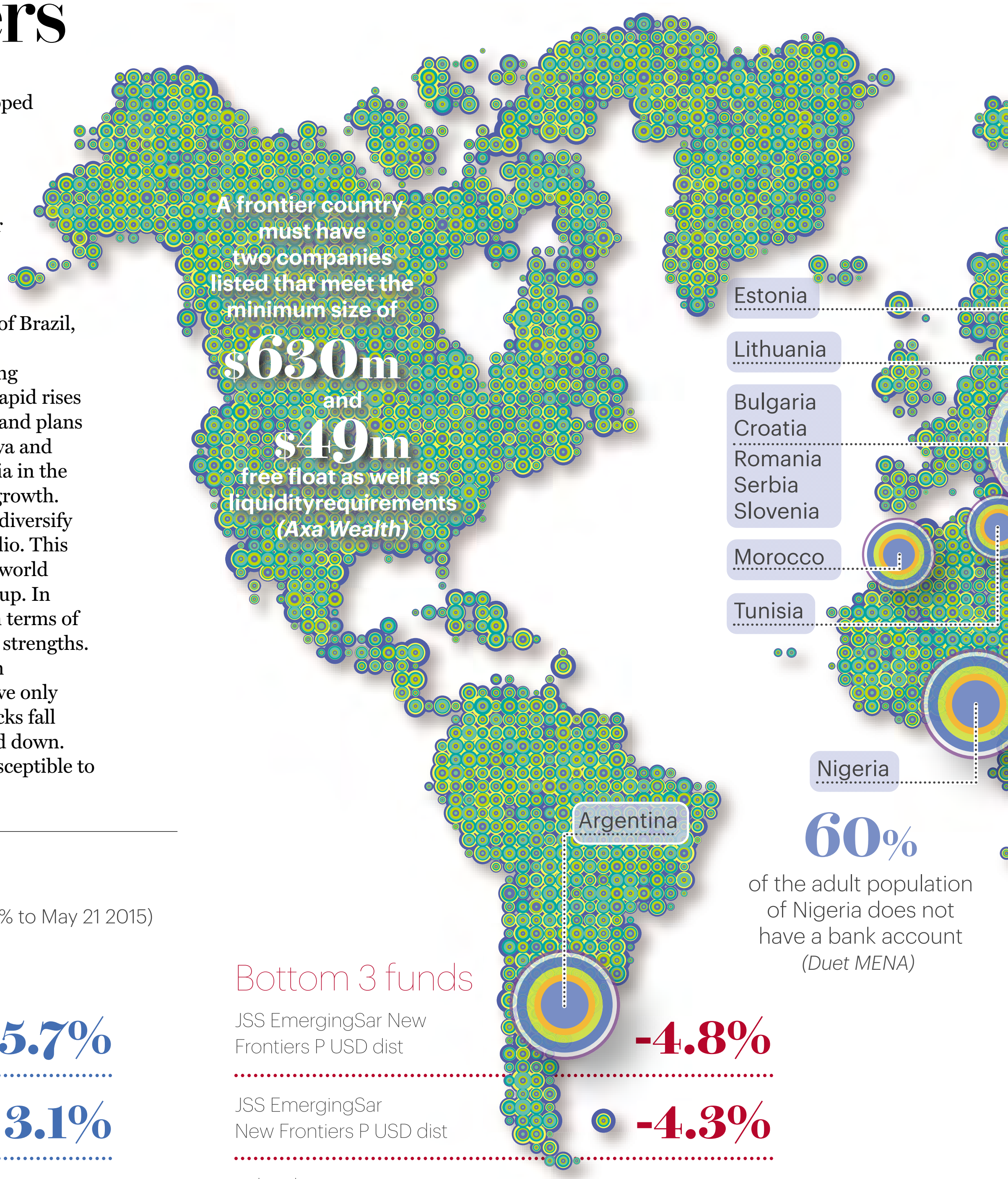
New frontiers

Faced with slowing growth in developed nations and recent volatility in emerging markets, fund managers are looking to new frontiers — riskier countries such as Vietnam and Nigeria — in the hope of better returns. Some 33 countries in Africa, the Middle East, Asia and eastern Europe have been identified as rivals to the original emerging market Bric economies of Brazil, Russia, India and China.

These nations all have rapidly growing young populations so in theory should benefit from rapid rises in domestic consumption. Young populations and plans for new roads and ports in places such as Kenya and Bangladesh remind managers of Brazil or India in the early 2000s, on the cusp of a decade of rapid growth.

Exposure to frontier markets can also help diversify existing emerging market holdings in a portfolio. This is because frontier markets span five separate world regions, giving them a low correlation as a group. In addition, they are often uniquely positioned in terms of access to natural resources, and their industry strengths.

Bear in mind the added risks of investing in nascent economies. Many frontier markets have only a small number of listed shares, so if a few stocks fall significantly the entire stock market is dragged down. Frontier markets — and returns — are also susceptible to natural disasters and political unrest.



Performance over the past year
(Global Frontier markets, cumulative returns, % to May 21 2015)

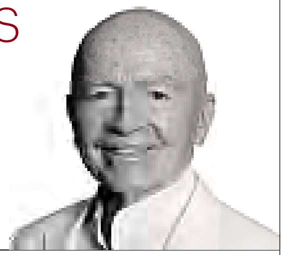
Top 3 funds

HSBC GIF Frontier Markets IC	5.7%
MS INVF Frontier Emerging Markets Eq Z	3.1%
Charlemagne Magna New Frontiers N	2.9%

Bottom 3 funds

JSS EmergingSar New Frontiers P USD dist	-4.8%
JSS EmergingSar New Frontiers P USD dist	-4.3%
Schroder ISF Frontier Markets Eq A	-3.3%

FRONTIER MARKETS OUTLOOK
MARK MOBIUS



Investing in frontier markets comes with a higher degree of volatility, but offers exciting potential. Some of yesterday's small, agrarian economies have transformed themselves into global powers.

According to the International Monetary Fund, frontier markets accounted for eight of the 10 fastest-growing economies between 2003 and 2013 — an attractive underlying growth profile, as frontier markets tend to be more exposed to their domestic economies than the slower growing global economy.

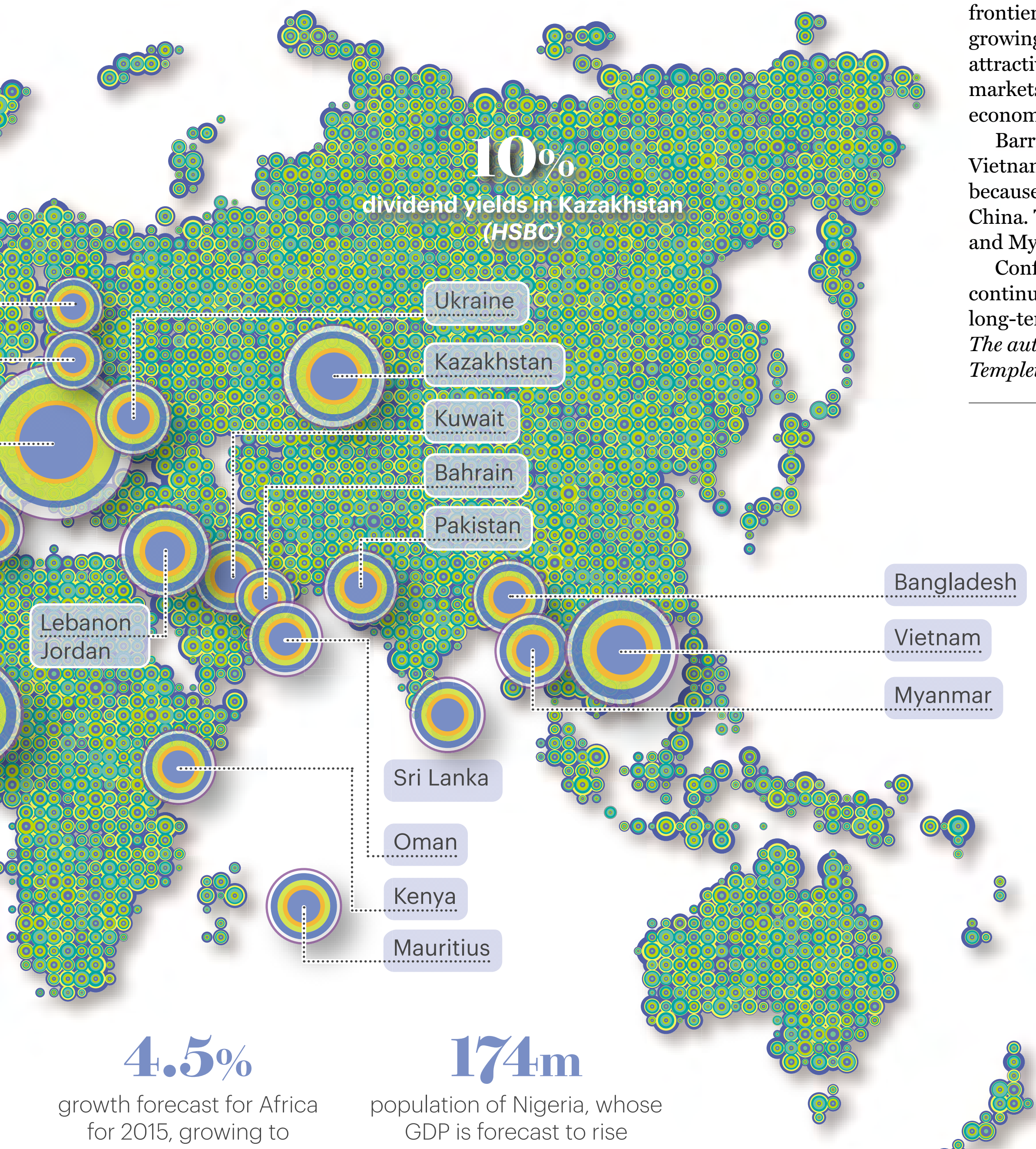
Barriers remain, but there have been improvements. Vietnamese resistance to foreign investors is waning because of the positive developments they see in China. The possibility of lifted embargoes in Cuba and Myanmar is also creating interesting potential.

Conflict and tension in some frontier markets continue to affect overall investor sentiment, but long-term structural motivations remain solid.

The author is executive chairman, Templeton Emerging Markets Group

4.6%
annual growth forcast for frontier markets until 2030 and
3.8%
per annum between 2030 and 2050.
(Citi Global Growth Generators report, November 2011)

30%
of the world's oil reserves are in frontier markets, providing investment opportunities as well as support for infrastructure development needed to support economic and population growth
(FundExpert)



10%
dividend yields in Kazakhstan
(HSBC)

6%
gain for Fidelity Emerging Europe Middle East and Africa fund over the past 12 months

7
out of the
10
fastest-growing economies are frontier markets
(Duet MENA)

50%
of the population across frontier countries is less than 30 years of age.
(Duet MENA)

4.5%
growth forecast for Africa for 2015, growing to
5%
in 2016
(African Economic Outlook)

174m
population of Nigeria, whose GDP is forecast to rise
5.5%
in 2015
(Emerging Crowd)

8%
yield for Indonesia's bond market
(Ashmore)

33
countries are considered to be frontier markets

Source: Morningstar

THE IDEAS COLUMN
JAMES MACKINTOSH

Bubble trouble

A bumper sticker popular in Silicon Valley a decade ago implored: "Please God, Just One More Bubble." The drivers got their wish — although the subsequent housing boom and bust probably wasn't what they had in mind.

Investors are facing the inflation of several possible bubbles once again. I say possible, because there is no way of knowing for sure that any rapidly rising asset price is a bubble until it pops — every now and again those who claim this time is different are right.

Investors face the same dilemma as they did in 1999: stay on the sidelines or invest in the hope of finding a greater fool willing to pay even more for the story? Late 1990s dotcommery made for a good tale but ended badly after becoming wildly overdone. The dotcom 2.0 currently inflating prices paid for app developers is a good story too: basically that the dreams of 1999 were right but came 15 years before the internet infrastructure was ready.

The narrative around booming biotechnology harks back to 1999 too. Again, back then it was all about new ways of developing cures; this time they will be able to sell them (say the bulls) because regulators have eased up.

Other mini-bubbles have come and gone, from rare earths to 3D printing, in the past five years of super-easy money. The most obvious candidate for a full-blown bubble today is China, where domestic stocks have gone haywire, while a rash of new companies have listed — usually a warning sign.

Bubble-watchers' natural response is to steer well clear. But this can be dangerous too. Investors who think a bubble is under way must pick a strategy, and all of them are risky. Here the options:

• **Buy with your eyes shut.** Naively buying into a bubble is a handy way to make a small fortune, assuming you start with a large one, as share prices soar and then plummet. But perhaps this time is different..?

The temptations of easy money: 3D printing, above, and Isaac Newton, above right

• **Buy with your eyes open.** Many investors think they are smart enough to buy into the momentum as the bubble expands and sell out before it bursts. In every outbreak of speculative fever there are those who walk away at the right moment. But timing the top is more about luck than judgment.

> "THE PROBLEM IS USUALLY NOT THAT THE STORY IS WRONG BUT THE PRICE IS WRONG"

There are two dangers: sell too late or too early. Hedge fund legends George Soros and Stanley Druckenmiller were caught out by dotcoms, which they knew were overpriced, when they bet on the bubble expanding further. They were crushed when stocks began to fall and they could not get out in time.

Sir Isaac Newton had the opposite problem with the South Sea bubble in 1720. He was early in, and sold out after shares in the South Sea Company had doubled — a sensible enough strategy. But as his friends stuck with it and watched their stock double again, he was tempted to buy back in — and literally lost a fortune.

• **Stay out.** Any sensible long-term investor would want to avoid buying shares when they are wildly overpriced. But they face the same problem as Newton: will they be able to stick with their decision? Few can resist the lure of apparently easy money. Those who think they can should consider how they will react to their friends getting rich quick, or the growing evidence that with (almost) every bubble, the story behind it is true: railways and the internet really did transform the world.

