

THE GREAT POP SWAP SHOP

HOW ARTISTS ARE EXCHANGING ART
TO BOOST THEIR OWN COLLECTIONS

BY DALYA ALBERGE



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“
FOR ME, WINNING IS
NOT AN OPTION —
IT IS A MANDATE
”



COVER ARTWORK
BY HAYDEN KAYS

‘Friends but enemies’



Did Picasso really once throw fake darts at a painting by Matisse? Gertrude Stein, the US writer and collector, lent credence to the story, once describing the two artists as “friends but enemies”. Indeed, as Dalya Alberge discovers, while the painters regularly exchanged works, it may have been, as Stein wrote, to deliberately expose “the weaknesses of the other”.

The participants at Hong Kong’s Hedge Fund Fight Nite would understand. The point for the white-collar fighters, as Patrick McGee writes, is to win – something our business guru, Bob Rich, founder of Rich Products, a privately held US food company, might recognise. “For me,” he tells reporter Attracta Mooney, “winning is not an option – it is a mandate.”

Do send us your views — on winning or the articles in the spring edition. We would love to hear what you feel we should be covering in the next issue of FT Wealth. Are you interested in more pieces covering the worlds of philanthropy or angel investing, for example? Do you feel we cover investments extensively enough? Do let us know.

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

Special reports editor Leyla Boulton
FT Wealth editor Hugo Greenhalgh
Deputy editor Rohit Jaggi
Art director Sheila Jack
Picture editor Michael Crabtree
Sub-editor Philip Parrish
Production editor Jearelle Wolhuter
Commercial director, EMEA Dominic Good
Global relationship director, banking and finance Valerie Xiberras
Publishing systems manager
Andrea Frias-Andrade
Advertising production Daniel Lesar,
Denise Macklin

CONTRIBUTORS

Dalya Alberge is a freelance arts journalist
Helen Barrett is head of digital content and commissioning editor, FT Special Reports
Daniel Ben-Ami is a freelance journalist and writer
Liz Bolshaw is a freelance journalist
Emma Boyde is a commissioning editor, FT Special Reports
Judith Evans is an FT Money reporter
Rohit Jaggi is the FT’s aircraft, car and motorcycle columnist
James Mackintosh is the FT’s investment editor
Patrick McGee is fastFT’s Hong Kong correspondent
Attracta Mooney is a reporter at Ignites Europe, a Financial Times publication
Margaret O’Connor is a freelance journalist based in South Africa
Samantha Pearson is the FT’s Brazil correspondent
Ariane Todes is a freelance journalist
Matthew Vincent is the FT’s deputy companies editor
Lucy Warwick-Ching is the FT’s online Money editor

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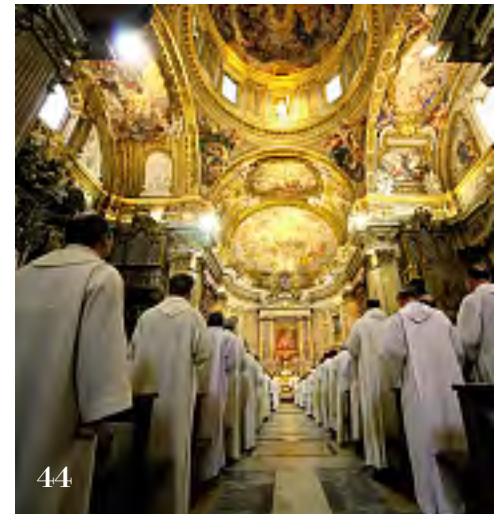
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INVESTMENT FOCUS LUCY WARWICK-CHING

GRAPHIC BY RUSSELL BIRKETT



European dash

Political wrangles over austerity, debt and deflation would all seem to point to Europe as a terrible destination for investors' cash. Throw in the disruption caused by the surge in the Swiss franc after the removal of the euro cap, doubts about the impact and timing of the latest European Central Bank quantitative easing, and it becomes even harder to make a convincing case for Europe.

But whatever the arguments against, Europe is again capturing investor attention. For one thing, Germany has put on an unexpected growth spurt. Better still, the region is home to some of the world's strongest companies, key players that tend to prosper in good times and bad. The rising middle

classes the world over aspire to own BMW cars and Rolex watches. And companies such as Nestlé and Heineken sell goods people buy repeatedly, in economic downturns as well as upturns.

Proponents of the Europe story say the draw for investors is the underlying strength of these companies and that they are likely to thrive over the long term, regardless of Europe's short-term economic and political issues. For those willing to take a risk, European corporate earnings, which have lagged those in the US in recent years, are boosting equity portfolios.

Average spend per inmate per day by European prison administrations in 2012
(Source: Council of Europe)

€97

80.8m

Number of people living in Germany, the eurozone's most populous member state
(Source: Eurostat)

Flows into European exchange traded products in January
(Source: BlackRock)

\$6.9bn

Expected earnings growth rate for European companies in 2015
(Source: HSBC Europe Equity Insights Quarterly)

25%

23.815m

Number of unemployed in the EU, January 2015
(Source: Eurostat)

Performance over the past three years

(European funds, cumulative returns, % to Feb 2 2015)

Top 3 funds

Scottish Widows HIFML European Strat **76.0%**

Scottish Widows HIFML European Focus **72.0%**

BlackRock Continental European Inc A Acc **66.0%**

Bottom 3 funds

Schroder European Alpha Plus Acc **27.0%**

Quadrant European Equity **27.0%**

Threadneedle European Select AE **15.6%**

Source: Morningstar

13.4%

Rise in the FTSE Eurofirst 300 since the start of 2015

(Source: Financial Times)

Spend per Briton each year on trips to other EU countries

(Source: Centrip)

£19.56bn

Net new assets that flowed into exchange traded funds in January 2015

(Source: ETFGI)

\$14.9bn

73m

Number of migrants living in the European region

(Source: World Health Organisation)

€3m

Median salary for company bosses in 2014 in Europe

(Source: Hay Group)

507m

Population of the EU, January 2014

(Source: Eurostat)

Fall in the