The problem, usually, is not that the story is wrong, but that the price is wrong. It is easy to rationalise changing one's mind about the profit potential of bubble stocks when it seems to mean making money, and hard to continue disagreeing with everyone else while missing out on rising shares.

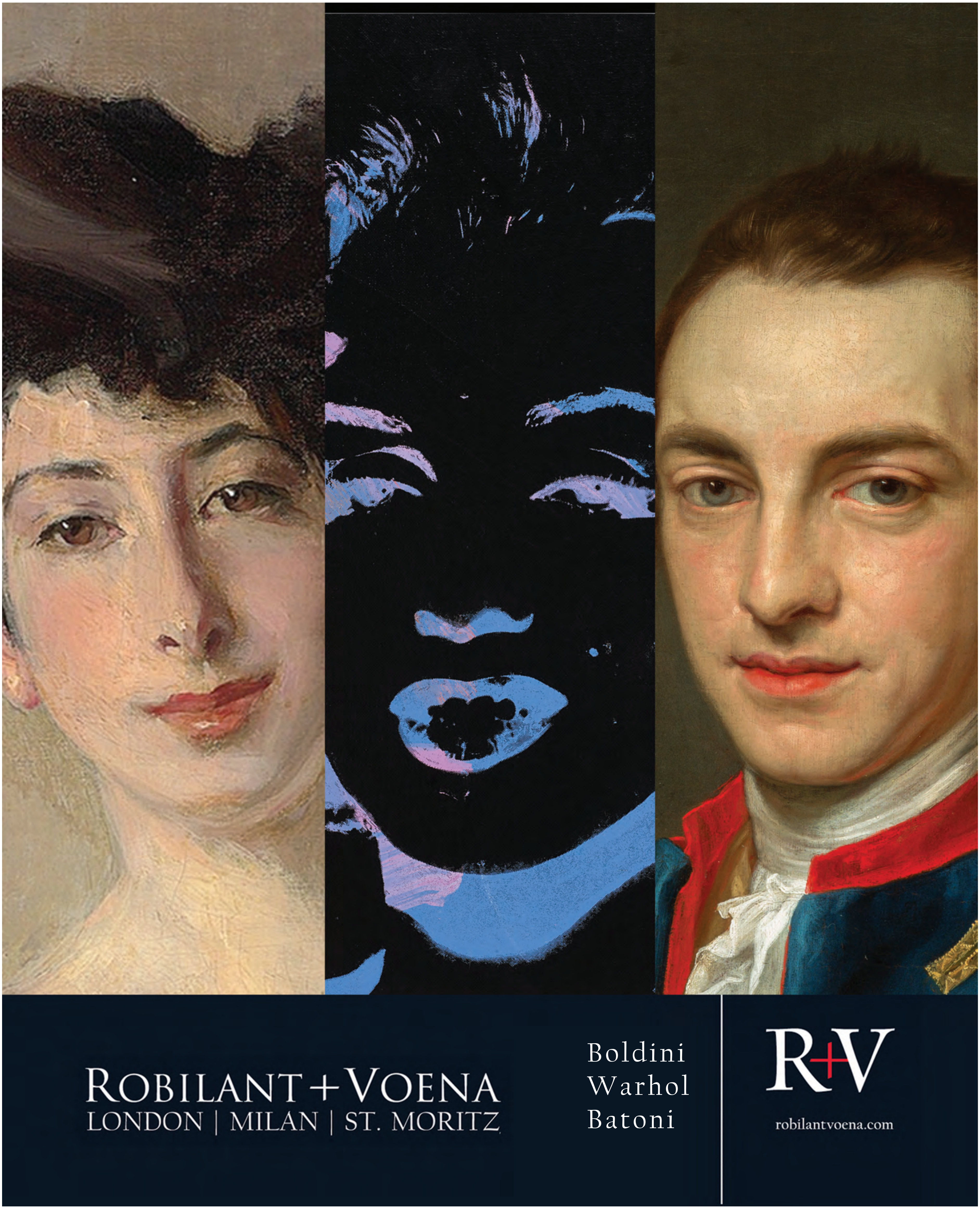
Even the hard-headed value investor able to stick with their decision had better ensure they do not depend on their views for their career. As Robert Buckland at Citigroup points out, one definition of a bubble is something a fund manager gets fired for not owning. Clients tend to abandon funds after a few years of missing out on gains, no matter how solid their justification for avoiding outrageously overpriced stocks.

It is easy to hope that US shares will move from merely expensive towards wild speculative excess, since that would see prices soar. Before joining the bumper-sticker brigade, though, think how tough it is to invest when a bubble is inflating. Ⓦ

WHAT JAMES IS THINKING...

Beating the market takes skill, and luck. Human nature tends to confuse the two, blaming bad luck for losses but claiming gains were down to ability. Watch out for this when picking a fund manager: even the best are sure to have long periods of underperformance from time to time, while fools can prosper if the dice roll in their favour.

PHOTOS: AFP/GETTY IMAGES; GEORGIOS/DREAMSTIME; CHARLIE BIBBY


ROBILANT+VOENA
LONDON | MILAN | ST. MORITZ
Boldini
Warhol
Batoni
R+V
robilantvoena.com

THE RICH COLUMN
MATTHEW VINCENT

“THE GLOBAL BULL MARKET IN NARCISSISM IS BEING FUELLED BY SOCIAL MEDIA”

Victims of vanity

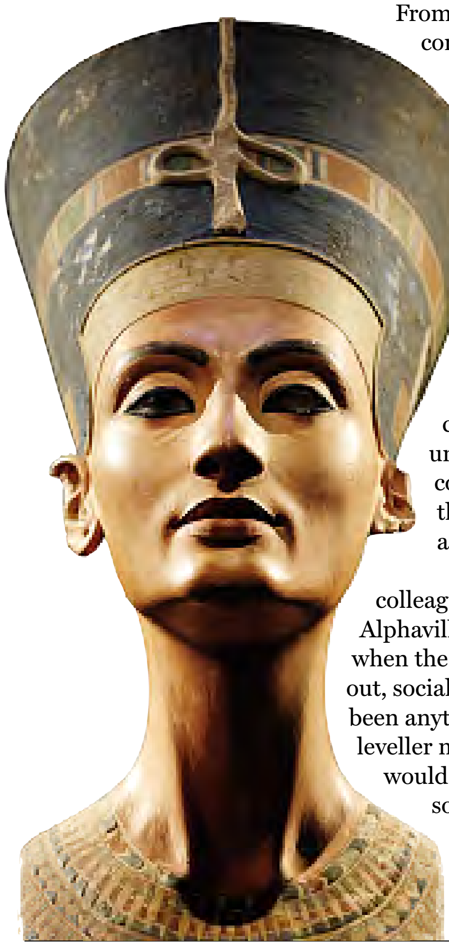
Do you have a manbag, a Botox habit, a bust of Queen Nefertiti or a Twitter account? If you can say yes to any of these, you may be facing a risk management problem. If you can say yes to all four, you should almost certainly be fronting a reality TV programme. But either way, you are likely to be more exposed than you realise to a newly identified asset class, “vanity capital”.

Let me explain. Or, rather, let Ajay Singh Kapur, the analyst at Bank of America Merrill Lynch who came up with the idea in a report last month: “In a room at the Neues Museum in Berlin stands a bust of Queen Nefertiti, solitary and proud — a paragon of beauty from 1340BC. Indeed, her name means ‘the beautiful one has come’ and it is our favourite work of art in the world, almost perfectly preserved. It is also a perfect example of the timelessness of vanity capital over the ages.”

Now, just in case a likeness of Mrs Pharoah Akhenaten was not one of the possessions you admitted to owning a couple of paragraphs earlier, perhaps I should allow Kapur to explain the others on the list. “Vanity capital is the pursuit of, and the accumulation of, attributes and accessories to augment self-confidence by enhancing one’s appearance and prestige,” he goes on to say. According to his estimates, the amount of capital being allocated by wealthy individuals to such aesthetic assets is rising rapidly, driven by demographic and behavioural change.

Older, richer consumers are spending more on vanity products — “be it Botox, luxury personal care, cosmetics or luxury baubles”, says Kapur. And bolder, richer consumers are turning themselves into vanity projects. “Manbags are actually a thing now,” he states. “It is self-actualisation through self-improvement and self-focus.” Well, it’s self-something, certainly.

But while it is easy to question the words, it is harder to ignore the numbers. “[Globally], vanity capital is approximately $3.7tn — about the size of the German economy, the fourth largest in the world,” the BAML report calculates. If it follows current projections, though, it will reach $4.5tn by 2018, as vanity spending is already growing faster than non-vanity spending in all major markets bar western Europe and Japan.



The timelessness of vanity capital: the Neues Museum’s bust of Queen Nefertiti

From this, BAML concludes “there is a global bull market in narcissism” — and it is being fuelled by the narcissists’ information source of choice: social media.

In the BAML report, Mr Kapur suggests vanity capital is effectively underpinned by a collective social media that make “narcissism and envy ubiquitous”.

In fact, as my colleagues on the FT Alphaville blog lamented when the BAML report came out, social media seem to have been anything but the social leveller many thought they would be. “Wasn’t there some hope… that the more we knew about the person next to us, the less we’d have to signal our worth? Most disappointingly, it seems to have gone the other way.”

So where is the danger in this for well-to-do families? Iain Tait, a partner at wealth manager London & Capital, warns increased allocations to vanity capital will potentially lead to more risk-taking in other parts of a portfolio. “In a world where the risk-free rate has moved to 0 per cent, you have the consumption pattern of high-net-worth families running at what we call the 3-5 per cent inflation rate, based on the Forbes Cost of Living Extremely Well Index,” he notes. “Investors are often chasing returns that do not align to their risk profile.”

Vanity capital holdings — from busts to Botox — must therefore be offset by investments across several other asset classes, advises JPMorgan Private Bank. “A well-diversified portfolio of investments can provide the foundation to complement even the most non-conventional thinking,” says Tracy Maeter, head of investments.

Perhaps the most effective way to prevent costly vanity projects depleting family fortunes is to encourage more modesty in the younger generation. Andrew Nolan, managing director of wealth manager Stonehage Fleming, admits this can be difficult for people in his profession to do. “It is one of the most difficult jobs of an adviser to sense when personal ego is beginning to distort business judgment,” he says.

Often, vanity can only be punctured by a few home truths. “This means... instilling in all family members a culture of ‘trusteeship’ which places contribution above consumption,” says Nolan.

Best to put down the manbag before attempting that, though. Ⓦ

WHAT MATTHEW IS THINKING...

If 16 global banks can incur £306bn of fines and provisions in five years — as CCP Research Foundation has found — and still make profits, has “getting caught” simply become a cost of doing business?

PHOTOS: CHARLIE BIBBY; GETTY IMAGES

CORRESPONDENT

MEXICO'S SUPER-RICH ATTRACT ATTENTION BUT NOT ALWAYS THE MOST POSITIVE KIND

BY JUDE WEBBER

Mexico is home to chutzpah on a grand scale. The country's 16 billionaires have combined wealth of $144.5bn, according to Forbes' The World's Billionaires list, amounting to some 11.5 per cent of the nation's gross domestic product.

Some of the country's rich, such as Carlos Slim, Mexico's wealthiest man, are humble. While the telecoms tycoon has built a museum to house his art collection, including numerous Rodin sculptures, he lives unostentatiously. One banker recalls him ordering takeaway chicken and chips during a lengthy meeting, rather than heading out to an expensive restaurant.

But for the rich, flaunting the trappings of their wealth is entirely natural in a bling-crazy country, as Mexican photographer Daniela Rossell captured to perfection in her book *Rich and Famous*. Its portraits, taken between 1994 and 2001, show a rarefied world in which luxe ladies of leisure idle in their designer clothes and kitsch mansions, apparently oblivious to how such

In the frame: from Daniela Rossell's book *Rich and Famous*

exaggerated opulence may be perceived by the outside world. One tweet about the book notes tartly: "It's a bit old now, but I doubt much has changed."

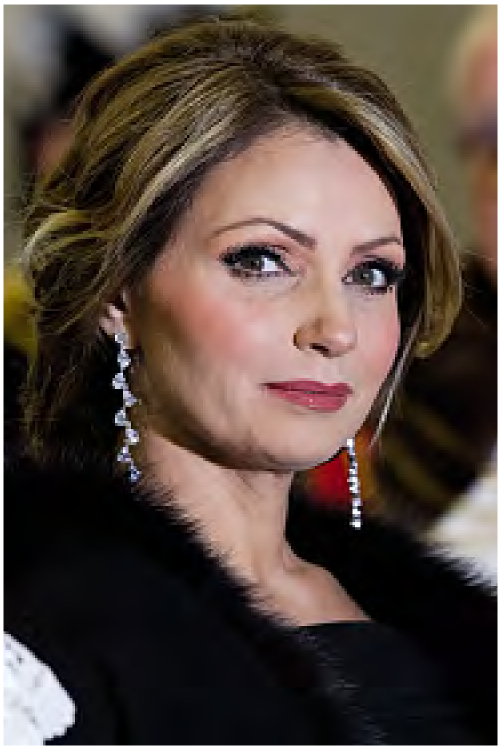
Indeed it hasn't. In Mexico it appears accepted, expected even, for success to translate into lavish lifestyles. In this middle-income, emerging economy, where 52 per cent of the population live in poverty, the lives of the rich are eased by armies of staff, beach and country homes and shopping trips abroad. "It's like in Miami, only cheaper," says one well-connected consultant.

As too much flaunting may lay the wealthy open to robberies or kidnappings, private helicopters buzz over Mexico City every day. The pampered young *mirreyes* ("my kings" — the offspring of the wealthy) party in stretch limousines and at exclusive clubs. Those in the younger set who are not studying in the US or Europe are chauffeured to and from school, sometimes by armed bodyguard. A car itself is not an unusual birthday gift for a teenager.

But coming under scrutiny more and more is the culture of entitlement that still seems to surround Mexico's rich and powerful politicians.

A scandal involving a conflict of interests over a luxury mansion built for the president's family, and paid for by a favoured government contractor, recently plunged the government into chaos. Alarm bells sounded when it emerged the contractor was involved in a Chinese-led consortium that had won a lucrative high-speed rail contract after submitting the only bid.

President Enrique Peña Nieto scrapped the contract just before the mansion scandal broke, but it later emerged that his finance minister had bought a house from the same contractor. More excruciating was the spectacle of the first lady, Angélica Rivera, a former soap star, having to justify her income and property preferences. Bruised by the encounter, she vowed to sell her rights to the house.



THE RICH ENJOY ARMIES OF STAFF, BEACH AND COUNTRY HOMES AND SHOPPING TRIPS — 'LIKE IN MIAMI, ONLY CHEAPER'

Burning questions: the controversy surrounding Enrique Peña Nieto, above, and Angélica Rivera, left

It is clearly not an easy message for the political elite to swallow. Asked recently if the house had indeed been sold, the reaction from one senior government official was particularly telling: as Rivera holds no office, he said, she was under no obligation to provide the information. His remarks were speedily rephrased by a colleague into a pledge to provide an update in due course.

Nor is flaunting wealth the preserve of Peña Nieto's Institutional Revolutionary party, the PRI. One gubernatorial candidate has declared 61 properties and another 39, prompting calls for clarification from the opposition. Jorge Luis Preciado, a National Action party (PAN) candidate for governor of the western state of Colima, slammed rivals during a campaign debate for donning "a mask of honesty" before pulling on the famous blue mask of a Mexican *lucha libre* wrestler and vowing to fight corruption and abuse of authority. His stunt was dismissed by the PRI candidate, who instead questioned the source of his rival's personal wealth.

PHOTOS: KEITH DANNEMILLER; AFP/GETTY IMAGES

PROFITABLE PORN

THE ADULT INDUSTRY IS BUILDING ITS BRANDS IN AN EFFORT TO COUNTER DIGITAL DISRUPTION

BY EMMA JACOBS
PHOTOGRAPHS FROM THE BOOK 'US' BY CJ EVERARD

Jason Maskell sips green tea in a café in London. The bespectacled, besuited entrepreneur has just raced from a meeting at the House of Lords. If this conjures up an image of respectability and establishment, this is exactly what Maskell is banking on.

For the entrepreneur is a veteran of the adult industry. He is trying to launch adultXfund (AXF), a crowdfunding platform for the industry, and is in talks with the Financial Conduct Authority. A former make-up artist, he fell into the industry by accident after being offered a job on the set of a pornographic film. "That led to other business opportunities and it grew from there."

His visit to the House of Lords was as part of the Digital Policy Alliance, a cross-party body that represents the internet and technology sector, to discuss the new proposals for online age verification for sectors such as gambling, tobacco, alcohol and the adult industry. The founder of Adult Lifestyle Media Company, which creates adult content for mobile, web and DVD platforms, Maskell feels it is important to put his "two pennies worth in" on the topic.

The idea for AXF came after an attempt to raise funds for an adult studio and distribution business on a mainstream crowdfunding platform failed when the owners got cold feet. Crowdfunding, Maskell had hoped, would provide an alternative source of finance to banks, which were, in his experience, highly capricious when it came to lending to entrepreneurs in his sector. Last year, he says, his bank pulled his business account. "Moral standards" was the reason given. Morality has been rising up the banks' agenda since the financial crisis, he says.

Maskell hopes his own platform will receive the green light soon. It is intended to fund all manner of products and services, from lingerie and toys to distribution, websites and DVDs.

Money talks: on the sets of films by Jonni Darkko, this page, and Steven St Croix, opposite

Figures for the adult industry are impressionistic at best. Most of its constituents are private companies or freelancers that are under no obligation to disclose their figures publicly. A survey by trade organisation Xbiz.net in 2012 put annual revenues at $5bn worldwide — that includes sales and rentals of DVDs, membership-based websites, video-on-demand, live webcams, mobile and pay-per-view movies on cable and satellite.

Nonetheless, the industry has taken a hit. DVD sales and rentals have declined due to piracy and the vast array of free offerings online. "The market has evolved. The adult industry has been very proactive in terms of innovation. In the past few years, it has had to change in response to free content," says Steve Winyard, vice-president of ICM Registry, which owns and oversees the .xxx domain name. So-called "tube sites" — free video-sharing websites such as PornHub and YouPorn — rely heavily on aggregating content and selling advertising on the back of the volume of visitor traffic.

Those entrepreneurs that are profitable are bullish on the industry's future — all agree they have to work harder to push their content. Social media, mobile technology and expansion into areas such as live webcams and online dating (or, to be more precise, hook-ups) are key to sustaining revenues. Like other areas of publishing and the entertainment industry, digital disruption has had a profound effect and brand building is key to being a viable business. As with the mainstream media, the disruption has had a knock-on effect on rates paid to content providers, in this case performers and models.

"The market's drenched; where before you could make a film and sell it, now you have to chop it up into six or seven revenue streams — DVD, online, mobile — then you can spin out licensing deals into different countries," says Maskell.

"It's not like it was, but still there are tonnes of people making money," observes Mark Spiegler, a Los Angeles-based talent agent for female porn stars. "Making porn is not that expensive," he adds. "If you can't make money, you're not very good at it."

The former day trader got into the industry after his cousin asked him to invest in a film he was making. He started his agency in 1999 and believes women need agents because they have a "short working life" and must maximise their opportunities. Competition is fierce, he says. "In the old days, girls fell into porn. Since the internet lots of women watch porn and aspire to be stars."

The dark side of such fame-seeking was highlighted in Netflix's recent documentary *Hot Girls Wanted*, which shows the underbelly of the amateur porn industry. It portrayed five teen girls, leaving home in search of a new life. Very quickly they go from exhilaration to exploitation before they are washed up, only to be replaced by a new crop of willing candidates.

Maskell splits the porn industry into five genres: the true amateur ("the guy who picks up a camcorder — or nowadays a smartphone or iPad — and films him and his missus, or anyone else in a hotel room"); amateurs filmed by professionals; gonzo ("shots by handheld cameras, very in-your-face but shot professionally, well edited"); the high-end, big-budget ("performers — they'll spend a lot of money"); and the rarer epic film (they might follow the storyline of "*Pirates of the Caribbean*, spend hundreds of thousands of pounds hiring helicopters").

He insists the majority of viewers' tastes are relatively mild: "A lot of them want good-quality product, good sets and good locations, shot well, edited well, good-looking performers. All this stuff about the rough and the horrible, they don't want that. Most times, that's not what sells. There's a small niche that may go to the more extreme but that's not what people are searching for."

LiveJasmin.com was launched in 2001 by Hungarian entrepreneur György Gattyán and in 2012 a more mainstream sub-brand, Jasmin.com, was introduced. Initially the website had a basic design and streaming technology, but over the years it has evolved for mobile consumption. Starting with 100–200 models online at any given time in the early 2000s, Jasmin.com now features 2,000–3,000 live streams a second all year round and more than 1.5m registered models (400,000 of those being active), according to the company. It says it has 50m registered members. The way it makes money is through pay-per-minute for live private chats and a subscription for the models' premium channel content.

Károly Papp, chief executive of Docler Holding, the holding company that owns Jasmin.com, sees the future in "raising brand awareness and driving engagement".

The money, notes Maskell, is "behind the camera — you make more money if you own the content, rather than if you're just performing". Nonetheless, he says,

'WHERE BEFORE YOU COULD MAKE A FILM AND SELL IT, NOW YOU HAVE TO CHOP IT UP INTO SIX OR SEVEN REVENUE STREAMS'

‘I AM SHOCKED AT WHAT YOU CAN SEE ON TWITTER. IF THERE’S ALL THIS FREE STUFF ON TWITTER, WHY WOULD PEOPLE PAY FOR IT?’

smart performers diversify and build their brands. “They may cross over into more mainstream stuff or set up their own label or website and generate revenue from that.”

Social media are key to brand building. Twitter, many entrepreneurs note, is far more laissez-faire than Facebook or Instagram about showing fairly explicit content. Mark Hassell, marketing and sales manager at Paul Raymond Publications, a UK publisher of magazines, in both digital and print formats, such as Mayfair and Men Only, believes Twitter is a double-edged sword. “I’ve been doing adult stuff for 10 years but am shocked at what you can see on Twitter. If there’s all this free stuff on Twitter, why would people pay for it?”

Nonetheless, he sees social media on the whole as a boon to the industry, offering a gateway to paid content as well as helping his business tap into a younger demographic. The best-known stars have strong social media followings and, like Hollywood actors, see such channels as a way of engaging their audience.

Print magazines and DVDs have bounced back in the past year, Hassell says, with consumers becoming anxious about stumbling on shocking material or being monitored by internet companies. “People are scared of the internet, especially free tube sites. They know their cookies are tracked. People can buy magazines and DVDs and throw them away.”

He also believes the backlash to lads’ mags — men’s lifestyle magazines that featured female nudity, such as Loaded (which Paul Raymond Publications owned for a period) boosted sales of top-shelf material. “There was a lot of reaction to the mid-shelf market being visible to children. Adult magazines had a clearer differentiation.”

Ultimately, Spiegler believes the porn industry is much like any other. “There’s politics and infighting,” he says. “It’s just like high school with ashtrays. There’s lots of gossiping.”


10TH ANNIVERSARY
MB&F
A CREATIVE ADULT IS A CHILD WHO SURVIVED


MB&F
HOROLOGICAL LAB
LEGACY MACHINE N°1
UNIQUE FLYING BALANCE WHEEL
AND VERTICAL POWER RESERVE
COMPLETELY INDEPENDENT DUAL TIME ZONES
PLATINUM 950
ALSO AVAILABLE IN 18K WHITE OR RED GOLD
279 COMPONENTS / 23 JEWELS
LIMITED EDITION OF 33 PIECES IN PLATINUM
WWW.MBANDF.COM
FOR INFORMATION AND WORLDWIDE RETAILERS :
WWW.MBANDF.COM

ARTISTIC LICENCE

ZURAB TSERETELI'S WORKS HAVE WOOED THE MOSCOW ELITE IN SPITE OF A MIXED CRITICAL RECEPTION

BY ROMAN OSHAROV
PHOTOGRAPH BY MAGALI DELPORTE

Studio time: Zurab Tsereteli is still working in his eighties

PHOTOS: BOBYLEV SERGEY/ITAR-TASS PHOTO/CORBIS; EPA; GETTY IMAGES

Zurab Tsereteli is in his element. Dressed in a three-piece peacock-blue suit, sitting at the head of a table almost overwhelmed by dozens of Georgian delicacies, the president of the Russian Academy of Arts and patriarch of the country's art scene is hosting a long and lavish lunch for an eclectic group of guests.

On one side sits a Nobel prize-winning physicist and leading figure in the Russian Communist party; on another is the Djibouti ambassador; elsewhere, a group of visitors from the municipality of Verona.

A toast is raised: "To the empire of Tsereteli!"

To describe Tsereteli's wealth and power as an empire is no exaggeration. His name may not be well known in the west, but Tsereteli is one of Russia's, if not the world's, most commercially successful artists.

When not wining and dining ambassadors and Nobel prize-winners, he hobnobs with the global elite — Irina Bokova, the head of Unesco, the UN cultural agency, was his dinner guest the previous day — and the walls of his house are dotted with photos of him and Russian president Vladimir Putin.

Besides the opulent pre-revolutionary mansion that is his Moscow home and studio, Tsereteli has homes in Peredelkino, a prestigious Moscow suburb where writers had their dachas in Soviet times, his native Tbilisi, Paris and New York.

His boundless capacity for networking has served him well, helping to promulgate the Tsereteli brand around the world. He has sold his trademark monumentalist sculptures far and wide — from the St George presented by the Soviet Union to the UN to the 100-foot "To the Struggle Against World Terrorism" (or Tear Drop) memorial in New Jersey and "The Birth of a New Man" in a 150-feet egg-shaped dome in Seville. There is even a much smaller-scale statue in the City of London, "Break the Wall of Distrust", erected in 1990 in Cannon Street.

By the end of this year Tsereteli expects to reach another milestone in his career by erecting his biggest sculpture yet, a 400ft, 600-tonne statue of Christopher Columbus discovering the Americas, in Arecibo on the north coast of Puerto Rico. "That is where America began, so it has to be huge, and the place demands for it to be huge," he says.

Through the Academy of Arts, Tsereteli manages museums and galleries, as well as a number of art schools and research institutes. He has also privately founded three museums in Moscow and Tbilisi, including the Moscow Museum of Modern Art, now state-owned and run by his grandson Vasily. The gallery was started with a grant of 2,000 works from Tsereteli's private collection.

David Yakobashvili, a Georgian-Russian entrepreneur and art collector who has known Tsereteli since the 1970s, says his skill is to combine the roles of artist and businessman. "Tsereteli is the only well-known artist, and at the same time a successful entrepreneur, in Russia," he says. "Who else — Andy Warhol, I think — [has] also [succeeded] in this field?"

But Tsereteli's success and seeming omnipresence on the Russian art scene has made him a lightning rod for criticism as a symbol of the "old guard". His massive and often kitsch sculptures are instantly recognisable to Russians, even if the reaction is often one of loathing.

There are no accurate estimates of his net worth. When asked about his wealth, Tsereteli says he is a simple labourer. "I wend my way through life through hard work, just like every other Georgian man," he says.

But he is at no pains to conceal his wealth. He once snapped at a reporter who observed that he bore little resemblance to a starving artist. "I'm outraged at this starving question!" Tsereteli said at the time.

Trademark pieces: Tsereteli's Pope John Paul II monument in Paris, below, and his Tear Drop statue in New Jersey, right

"I WEND MY WAY THROUGH LIFE THROUGH HARD WORK, JUST LIKE EVERY OTHER GEORGIAN MAN"

His success, his critics contend, is more about his contacts with government officials with big budgets for city beautification than it is about the transcendent qualities of his artwork.

Indeed, many draw a link between Tsereteli's success and his friendship with former Moscow mayor Yury Luzhkov, one of the most powerful politicians in the country until he was eventually fired by Russia's then president, Dmitry Medvedev, in 2010.

Thanks to Luzhkov's commissions, Tsereteli's work now adorns some prominent Moscow's landmarks. One is an underground shopping mall underneath Manege Square, near the Kremlin, with marble and bronze fountains. At Luzhkov's behest, Tsereteli also directed the rebuilding in the 1990s of the gold-domed Cathedral of Christ the Saviour that during communist times was destroyed and turned into a giant oval outdoor swimming pool.

Most notoriously, Luzhkov agreed to buy a giant, grandiose sculpture of Peter the Great aboard a ship that now looms over the Moscow river and appears to be almost universally despised by Muscovites. Popular legend has it that it was originally intended to depict Christopher Columbus, but was repurposed after three US cities refused to buy it. Tsereteli dismisses these stories as "all lies" — indeed, the Colombus that was rejected is the same now being constructed in Puerto Rico — adding: "There were people who were even

'TSERETELI HAS A ROBUST WORKING CAPACITY AND TALENT — THERE WOULD NOT BE ANY RECOGNITION WITHOUT THESE'

saying that Columbus was cast in gold!"

"Many people are jealous of my grandfather's success," says Vasily Tsereteli. "Years before he met Luzhkov, he was already well known as the Lenin Prize recipient and a chief designer for the 1980 Moscow Olympics and Soviet Foreign Ministry, travelling and decorating embassies around the world."

Indeed, Tsereteli has demonstrated a striking ability throughout his career to maintain friends in the right places and to adapt his work to the new political winds.

He found favour with the Soviet culture ministry in the 1960s and 1970s, winning commissions to redecorate municipal spaces and embassies abroad with his signature Soviet kitsch. Since the break-up of the Soviet Union he has turned his attention to more nationalistic and religious themes — such as the statues of Peter the Great or the construction of the Cathedral of Christ the Saviour — as the ideology of the Kremlin has evolved.

Sergey Guskov, a journalist at Colta, a website that focuses on modern Russian culture and art, characterises Tsereteli as a master navigator of Russian power politics.

"Tsereteli is known for his ability to stay close to power," Guskov says. "In material terms he did just as well in Soviet times as under Luzhkov, as now."

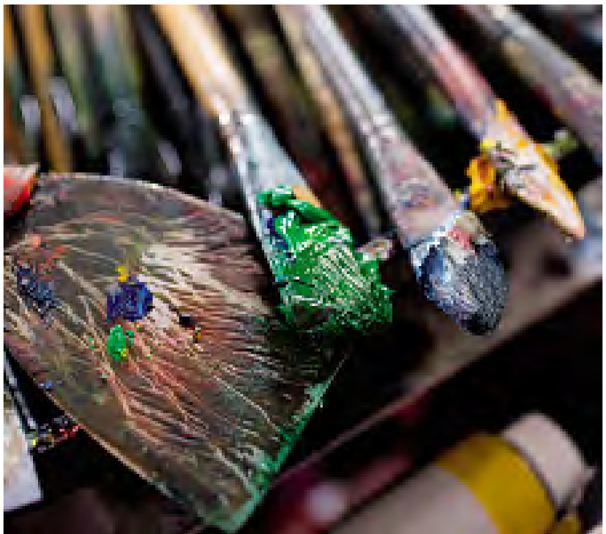
Margarita Pushkina, founder of Cosmoscow contemporary art fair, says Tsereteli stands apart from any the cliques of the Russian art scene. "He is an honoured artist but also favoured by powerful decision-makers, which is important for financial success," she says.

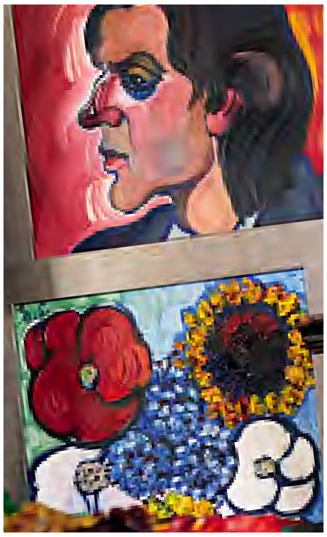
Yet Yakobashvili, the Georgian-Russian entrepreneur, argues it would be unfair to characterise Tsereteli's success as purely the product of his friendships with those in power.

"I have known him since 1978, when he was already a recognised artist," he says, but adds: "It has always been important — you could say one of the main factors for

Golden touch: Tsereteli, this page, directed the rebuilding of the Cathedral of Christ the Saviour in Moscow, opposite left and right

PHOTOS: MAGALI DELPORTE; AFP, DEAGOSTINI/GETTY IMAGES





the advancement of an artist, whether or not they are friendly with the authorities.

"These days, if the government recognises an artist, he is recognised by everyone. But Tsereteli's main [skills are] his robust working capacity and talent — there would not be any recognition without these two factors."

Tsereteli's work rate is indeed prodigious. The garden of his Moscow mansion is filled with bronzework. Two statues of Vladimir Putin in judo kit look sulkily at one another across the courtyard; Princess Diana sits behind an enormous pile of books; Marina Tsvetaeva, the poet, sits on a bench; and there is a small copy of the Peter the Great monument on the Moscow river. When FT Wealth visited, an enormous wall of illustrated bronze panels occupied the centre of the garden — a commission from the defence ministry here for repairs.

Inside the house dozens of rooms groan with Tsereteli's oeuvre. It is clear that this is not merely a historical monument to his work. As our four-hour lunch draws to a close, after several dozen courses and numerous bottles of wine, Tsereteli is still raring to go. Making pleasantries as his guests leave, he is clearly impatient to get back to his studio.

Aged 81, he maintains a tough daily routine. "I get up early, lift weights, and have a cold shower and a hot shower. I work, I rush off to the academy to complete all my government business and then take a masterclass," he says.

Tsereteli has presided over the transformation of the Russian art scene since the break-up of the Soviet Union at the start of the 1990s. As dissident and underground artists were recognised for the first time, Tsereteli took the role of the art arbiter, bringing dissidents and "court painters" together. For example, he appointed Eduard Drobitsky, an underground avant-gardist in Soviet days, as a vice-president at the Academy of Arts. Alongside him, Tsereteli recruited Ilya Glazunov, a nationalistic painter favoured by the Communist party censors, as a member of the Academy.

The Russian economy's energy-fuelled boom that recently came to an end after 15 prosperous years, created new wealth that is now financing contemporary artists, galleries and museums. One of the most successful projects is the Garage Museum of Contemporary Art, founded in 2008 by Dasha Zhukova, wife of Roman Abramovich, the owner of the UK's Chelsea Football Club. The gallery has since relocated to a new pavilion in the renovated Gorky Park in Moscow.

Once again, Tsereteli has managed to befriend the new generation of artists and sponsors. "I am a contemporary artist," he says before disappearing once more into his studio.

A BROADER CANVAS
THE HIGH PRICE OF CONTEMPORARY ART HAS PROMPTED A REVIVAL OF INTEREST IN OLD MASTERS

BY DALYA ALBERGE

Kings of colour: Andrea Scacciati's "A Still Life of Roses on a Ledge with a Parrot on a Hanging Perch and a Butterfly" (late 17th/early 18th century), left, on show at London Art Week; David Hockney, below, one of the safer contemporary artists in which to invest in

PHOTO: CHARLIE BIBBY

The Old Masters are being seen in a new light. Increasing numbers of collectors of contemporary and modern art are broadening horizons, diversifying collections and buying art from previous centuries. Beautiful Old Master paintings, drawings and sculptures can be had for a fraction of the prices so often paid for more recent works.

Quite why it has taken some collectors so long to realise that is hard to fathom. Art historians and dealers have long looked aghast at the prices paid for contemporary artists barely out of art school, compared with Old Masters, who have track records in standing the test of time.

Andreas Pampoulides, director of fine art at Coll & Cortés gallery, a leading Old Masters dealer in London and Madrid, says the inequality between old and new is "a bit depressing". For less than £15,000, he observes, "you can buy a really fun Spanish Colonial painting from the 17th or 18th century", but £15,000 won't get you very much in the contemporary world.

Referring to Carl Andre's 1966 sculpture "Equivalent VIII" — a pile of bricks that remains controversial — he adds: "That's part of what we're seeing — people just can't believe that you can buy something that's 300 years old for the same price as a pile of stacked-up bricks."

Adam Prideaux of Hallett Independent Art Insurance, a specialist broker, senses the shift in interest among some contemporary collectors. "The more traditional markets are seen as undervalued," he says. His business partner, Louise Hallett, is astonished by the disparity in prices between, for example, antiquities and contemporary art. "It's absolutely ludicrous that you can still get a piece of 2,500-year-old Roman glass in immaculate condition for under £1,000," she says. That sort of money will barely stretch to a work by some art school students.

You only have to compare the prices achieved by Damien Hirst — such as the £10.3m paid for "The Golden Calf", a bull in formaldehyde, at Sotheby's in 2008 — with an Old Master jewel such as Bernardo Bellotto's ravishing 1730s painting "Venice, a View of the Grand Canal", which has an upper estimate of just £3.5m in a sale at Sotheby's in London next month. The latter certainly looks like a bargain.

'ART HISTORY IS AT A CROSSROADS, AND CONTEMPORARY ART CANNOT BE MADE WITHOUT A STUDY OF THE PAST'

Stephen Ongpin, a London-based dealer in 15th to 21st-century drawings and watercolours, spans both new and old art — seen as "two very different areas with two very different clienteles", he observes. But he is now encountering contemporary collectors who are starting to look back in time. "It is definitely a trend," he says.

Just as artists themselves often take inspiration from older art, it is "rewarding" when a collector does the same thing, Ongpin says. "I've had contemporary drawings — for example, a large drawing by Jenny Saville that was itself based on a drawing by Leonardo da Vinci. I had a lot of responses to that drawing from Old Master collectors as well as contemporary collectors."

The Saville drawing, "Mother and Children", is a depiction in charcoal of the pregnant artist holding two squirming babies. It is inspired by da Vinci's masterpiece "The Virgin and Child with Saint Anne and Saint John the Baptist", which hangs in London's National Gallery.

Fabrizio Moretti, president of Moretti Fine Art, which has galleries in Florence, London and New York, says one of the main reasons people are looking to Old Masters is the financial one. Another factor, he adds, is that "when you buy an Old Master, you are buying history — that attracts people".

That thought is echoed by Wang Wei, who, with her billionaire financier husband, Liu Yiqian, has put together one of China's largest private collections, ranging from antiquities to contemporary art. "There is a resurgence of collectors who have these ambitions," she says. "After all, art history is at a crossroads, and

Spanning the ages, clockwise from left, John Singer Sargent's "Don Balthasar Carlos on Horseback, after Velázquez" (at London Art Week); Charles-Antoine Coypel's "Head of Potiphar's Wife" (from Jeffrey Horvitz's collection); Damien Hirst; Bernardo Bellotto's "Venice, a View of the Grand Canal"

avant-garde and bold contemporary art cannot be made without [a] study of the past."

Noting that Old Masters have stood the test of time, Ongpin says: "It's hard to know really [how] Hirst will be regarded in 50 years' time. I think you're safe with [Lucian] Freud, [David] Hockney and [Francis] Bacon. But Tracey Emin? Who knows?"

Others go further, predicting the contemporary art bubble will soon burst. In 2012, Julian Spalding, former director of some of Britain's foremost public galleries, including Glasgow's Gallery of Modern Art, ridiculed Hirst and other exponents of what he called "con art" — a play on the term "conceptual art", the so-called art of ideas. He likened this bubble to the sub-prime mortgage crisis, warning it would burst when collectors eventually realised how "seriously worthless" such art was. He urged collectors to sell while they could.

Such attacks may be taking their toll on investment choices, it seems. Spencer Ewen, managing director of Seymours, a firm of art advisers, says some of the adverse criticism of contemporary art in the media has, over time, made some collectors "a little wary", adding: "Most collectors are intelligent people — they read and observe. There is lot of good and sound, successful contemporary art, but the problem, even for people within the industry, is to buy what has long-term substance and gravitas.

"People talk about art with friends and people in the industry, [asking] 'where is the substance in contemporary art and how do you find it?' There are numerous stories, apocryphal or otherwise, that scare laymen to the market. Everybody's heard of the emperor's new clothes story. Our job is to identify true substance and quality in the contemporary sector."

PHOTO: CHARLIE BIBBY

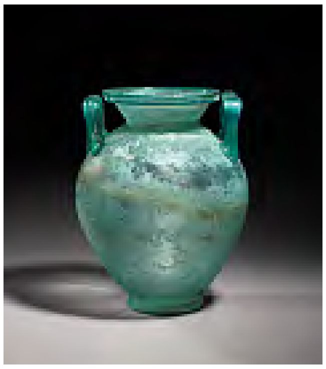
'WHY WOULD A ROTHKO BE WORTH 10 TIMES A CANALETTO? IT DOESN'T MAKE SENSE. OR A GIACOMETTI 10 TIMES A MAJOR POUSSIN?'

Collector Jeffrey Horvitz says his "favourite art" was created in the 20th and 21st centuries but, since the 1980s, he has built up an extraordinary collection of some 1,400 Old Master drawings, by artists such as François Boucher. Such is their quality that he regularly lends to museums.

He too is repeatedly astonished by the disparity in prices. Referring to Mark Rothko, the American 20th-century abstract artist, and Canaletto, the 18th-century Venetian master, he says: "Why would a Rothko be worth 10 times a Canaletto? It doesn't make a lot of sense."

Horvitz also mentions Alberto Giacometti, the 20th-century master whose "L'Homme qui marche I" (Walking Man I) sold at Sotheby's in London in 2010 for a record £65m, and Nicolas Poussin, the 17th-century French master. "Why would a Giacometti be worth

'OLD MASTERS AND ANTIQUITIES HAVE HAD LONGEVITY, A LOT OF TODAY'S ARTISTS DON'T HAVE THAT PROVEN TRACK RECORD'



Ancient and modern: on show at London Art Week will be, this page top to bottom, a Roman glass cinerary urn, Egyptian vases and Philippe Bertrand's "Lucretia". Opposite: Jenny Saville's "Mother and Children"

10 times a major Poussin?" he asks. "In the French and Italian fields, you can buy remarkably beautiful drawings — as long as you're not worried about the name — for under $1,000. But you have to be looking at it as a work of art, as opposed to thinking about telling your friends how much you spent."

Horvitz suggests some collectors of contemporary and modern art have bought recognisable works as "a way of showing your culture and your social status after you become rich".

It is not the physical appearance or the style of the art so much as what is "fashionable" now, he observes. "If you really want to be chic, cool, in-the-know, the best way to do that is with contemporary art, even better than modern art," he says. "It's no good if your friends don't recognise what it is. It would be crass to tell your friends, 'I just spent $60m on a Rothko.' But Rothkos are readily identifiable, so anyone who walks in may not know you spent $60m, but they'll know you spent tens of millions."

A major art fair, Masterpiece, is being staged in London until July 1. Its chief executive is Nazy Vassegh, who was managing director of Impressionist and modern art at Sotheby's before setting up an independent art advisory firm. She too detects a broadening of horizons among collectors.

Masterpiece covers 4,000 years of the history of art and the fair has, over the past five years, actively encouraged cross-collecting by juxtaposing old and new and different categories. "A visitor might walk past stands of 20th-century design, antiquities, modern, decorative arts, porcelain and so on. That's our way of very intentionally exposing collectors to different genres and periods," says Vassegh.

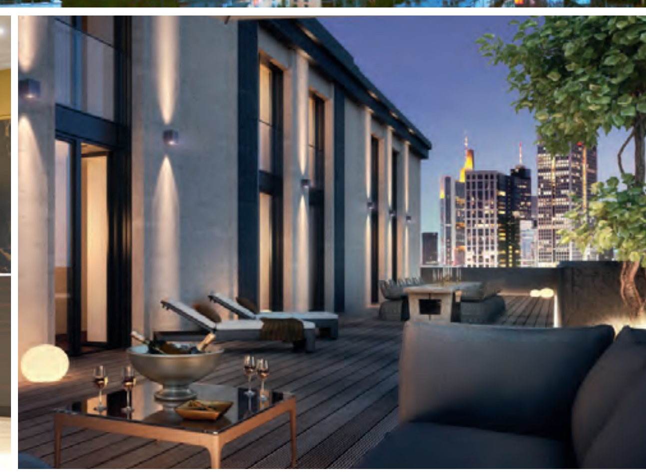
Contrasting the Masterpiece approach with that of the annual European Fine Art Fair in Maastricht, the Netherlands, where the space is divided up into Old Masters, modern and other zones, she adds: "In the contemporary art market, you've got the top 20 artists reaching dizzying heights and making the headlines. People are seeing Old Masters and antiquities, and are looking at other forms of collecting. These forms of more traditional art have had the longevity through time, establishing their place. A lot of [today's] artists don't have that proven track record. What is crucial is that you do your due diligence and your research carefully."

Coll & Cortés, Ongpin, and Moretti are among connoisseur-dealers that will be showing at another important fair, London Art Week 2015, which runs from July 3 to July 10. Collectors and curators will be among those descending on Mayfair and St James's in central London where more than 40 leading galleries and three auction houses will show paintings, drawings and sculptures from antiquity to the 20th century.

The Colnaghi gallery will be offering an important rediscovery — "The Sayer Family of Richmond 1781", an exceptional painting by Johan Zoffany, a favoured painter of King George III.

Last year's London Art Week attracted thousands of visitors from around the world, including representatives from international museums. Whether they are joined by collectors of contemporary and modern art this time remains to be seen.

Masterpiece 2015: masterpiecefair.com
London Art Week 2015: londonartweek.co.uk



ONYX offers a truly extraordinary living experience – on every level. The 15-storey building offers a stunning view over the City skyline and brings a true "Mainhattan" atmosphere to the Westend, one of Frankfurt's finest residential areas. It convinces with an Art-Decó-Style architecture and combines timeless elegance with modern features, such as a gym room, extensive security measures and a concierge service.

The luxurious triple-storey penthouse of about 850 square meters is an incomparable highlight in the city. The exclusive "Owner Suite" on the 15th floor features a spacious Wellness area, a representative lounge and a fireplace. On the 14th floor the 340-square-meter terrace is your oasis in the city: enjoy a spectacular 360-panoramic view over Frankfurt and watch the sunset in your outdoor whirlpool. The living area on the 13th floor combines separate staff areas and private offices – there is nothing more you could wish for! ONYX sets new standards in the interpretation of first class living!

FON: +49 69 715 899 3 44

WWW.ONYX-WESTEND.DE

ONYX

FIRST CLASS LIVING WESTEND

INSIGHT

Next generation: Lapo Elkann is aiming to prove entrepreneurial flair can run in families (page 46)

PHOTO: GETTY IMAGES

“INVESTMENT MANAGERS IN A BOUTIQUE CAN EXPRESS THEMSELVES MORE FULLY”

The beauty, or not, of boutiques

BY MATTHEW VINCENT

I blame that bloke who went shopping for clothes in Carnaby Street in 1967. You know who I mean, even if you think you don't. He can be seen sporting a silk top hat and luxuriant sideburns while perusing a rail of red military tunics in almost every TV documentary about the so-called Swingin' Sixties since... well, probably since 1970.

This dedicated follower of fashion has become lazy visual shorthand for an epoch that arguably never really existed. But I don't blame him for that. No, I blame that proto-hipster for making British men buy into the concept of boutiques. Before 1967, if one required a jacket, one visited a gentlemen's outfitter or department store. Since then, however, a near-universal belief in the superiority of boutiques has spread beyond clothiers and London's West End.

Last month, in a Scottish village that I remembered fondly for its high-street hostelry and secondhand bookshop, a resident rejoiced that a “boutique hotel” and “boutique wine merchant” now occupied their premises. I then returned to work to read press releases about “boutique fitness studios” taking market share from gyms, and the role of a water massage bed in winning the title “best boutique spa in Asia”.

But what really got me was the official adoption of the term by the financial regulator. For some years, former City dealmakers have tried to pretend they are no longer rapacious fee-seekers by taking off their ties and calling their new ventures “boutique investment banks”. Now, though, even the Financial Conduct Authority says its review of banking competition will range from “full-service banks to boutiques”.

Nowhere in banking are the latter more lauded than in wealth management. Since about 2008, when several big banks became unintentionally a lot smaller, a notion

PHOTO: JEAN-PHILIPPE CHARBONNIER/RAPHO/GETTY IMAGES

“EVEN THE FCA SAYS ITS REVIEW OF BANKING COMPETITION WILL INCLUDE BOUTIQUES”

that small, boutique wealth managers perform better has taken hold. But is it true? In an attempt to find out, I went to see my friends in the industry. Their views seemed a little hazy.

I learned from Yogi Dewan, chief executive of Hassium Asset Management — not the mid-1960s transcendental meditator — that investors prefer boutiques because they “feel a sense of trust” in the alignment of their adviser's interests. “The decision for a private family to use an investment boutique is more qualitative than quantitative,” he says.

Etienne de Merlis, chief investment officer of “streamlined boutique” Signia Wealth, says smaller firms bring flexibility and increased expertise, by focusing on fewer activities.

Meanwhile, Stonehage Fleming, the multifamily office, sees boutiques as a distillation of “spirit” and “energy”. “Boutique managers' better performance usually has to do with the particular fund manager's specific experience, his or her personal interest, ‘energy’, motivation,” says Gerrit Smit, head of equity advisory.

But how much better is it? It “tends to be better as costs are lower”, says Dewan. OK. So how much better? “We cannot conclude boutique managers outperform other managers per se. The point is rather [they] are often driven by experts who have adopted a more entrepreneurial spirit,” argues Smit.

Tired of waiting for a definitive answer, I turned to the gurus at Asset Risk Consultants. After a short time, I could see spots before my eyes — on a neat scatter chart. Black spots represented the annualised returns of big wealth managers, plotted against standard deviation, or risk. Red spots represented boutiques, as defined by size and ownership. Over a five-year period, there were as many red spots in the bottom two deciles of risk-adjusted returns as there were in the top two.

Daniel Hurdley, head of research, puts it down to freedom of expression. “The typical boutique investment process allows investment managers to express themselves more fully... which can lead to greater outperformance, but may also cause a greater degree of underperformance compared with larger firms.”

In other words, boutiques tend to the extremes of what's on offer from big retail operations. As anyone comparing trouser leg widths in Carnaby Street, 1967, could have told you.

DEBATE
SOCIAL INEQUALITY

Divided communities

BY DANIEL BEN-AMI

Has the global preoccupation with extreme inequality peaked? This key question, posed by Labour's unexpectedly poor performance in the recent UK general election, received little attention. The opposition party's avowedly egalitarian stance failed to resonate with the electorate in sufficient numbers despite discontent at the government's austerity programme.

The British public's preferences apparently ran counter to influential voices worldwide warning of the widening gap between super-rich and poor. These range from US president Barack Obama and the Pope to the heads of the Bank of England and the International Monetary Fund.

Anxious discussions about the inequality divide have also become a regular fixture at the World Economic Forum in Davos. The forum even published a report, introduced by former US vice-president Al Gore, identifying rising income inequality as the most dangerous trend for 2015.

This difference in perceptions raises the awkward possibility that ordinary people may not share the concern with widening inequality expressed by the trend's elite critics. Although the public often tells pollsters it sees the gap between rich and poor as a big problem, this may not shift voting intentions. Or maybe the public is simply more preoccupied with other questions.

Perhaps the dearth of comment on this mismatch is because it is seen as a specifically British enigma. But this ignores Labour's close ties with fellow egalitarians across the Atlantic. David Axelrod, who was instrumental in Obama's 2008 and 2012 presidential campaigns, advised Ed Miliband, then Labour's leader, to focus on inequality. Jacob Hacker, a Yale political science professor, had earlier inspired Miliband to promote "predistribution" — the idea of attempting to pre-empt the emergence of excessive inequalities.

The connections have also gone in the opposite direction. Ed Balls, Labour's former shadow chancellor, was co-author with Lawrence Summers, former US Treasury secretary, of a report on inclusive prosperity published by the Center for American Progress, a centre-left think-tank in Washington DC. Yet Balls lost his seat in the election.

Lane Kenworthy, professor of sociology at the University of California-San Diego, says opinion polls showing public concern about the inequality gap can be misleading. He accepts most such surveys show that most people see inequality as too high. However, when pollsters ask the public what the government's priorities should be, the topic is rarely near the top of the list.

"When push comes to shove it's something most people don't really care a whole lot about," Kenworthy says. In his view people are more concerned with absolute living standards, economic security and opportunity. He says social democrats and those on the centre left would be better off focusing on these areas. Policies addressed to improving performance in those spheres tend to have the side-effect of helping to reduce income inequality.

Michael Barone, a fellow at the American Enterprise Institute, a conservative Washington DC-based think-tank, takes a harder line, saying people, with the possible exception of those in Greece, are seldom concerned with inequality. He argues it is often those who live in the most unequal

"WHEN PUSH COMES TO SHOVE MOST PEOPLE DON'T CARE A WHOLE LOT ABOUT EQUALITY"

> THE ORDINARY PERSON IN AMERICA IS NOT FULL OF ANGUISH BECAUSE THEY CAN'T AFFORD $2,000 SHOES

When the social fabric unravels: Beijing, above, and Skid Row in Los Angeles, left

PHOTOS: MARK PETERSON/REDUX/EYEVINE; REUTERS

communities, such as New York and San Francisco, who "yelp loudest" about inequality. "The sympathetic analysis of the reason is that these people are more aware of inequality," he says.

It could be, Barone argues, that those who live in such areas make the mistake of projecting their concerns on to the general population. "The ordinary person in America, and I guess in the UK too, is not angry and full of anguish because they cannot afford to spend $2,000 on a pair of shoes," he says.

Of course, there were other factors in Labour's poor electoral performance besides its focus on extreme inequality. Nevertheless it is worth looking carefully at what Labour, and indeed most other critics of inequality, argue. It is a common misconception to assume they are advocating equality in relation to outcomes or wages. Such proposals went out of fashion long ago.

Instead, the consensus is that inequality is rising to the extent it is already causing, or may soon cause, damage to society. In other words, it is widely accepted a substantial degree of inequality is inevitable and probably desirable. The increasingly common criticism, at least among policy-makers, is that the trend is reaching the stage where it is damaging the social fabric.

From this perspective it is worth remembering British prime minster David Cameron too has criticised extreme inequality in some circumstances — for example, where people do not have the opportunities to make the most of their talents. The Tories may not be as closely associated with inequality as a campaigning theme as Labour, but the differences on the question can be exaggerated.

A peculiar paradox seems to have emerged: the topic of inequality no longer sharply divides left and right. Instead, a gap seems to have opened up between policy-makers preoccupied with extreme inequality and the public, which is less concerned.

A piece of the action

BY FEARGUS O'SULLIVAN

Can you treat an athlete like a corporation? US company Fantex insists you can. Fantex is selling shares in American football players, who agree to trade a portion of their future earnings in return for a lump sum up front. The company paid its first dividend last August.

So far the company has sold shares in five players, with two more coming up in the near future. While its scope remains modest, Fantex's venture is groundbreaking: investors can earn money by speculating on the future development of a sports star's aptitude for running around with a ball.

Sport could be just the beginning. As Buck French, Fantex chief executive, admits, the company is already eyeing expansion plans. "We look forward to getting into other sports, not just baseball and golf," he says. "Our goal is to build global one day, such as in the UK with 'real' football players, as you might call them over there. Entertainment we also see as a tremendous opportunity."

The horizons for creating investments based on individuals could, therefore, be almost endless. One day, investors could own, say, a chunk of David Beckham, a sliver of Adele, a few bits of Scarlett Johansson or a portion of Usain Bolt. Speculating on a public figure's rise could become both a money-spinner and a form of spectator sport.

Despite the dizzying potential, Fantex's model is a conventional one for a broker. It pays its candidates a lump sum in return for 10 per cent of their future earnings, sells shares whose dividends are paid out of those earnings and reserves the right to co-invest in any future investment choices their star might make.

Choosing the right candidates, however, is a little more intricate. The payouts Fantex offers its stars are based on the individual's worth at the time the deal is struck. It is in the company's interests to look for promising people with the potential to increase their income as their performance improves.

"We're doing a deal right now with Michael Brockers, who is a defensive tackle for the St Louis Rams [football team]," explains French. "We estimate his future earnings based on his comps [comparative ranking alongside other National Football League members], on what he's done to date after three years in the NFL.

"He has the potential to earn $72m — we're buying [10 per cent of] that based on a $36m present value. We believe that over his whole career, that will yield a great return for investors if he realises his potential."

By NFL standards, the $3.6m Brockers, 24, can expect from Fantex is handsome without quite being princely. It offers some security without removing much incentive for him to go out and earn.

"No one's retiring off the cheque we give them," French says. "The earning potential they get is far greater. We still want them to own the vast majority because that gives them the motivation to go out and perform. It's [still] a financial hedge for them — prior to this scheme they owned 100 per cent of their risk."

The advantages for investors, meanwhile, lie arguably not so much in the potential for an overnight gold mine, but in diversifying a share portfolio with non-correlated assets. The concept

> "INVESTORS CAN ARGUABLY DIVERSIFY A PORTFOLIO WITH NON-CORRELATED ASSETS"

could also attract first-time investors who find the idea of owning a piece of their favourite star more tangible than, say, investing in private equity. While French insists the people he has sold to are "investors first and second", he also admits that Fantex's offerings are attractive to sports fans looking for closer interaction.

So far, so plausible, but Fantex's ambitions to take its concept beyond its current sporting niche into the wider world of celebrity may be another matter entirely. While a sportsperson's value is ultimately based on his or her performance on the field, the commercial value of a film star, musician or television personality depends on a broader media presence that is both embattled and fragile.

Any star that tried the scheme would essentially be inviting a group of investors to scrutinise their daily

“THERE IS A DANGER THAT A CELEBRITY’S BRAND COULD BECOME MORE VULNERABLE”

American football players were first, but will other stars follow? Clockwise from left: Usain Bolt, Adele, Michael Brockers and David Beckham

PHOTOS: GETTY IMAGES; REUTERS

actions for anything potentially harmful to the brand in which they own a stake. Furthermore, a celebrity’s stock falling could give momentum and a public face to their descent from popularity, a descent otherwise a little easier to mask and dissemble.

While overwhelmingly positive about the concept, Doreen Wang, global head of Millward Brown’s brand equity database BrandZ, flags up the potential volatility of a celebrity’s high approval. “You might be very meaningful right now, but how you are perceived as a role model and any negatives or potential crises you might cause in the future need to be taken into consideration when it comes to value,” she says. “Nowadays celebrities are 360 degrees closer to the public, interacting with them directly through social media. There is a danger that [with this kind of investment] their brand could become yet more vulnerable.”

In the meantime, French insists Fantex’s chosen players are taking the vagaries of their rising and falling stocks with a degree of detachment.

“We thought that in the beginning, that [price falls] would be a concern for guys on the platform,” he says. “Currently two of our guys’ stock is up and one is down. But so far no one has cared. That doesn’t mean they won’t in the future, of course.”

JEREMY HAZLEHURST

Modern dynasties

When Joseph Tsai, executive vice-chairman of Alibaba, the Chinese ecommerce group, announced recently he was setting up a family office to invest his $6bn fortune, it was hard to avoid the sense of momentum building. A boom in the number of Asian family offices has long been predicted; now it could be starting in earnest.

Traditionally, family offices have been largely a European and American phenomenon. Most super-wealthy Asians have preferred to keep their money in their business, creating conglomerates in the process.

That led to some vast but unwieldy family-owned businesses, such as Samsung, the South Korean group, which is involved in everything from internet-enabled fridges to theme parks and whose organisational chart resembles the blueprint for a nuclear reactor. Another, Tata of India, encompasses an empire of more than 100 businesses, ranging from the Tetley tea brand to Jamshedpur Utilities and Services Company.

But wealthy Asians are finally embracing family offices. As recently as 2008 there were no more than 50 family offices in Asia, yet by 2012 that had jumped to about 200. This is still a tiny figure compared with 3,000 in the US and 1,000 in Europe. Asia is now home to a third of ultra-wealthy people — defined as those with net assets of more than $30m — but less than 5 per cent of family offices.

There is evidently vast potential, not least because the way in which money is being made is changing.

In the past, Asian wealth tended to come from resources, manufacturing or property. But many newly wealthy Asians are western-educated and have made their money in services — many in technology — and feel more comfortable with finance. Essentially, the nature of their demands is evolving, and with it a need for more responsive family offices.

But while more family offices will open, the model is being adapted to suit Asian clients. Interestingly, many of the differences stem from psychology. What many of these families across the region have in common is that they have made their wealth recently. And the newer the money, the more risk-averse the client, research suggests.

> MANY FAMILIES HAVE MADE THEIR WEALTH RECENTLY, SO THEY ARE RISK-AVERSE

Fifth-generation family business members are happy to hand over their inheritances to bankers, but tycoons and the children of tycoons are keener to trace the path of every single investment decision that affects their newly acquired cash.

Asian family offices appear to be following this model, according to *The Institutionalization of Asian Family Offices*, a report by Insead, the French business school, and Swiss wealth manager Pictet. Most Asian family businesses, it says, are in the "nascent" stage and display "a high degree of family control". A patriarch, rather than a chief investment officer, tends to steer financial decisions. Where there are processes in place, they are often overridden by the head of the family.

> TYCOONS WILL TRACE THE PATH OF EVERY DECISION THAT AFFECTS THEIR CASH

PHOTOS: BLOOMBERG; REUTERS

Asia's rich planning for the long term: Lei Jun, above; Joseph Tsai, far left, with Alibaba founder Jack Ma

The nature of the investments is also determined by the age of the family's wealth: new money tends to invest in familiar assets. Lei Jun, for example, the founder of Chinese smartphone maker Xiaomi, recently created a venture capital fund called Shunwei to invest in technology start-ups.

The Insead-Pictet report says most of the nascent-stage Asian family offices allocate 90–100 per cent of their money to Asia. There is also a bias towards local property, with some young family offices investing 70 per cent of their money in the asset class, compared with an industry average of 10 per cent.

Jeremy Hazlehurst is a founder of Family Capital

"A LOT OF PEOPLE ARE TRYING TO WORK OUT HOW THEY MANIFEST THEIR VALUES"

Stakes in society

BY EMMA BOYDE

Among the thousands of pages produced for this year's World Economic Forum was a modest paper aimed at persuading the very wealthy to part with their money to do good.

The report, *Impact Investing: A Primer for Family Offices*, identifies family offices as being the kind of investor most likely to be able to grow this niche sector, which focuses on projects with defined, measurable, positive outcomes.

Impact investments could range from funding a company working with young offenders that pays out to investors if its interventions succeed in keeping those young people out of prison, to a more traditional model that invests in small businesses and start-ups for a share of profits — businesses that have measurable social benefits.

It all sounds compelling but, as the WEF report notes: "Despite the 'buzz' surrounding impact investing, with an estimated $50bn of assets under management, the sector remains a small proportion of the estimated $13.5tn of global funds invested in sustainable and responsible strategies."

The problem is, most social impact schemes or products are too new or too small for most institutional investors, which have to show they are not being reckless with members' money.

However, as indebted governments worldwide retreat from funding, time is of the essence, says Amit Bouri, chief executive of the Global Impact Investing Network, a not-for-profit organisation funded by Rockefeller Philanthropy Advisors. "We see family offices playing a critical role," he says, adding that wealthy families are often pioneers of new investment trends, such as private equity, which is now a common investment strategy for institutions.

"There's a big movement — a lot of people trying to work out how they manifest their values," Bouri explains, adding their motivations tend to be two-fold: an awareness of problems relating to the environment and inequality, and a growing interest in connecting their values with their money.

It is hard to assess whether Bouri is right about the motivations driving family offices, but GIIN's latest impact investor survey, produced in conjunction with JPMorgan Securities, shows enthusiasm for the sector.

Bringing social benefits: the Kiembeni academy in Mombasa

PHOTO: BRIDGE INTERNATIONAL ACADEMY

"ALL THESE KIDS WITH THE OLD MONEY ARE REALLY SAYING: WHAT'S NEXT?"

The report found family offices and "high-net-worth individuals" together accounted for 13 per cent of the total capital invested — the fourth most significant source of funding for impact investments, exceeded only by banks, pension funds or insurance companies, and development finance institutions.

Significantly, 99 per cent of respondents measured their investments' social or environmental performance, with 27 per cent reporting outperformance against their impact expectations and 14 per cent also reporting outperformance against their financial return expectations. This compares with the finding that only 2 per cent were disappointed with the impact and 9 per cent disappointed with their returns.

The findings chime with what those working with family offices are discovering. "All these kids with the old money are really saying: what's next?" says Grégoire Imfeld, head of family office services at Pictet, the Swiss bank, explaining that younger people who have grown up with the trappings of wealth are particularly motivated to invest in non-materialistic ventures.

Others in the industry believe the picture is more complex. "My impression is that impact investing is very interesting to new-generation entrepreneurs or the children of new-generation entrepreneurs," says Etienne Eichenberger, managing partner at Switzerland-based Wise Philanthropy Advisors. But he believes impact investing appeals to younger family members because it promises a return.

"Children of those who have been successful have not yet made their way in creating wealth, but they want to," he explains, adding that purely philanthropic gestures tend to be restricted to older individuals. "It is easier to give wealth in your 60s; when you are younger you have less to give."

Enthusiasm for investing for social good has had a significant boost in recent years. In 2013, the UK presidency of the G8 established the Social Impact Investment Taskforce. By last year it had produced a report whose recommendations included tax incentives and urging support of new markets to make it easier for institutional and retail investors, and encouraging foundations and philanthropists "to allocate a proportion of their wealth to achieving impact".

Bouri says when his organisation was established in 2009, few people had heard of the term impact investment. But he expects much of the interest in social impact projects to turn into hard investments in the near future.

Youthful visions

> A FINANCIAL SAFETY NET CAN GIVE [CHILDREN] THE CHANCE TO TAKE RISKS

BY JAMES SHOTTER

Commercial success is notoriously hard to maintain, especially in family-run businesses. The first generation, so the saying goes, builds the company, the second manages it and the third destroys it.

There are, however, plenty of examples of family-run companies enduring for generation after generation. There are even some families where a flair for business is so deeply engrained that it has spawned further generations of entrepreneurs.

One example is the Gothe family in Bochum. In 1936, Heinrich Gothe founded an accounting firm in the mid-sized industrial city in the west of Germany. Almost 80 years on, his great-grandson, Tom, has joined the family business, the fourth generation to do so.

The job at Gothentreuhand is, however, far from being the younger Gothe's first job. Indeed, he has already been involved in the founding of another company. In 2009, along with his stepfather and some friends, he helped set up Artistravel, which organises creative holidays — trips to eye-catching locations where participants are helped by instructors to hone their artistic talents.

Gothe says the idea that became Artistravel came from his stepfather, a keen painter. "After he retired, he went on a course that wasn't well enough organised," Gothe says. "He came back and thought he could do better."

Gothe, then a student at the Frankfurt School of Finance & Management, drew up the business plan, and with financing from friends and family, the company was born.

A glance across Europe's corporate landscape reveals many similar stories. Lapo Elkann is an heir to the fortune of the Agnelli family, the founders of Fiat, the Italian carmaker, and brother of John Elkann, chairman of Fiat Chrysler, the holding company. Lapo recently set up Italia Independent, an eyewear and fashion company. In France, meanwhile, the Mulliez family has spawned numerous entrepreneurs and businesses.

Academics say it is hard to determine conclusively to what extent entrepreneurship is influenced by family background but that agglomerations of commercial success are not surprising. The children, or grandchildren, of entrepreneurs tend to grow up in a context that makes the arduous task of establishing a business slightly less daunting — for a number of reasons.

The first is that they have a role-model in the family. Just as importantly, says Denise Kenyon-Rouvinez, professor of family business at IMD, the Swiss business school, such a background also provides budding entrepreneurs with access to a very useful network.

"In a family business, if the head is a family member, he is likely to have around him a legal counsel, a finance chief and a head of human resources, who between them have a tremendous amount of knowledge that can be extremely helpful to anyone trying to start their own company," she says.

Another key advantage is access to capital, says Nils Stieglitz, professor of strategic management at Frankurt School of Finance & Management. "In an entrepreneurial family, the oldest child might inherit the company while the others might inherit money. They can use this to start their own

companies," he says. "Having this financial safety net can give them the chance to take the risks you have to take to start a company but which not everyone is in a position to take."

While the scions of entrepreneurial families can benefit from their background, the elder generations can also learn from the younger generation. The sons and daughters can expose their older relatives in their longer-established companies to new ideas, says Stieglitz. "This is particularly the case in a family environment where the amount of personal contact and interaction is high," he says.

One obvious area is in responding to the revolution that developments in technology and the advent of

Eyes on the prize: Lapo Elkann, left, at Italia Independent; Tom Gothe, bottom left, co-founder of Artistravel, bottom right

social media have wrought in the way businesses are run. "I'm not sure that younger generations are better at dealing with technology in all areas," says Gothe. "But we are certainly very well attuned to the potential of social media and the internet, as we have grown up with them."

Younger companies also have a chance to establish, relatively painlessly, organisational structures that are appropriate to the modern world — a process that can be difficult in older companies, where building new structures also means dismantling old ones.

Younger companies can also teach — or at least remind — their older brethren a thing or two about risk-taking, says Kenyon-Rouvinez.

"The younger generation often tends to have an appetite for risk, a boldness, that the older generation may no longer have," she says. "That is natural. Boldness is part of being young — you don't have the same financial burdens as when you are older; you can risk a lot more.

"By contrast, the older generation have already built something up and may hesitate to do anything that might put that at risk. But taking risks is part of business."

> "YOUNGER GENERATIONS ARE WELL ATTUNED TO THE POTENTIAL OF TECHNOLOGY"

While each generation can benefit from the other, in practice it can be hard to ensure such a profitable exchange occurs, says Kenyon-Rouvinez. The difference in perspectives, risk appetites and experience can lead to tensions, which require patience and empathy to overcome.

"It is not always easy to do this," she says. "But if you can find a way to combine the wisdom of age with the boldness of youth, you have a fabulous recipe for success."

PHOTO: GETTY IMAGES

Reaching out: Jude Ower says new technology such as tablets is increasing the appeal of gaming across the sexes

INDUSTRY FOCUS

FEMALE GAME DEVELOPERS

The gender challenge

BY SIMONEY KYRIAKOU
PHOTOGRAPH BY CHARLIE BIBBY

The archetypal image of a computer gamer is of a teenage boy goggle-eyed in front of a video console. While that might have been largely accurate in the 1990s, fast forward to today and many more girls and women are addicted to games — and a growing number are involved in their development too.

Huda Mahdi graduated with an MSc in computer games technology from City University, London, in 2013. She now works as software developer at Sony Computer Entertainment Europe in its applied technologies department, but remembers the time when she started to look seriously at the subject. "No one wants to be 'the exception'," she says, "especially when you are so young. Games and tech are still considered 'masculine' areas."

"Ten years ago, you would have been hard pressed to bring together 100 women from the whole gaming industry," adds Jude Ower, founder of Playmob, an organisation that links UK charities with game developers. "Now there are entire award events for just the top 100."

Yet despite their success, sexism is still rife in the video games industry. Last year, female game developers and commentators were harassed online in a concerted attack that gained its own Twitter hashtag, #gamergate. The women received death threats and were subjected to "doxing" — the leaking of their private information on the internet.

"Women in the industry have been consistently harassed, received extreme threats, had their personal information leaked and, worst of all, have been told it is not a problem," says Christine Clark, co-creator of *The Veil*, an adventure game. "Sexism is real, and as an industry and a society we can no longer minimise it."

Decades of male perspectives in game design have left "deep discrepancies", research suggested last year. The *Women in Game Design* report, commissioned by Wacom, a maker of digital interface products such as pen tablets, revealed that only one in 10 playable characters was female and advertising was heavily skewed towards presenting male heroes.

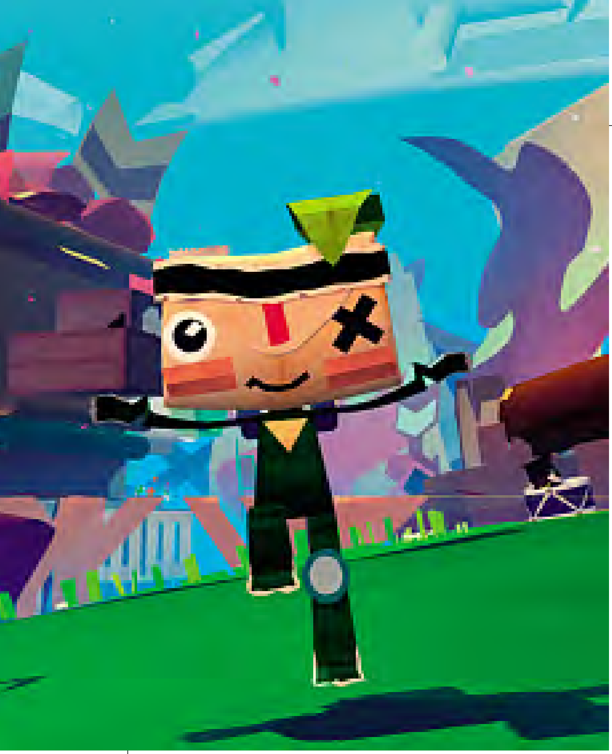
Put simply, more games are marketed to a male audience, so more men play them, leading to more men joining the industry and creating games for themselves and their (probably) male friends. "Which came first? Male-dominated gaming or the male-dominated industry?" asks Ower. "I think it was the industry."

> "WOMEN IN THE INDUSTRY HAVE BEEN HARASSED AND TOLD IT IS NOT A PROBLEM"

Salary discrepancies remain rife across the tech industry. Men working in software development can expect a median salary of £34,939, according to data from PayScale Human Capital, an online employment database. For women, the figure is £30,187.

In the US, the picture is the same: the median salary for men working in software development is $84,027, compared with $69,716 for women.

But drill down further into games technology specifically and the gap widens. The average man in the US



> DIVERSITY IN THE PROVIDERS CREATES THE DIVERSITY YOU NEED IN GAMES

industry can expect to earn $85,345, but women receive a median salary of just $48,400, albeit based on a small sample of 26 men and four women. A further study in 2014 suggested that women in the US made 86 per cent of the salary of their male counterparts.

There is also an intrinsic gender bias in the industry. The vast majority — 89 per cent — of software developers are men, according to PayScale. "This is a massive issue, both in and outside gaming," says Clark. "These problems are systemic, and a conscious effort needs to be made to enable change."

Efforts are being made, however, to effect change, not least by women themselves. Clark herself was a finalist in the Canadian Videogame Awards 2014, while Ella Romanos, commercial director of Strike Gamelabs, was named as one of the top 30 under 30 in 2011 by Develop magazine. Ower at Playmob is a member of MCV's Brit List: Women in Games Top 100, chosen from more than 400 candidates. Siobhan Reddy, studio founder of Sony's Media Molecule games developer, was not only in MCV's list but also made BBC Radio 4's *Woman's Hour* Power List 2013 of the UK's 100 most powerful women.

But while award ceremonies may raise the profile of women in the industry, much more needs to be done, argues Reddy. Referencing the efforts of the UK's 30 Percent Club to put more women on company boards, she says: "I would love us to get to 30 per cent female representation, not just at the board level but in the teams. But that needs a lot of work."

With new technology, though, has come increasing equality. "Technology always was male-heavy but the industry is changing," says Ower. "Games are developing and more women are playing. The rise of the tablet has created a wider reach across the sexes and so gamers are changing the industry."

Thanks to the spread of smartphones, which obviate the need to buy a console, more women are playing games than ever before. According the Entertainment Software Association, 35 per cent of all users play on their smartphones. Over the past 12 months, women accounted for 41 per cent of all games purchased.

"The demographics of games and gamers are changing. Even my parents are playing games," says Reddy. "It is wonderful that the audience is now almost 50:50 male to female, as we can consider our female customers more. Before, it was harder to make a business case, but this will definitely influence the design and marketing of games.

"Diversity means more than just hiring more women. We need a spread of people from various backgrounds, culture, sexuality and gender. I love the fact that we can create unique projects from a team of people who bring a different frame of reference. Diversity behind the providers creates the diversity you need in games."

In on the act, clockwise from left: the Pax East convention in Boston; cosplayers (gamers in costume) at a convention in London; the video game *Portal*; Media Molecule's *Tearaway*; a *Portal* fan

PHOTOS: AFP, ANADOLU AGENCY, BOSTON GLOBE/GETTY IMAGES

NEXT LEVEL FOR EDUCATION

The Next Gen Skills Academy in the UK aims to bring more diversity into the industry by helping young school leavers with apprenticeships and hands-on experience, and by developing a nationally recognised qualification.

Internships are also helpful. "To recruit qualified women, involvement in post-secondary education is vital," says Christine Clark, co-creator of *The Veil*. "Companies can invest in women by hiring them as interns, by making an appearance at portfolio shows and maintaining those connections. It is also valuable to provide scholarship assistance if it is financially feasible."

Education is critical. Universities have developed courses in games technology, but so far few women have entered the programmes. "It is hard to say why there are so few women [in the industry]," says Greg Slabaugh, senior lecturer in computer science at City University in London. "Perhaps it is because schools have historically skewed technology and games programming towards male students."

On City's undergraduate course, approximately one in 20 students is female. There is just one woman on the computer games technology MSc, of about 10 students. She is taking the course part-time while she works for a tech company. In 2014, there were no women.

Slabaugh says the benefits of inspiring A-level students can be immeasurable. "We have talked about effective ways of promoting the course to women. We want to show them they can get excellent jobs and do wonderful things in the world of gaming."

A passion for learning about games technology needs to be fostered at a much earlier age than at A-level, says Ella Romanos of Strike Gamelabs. "The problem is created much earlier, even at primary school level," she says, "and the issue is in the way the science, technology, engineering and maths curriculum is taught. It has created a barrier between art and creativity. Games programming is very creative, so forcing a distinction is unhelpful."

Often, this distinction means parents and teachers unconsciously push girls towards art and creativity, and boys towards computer technology. "I was never told [at school] about the job opportunities in games technology," adds Romanos. "I only discovered this when I took a course in games programming at university." *SK*

Dead reckoning

BY AARON STANLEY

If there was ever such a thing as a black swan event in the world of estate planning, it occurred in 2010 when the US Congress unexpectedly failed to renew the federal estate tax.

The political slip-up meant that heirs of the super-rich who had been fortunate enough to pass away that year, including New York Yankees baseball team owner George Steinbrenner and heiress Mary Janet Cargill, were exempted from the 45 per cent federal tax they would have paid on estate transfers in 2009.

Though the tax was reinstated the following year, the anomaly illustrates how efforts by US conservatives to chip away at "death taxes" over the past two decades have reduced their scope but have also made minimising one's end-of-life tax burden akin to walking across a lake covered in patchy ice.

Across the board, estate tax rates in the US have fallen and exemption levels have increased since the turn of the millennium. As recently as 1997, estates as low as $600,000 in net worth were subject to the tax. Today, the federal exemption level is $5.43m, and the tax rate on the largest estates has declined from 55 per cent to just 40 per cent.

Even more drastic measures have been implemented at state level. Where once there was general uniformity across the states — most coupled their schemes to the federal estate tax — reforms contained in President George W Bush's 2001 tax cuts sparked competition among states to use the estate tax for economic advantage. The states did this by repealing the tax or reducing its incidence as an incentive to attract and retain rich people.

"Living in a state that has a state 'death tax' can cause up to an extra 8.8 per cent of tax to be owed," says Skip Fox, chairman of private wealth services at McGuireWoods, a law firm in Virginia. He says he has advised 40-50 clients in recent years to relocate to a different state to avoid a state estate tax.

By 2015, the map of state estate and inheritance tax regimes had become highly fragmented. Thirty-one states had scrapped the taxes altogether, while the other 19 and the District of Columbia had implemented their own mind-boggling combinations of rates, exemptions and deductions.

While these reforms have allowed more estates to pass under the thresholds without triggering the tax, they have not necessarily made it any easier for the very rich to avoid them.

Gary Altman, who runs a small estate-planning firm in Rockville, Maryland, a wealthy Washington DC suburb, has witnessed how this shifting landscape has made careful consideration of state boundaries all the more important. "It is much more complicated now," he says, especially for wealthy people who own assets across multiple states and are therefore subject to multiple taxation schemes at death.

Altman is in one of just two states — New Jersey is the other — that tax both estate transfers and inheritances received. However, neighbouring Virginia, just across the Potomac river, repealed its estate tax in 2007 and does not tax inheritance gifts.

Predictably, he says, it is not uncommon for wealthier older clients to slip across the river or venture even further south to establish residency in states that offer year-round sunshine and do not have estate taxes.

Because estate taxes in their current form affect just a small fraction of the population — 0.2 per cent of estates are subject to the federal tax — only anecdotal evidence is available to suggest rich people are flocking to states that have repealed their estate taxes. "Empirically, it is a tough issue to study because the current estate tax laws affect a small sliver of the population; they can be hard to observe," says Karen Smith Conway, an economist at the University of New Hampshire who studies interstate migration.

The pattern of states either retaining or repealing their estate taxes has largely followed the standard red-blue divide, with the traditionally

PHOTO: FRANK DOUGHERTY/THE NEW YORK TIMES/REDUX/EYEVINE

Fiscal home run: George Steinbrenner, whose death in 2010 resulted in no estate tax on his legacy

“IT IS COMPLICATED FOR PEOPLE WHO OWN ASSETS ACROSS MULTIPLE STATES”

Democratic, higher-tax states in the northeast keeping the tax and the more conservative, Republican states of the south and west moving to scrap it.

Census figures show a migratory outflow from states that have death taxes — these show an average loss of 133,000 residents between 2003 and 2012 — to states that have scrapped the taxes — which gained 82,000, according to research by Art Laffer, an economist, and Jonathan Williams, tax and fiscal policy director at the American Legislative Exchange Council, a fiscal conservative group.

But proponents of the tax point out it is impossible to determine to what extent these flows are due to estate tax avoidance as opposed to other factors such as weather, family and lifestyle. Further, they assert that north-to-south migration is a trend that has been occurring for half a century and is attributable more to air conditioning than high taxes.

“It’s questionable whether [taxation] is the driving force and the numbers are really that large,” says Roberton Williams, a fellow at the Urban Institute, a think-tank. “Research doesn’t support the idea that people are flocking to these zero estate tax jurisdictions.”

Recently, however, even many blue and “purple” — a mix of red (Republican) and blue (Democrat) — states have come round to the idea of loosening the tax as an economic development tool, amid concerns that wealthy residents have been fleeing to lower-tax jurisdictions.

In the past year, Maryland, New York and the District of Columbia — which in total lost $24.2bn in wealth from residents moving to Florida between 2002 and 2011 — have voted to raise their exemptions to the federal level of $5m (indexed in 2012 dollars).

“This is not an ideological decision,” says Grover Norquist, president of Americans for Tax Reform, an advocacy group. “They’re not opposed to stealing people’s money when they die — it’s just that it’s not working.”

Square answers to round problems

BY ANIA NUSSBAUM

Sam Goi, 66, earned his nickname, the Popiah King (*popiah* is a crêpe-like dough used for spring rolls), after he took out a loan to buy and revamp a small *popiah* factory in Singapore in 1977. Goi (pronounced "Gwee") renamed the business Tee Yih Jia ("Number One Company" in Mandarin). From turning out 25,000 wraps a day at the start, the privately owned frozen food empire now produces 35m pieces of spring roll crust every day, and Goi remains executive chairman.

In 1985, Goi returned to his Chinese hometown, Fuqing — which he had left at the age of six when his family fled to Singapore — to build a factory. Almost 20 years later, he bought land when Chinese property prices were still modest, allowing him to take advantage of the property boom in the country's second-tier cities. In 2012, he acquired a majority stake in GSH, a property development company in China and Southeast Asia.

"I started working when I was very young; leaving school to help my family business in a provision shop," Goi says. "I always wanted to be my own boss, which probably stemmed from the fact that my father was a businessman. In 1969, I borrowed some money from him as start-up capital for my mechanical and electrical engineering business. Within three years, this company grew from having two workers to more than 200 employees.

"When I took over Tee Yih Jia in 1977, it was a small factory [making] spring roll pastries, supplying a tiny domestic market. I realised that TYJ needed to expand its markets globally.

"With my engineering background, I designed the world's first automated system for making top-quality spring roll pastries. I got technicians from Europe and Japan to develop the machines. There were long hours of trials and retrials; the factory became my home for months at a stretch.

> "THOSE WHO ARE BETTER OFF SHOULD HELP THOSE WHO ARE MARGINALISED"

"One story I remember during the automation drive was that the shape of the pastry had to change from round to square. This was initially rejected by the chefs and industry users. They were accustomed to the round pastry and were set in their cooking methods. I was determined to break this mind-set and went on a campaign to make them realise the value of the square pastry. Now the whole world uses the square-shaped pastry.

"Entrepreneurs must find a solvable problem, create a niche and articulate their vision well. Singapore today is very different from when I started my career. Every generation will have its set of challenges and constraints. Therefore, from every generation will emerge entrepreneurs to solve these problems and create wealth and well-being for the society of their time.

"People live more comfortable lives these days; this deters people from taking the risk of starting a business. Another thing is that technology has made the world a very small place, and made the marketplace very competitive. You have to compete with global players from day one and contend with people who have all information at their fingertips.

"I do view philanthropy as vital to the community. I particularly treasure my work with the Ulu Pandan Citizens' Consultative Committee where I raised over S$6m to build a Community Centre. Those who are better off financially should help those who have been marginalised. But philanthropy is not just all about money. In fact, it is easier to give money than to give one's time and experience in some instances.

"I have only just begun. I am not contemplating retirement any time soon. I look around me and I am still excited by the opportunities present."

PHOTOS: DAVID HANNAH/LONELY PLANET IMAGES/GETTY IMAGES

Engineering sage: Sam Goi today, above, and in the 1980s, bottom left, revolutionised the production of spring rolls — on sale in Singapore, top left

> MOTORCYCLES I REJECTED AS TOO EXPENSIVE AT £100 IN THE '80S ARE NOW SELLING FOR UP TO £10,000

High and mighty

BY ROHIT JAGGI
PHOTOGRAPHS BY CHARLIE BIBBY

Large-capacity adventure motorcycles are the big sports utility vehicles of the two-wheeled world. And like their four-wheeled counterparts, most stay on the road and leave the bulk of their ability to traverse rocky and boggy ground untested.

But while mainstream SUVs are growing ever more road-biased — witness the sporty carbon brake-disc option of the Porsche Macan, which pretty much rules out off-roading — big adventure bikes are looking more and more capable of crossing a mountain range before breakfast, or a continent after lunch.

Their stance is born partly out of function, partly out of styling. Riding off-road requires a lot of ground clearance, which is why they are tall. The obvious mass is more of a styling feature, borrowing from the big, bulky BMW R 1200 GS, which pioneered this breed of big-engined on/off-roaders.

What all such bikes share with the equivalent four-wheelers is their ability to make their owners feel capable of conquering the unexplored, of climbing into the detail of their surroundings. That was neatly summed up by Jim Rogers, co-founder with George Soros of the Quantum Fund, the massively successful hedge fund, in his book *Investment Biker*, published 20 years ago. It tells the story of his 65,000 mile ride across the world with his girlfriend. Part travelogue, part economic analysis, it rests on a motorcyclist's ability to be closer to his or her environment.

Two bikes that sum up the adventure category of the market are Triumph's Tiger Explorer and KTM's Super Adventure. Both are big, tall bikes that look fearsomely capable of tackling any terrain in standard trim but can be tricked out with extra crash bars, luggage panniers, lamps and so on.

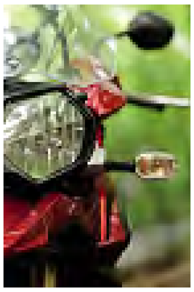
While all this adds to their road presence, it also adds to their bulk and weight. Put hard luggage panniers on the KTM, for example, and you almost double its width, making threading through traffic impossible.

It also makes picking it up after dropping it on mud or sand an ordeal possibly best shared by two or three people. Almost anyone can pick up almost any bike on their own using the right technique, but add in heat, a soft surface and plenty of stuff on the bike, and that process becomes frustrating and arduous if not impossible.

Only the most godlike of experts can avoid dropping a bike on difficult surfaces. That is the penalty for using machines that do not balance on their own. But that requirement for much more skill than needed by drivers of off-road cars makes the journey more satisfying.

Kept upright and on hard surfaces, however, both bikes impress. Wide handlebars allow for slow-speed feet-up manoeuvres most riders of sports bikes can only dream of, and even at speed handling is impressively secure.

The KTM even has semi-active suspension, with a few quick-access settings such as "sport" and "comfort" that really make a difference. Plus a V-twin engine that, especially in its own "sport" mode, is not only eager but also sounds like it has come out of one of the factory's racer-type road bikes. The Triumph, meanwhile, has a creamy-smooth three-cylinder motor that has power as well as flexibility.



Rugged riders: Triumph's Tiger Explorer, above and left; KTM's Super Adventure

Both bikes have traction control and anti-lock brakes, which take a lot of the fear out of riding machines with large amounts of power. That makes them usable in all sorts of conditions — as traffic-busting commuters (leaving the wide panniers at home), as on-road tourers or as ideal machines for crossing the paths and pastures of Mongolia.

With that in mind, it is perhaps surprising that all such bikes do not come with satellite navigation systems as built-in, thief-proof standard equipment. But two-wheelers are behind on the gizmos curve compared with cars.

The size of these bikes is an issue. Riders who are tall and sizeable themselves will have less of a problem. But being perched what feels like three metres above the ground does not do any rider's confidence on dodgy ground any favours, when it feels like a bike-steadying dab from a foot will neither reach the ground nor keep upright the huge mass of bike plus fuel plus luggage plus possibly a passenger.

A smaller bike may the answer. In Triumph's range is the Tiger 800, which is less intimidating all round and not much less capable — probably more so in all but expert hands. Among those who have done long trips on two wheels, the story of Nathan Millward and his ride overland from Australia to the UK on a 150cc "postie" bike is inspiring.

Time is the most valuable currency of all and all bikes are capable of minimising the downtime spent in traffic jams, or making the chore of getting from A to B a pleasure. But adventure bikes as a breed add in a significant extra capability that makes them possibly the best multi-purpose investment of all.

THE VALUE OF VINTAGE

It's enough to make my wallet weep. Motorcycles I rejected as too expensive at £100 in the 1980s are now changing hands for up to £10,000. And these are the more common bikes from the 1950s or early 1960s, such as pre-unit Triumphs (before the engine and gearbox shared a common housing, or "unit") or similar offerings from BSA and Norton.

At this sort of age, motorcycles are still usable. They cannot cruise happily at 70mph on motorways — but then congestion and speed limits make that difficult for anything.

Engines can make more power, more reliably, with help from engineering companies such as SRM and Unity Equipe in the UK. Brakes can be uprated to cope with the more aggressive cut and thrust of today's city traffic. Even the lack of electric starter can be solved — one French company makes the delightfully named "*jambe électrique*".

Many older machines have risen stratospherically in value, Brough Superior, Vincent, Harley-Davidson and Indian in particular.

But before I lambast myself for missing investment opportunities, I can console myself that the cost of ownership — maintenance, insurance and storage — would have cost thousands over the years. While I would have had plenty of toys to play with, I would have had the problem I agonise over with my current, modest collection of two-wheelers: I find it easy to buy bikes but terribly hard to sell them.

AMBITIOUS WEALTH
STEPHEN FOLEY

The super-rich reformers

It is hard to think of two more contrasting addresses than the Upper East Side apartment of a New York hedge fund billionaire and a cell at Apalachee Correctional Institution in Florida. Yet when financiers gathered at the home of George Soros recently, it was the story of a Florida man serving a 20-year mandatory minimum sentence for a first-time firearms offence that galvanised at least one of their number to action.

The case of Orville Lee Wollard has become one rallying point for opponents of mandatory minimum sentences, part of the multi-decade tough-on-crime lawmaking spree that has increased the number of people in US prisons by 700 per cent since 1970.

The US has 5 per cent of the world's inhabitants but 25 per cent of the world's prison population, and wealthy individuals from across the political spectrum are increasingly finding common cause to try to end mass incarceration. It is a multi-dimensional and intractable issue, just the kind that is ripe for innovative policy advocacy and philanthropic work.

In 2008, Wollard, then a 53-year-old father of two with a good job and no previous convictions, fell into the criminal justice system when he fired a warning shot to scare off his daughter's abusive boyfriend. Even the presiding judge said the sentence was excessive, yet Wollard has no prospect of release until 2028 — unless Florida governor Rick Scott grants clemency.

Daniel Loeb, Republican party donor, hedge fund manager and scourge of chief executives, is not an obvious guest of the incorrigibly liberal Soros. Yet by attending the fundraiser for the Innocence Project, which is campaigning for Wollard's release and works to prevent and overturn miscarriages of justice, Loeb is a reminder that criminal justice reform is creating some unusual bedfellows.

Soros was a financial backer of a ballot initiative to liberalise sentencing policies in California, alongside conservative Christian businessman Wayne Hughes. They outspent their opponents by $9.5m to $550,000, and voters approved a law to cut penalties for non-violent crime by a 58.5 per cent majority. Meanwhile, Charles Koch, a bogeyman to liberals, is also advocating for liberalisation across the US.

"MASS INCARCERATION IS JUST THE KIND OF ISSUE THAT IS RIPE FOR PHILANTHROPIC WORK"

Loeb is better known for having seized on the charter schools movement in New York as a way of improving access for underprivileged children to a good education, earning the ire of teachers' unions, which see charter schools as undermining the rest of the state system.

But education reform and criminal justice reform are twin causes. An African-American man who does not complete high school has a one in three chance of going to prison — a higher chance than he has of getting a job. Through the brutalising effect of prison, high rates of recidivism and the near-impossibility of finding work when one has a criminal conviction, mass incarceration is as much an enemy of social mobility and equality of opportunity as any failures in the education system.

For several reasons, wealthy individuals believe this is a time when their advocacy dollars could be successful. Cash-strapped governments are open to the idea that the "carceral state" is not affordable. The legalisation of cannabis in several US states shows public attitudes can shift quickly. And riots in Baltimore and demonstrations against the police elsewhere have put the racial inequities of the criminal justice system on the political agenda.

Some of the most ambitious think even radical change could be in the air. Sir Richard Branson was at the SALT hedge fund conference in Las Vegas last month showing his son's documentary, *Breaking the Taboo*, which makes a case for legalising the entire drug trade.

"I've been in business for 50 years," Branson told the audience. "The war on drugs has been going for roughly 50 years, and if my first business had failed as badly as the war on drugs I would have closed it down 49 years ago."

Loeb has funnelled money to established groups such as the Brennan Center for Justice, a think-tank, and the Marshall Project, a non-profit journalism group, as well as to the Innocence Project. These are long-term investments in changing attitudes — "macro" bets, if you like.

Wealthy individuals looking to make the most immediate impact on the criminal justice system might reach not just for their wallets but also for their Rolodexes. Using his influence as a prominent party donor, Loeb is lobbying Governor Scott on Wollard's behalf.

In criminal justice reform as in hedge funds, there are macro and micro investments, both of which can pay off.

Liberal line: Daniel Loeb's presence at a George Soros fundraiser is a sign criminal justice reform is creating unusual bedfellows

PHOTO: GETTY IMAGES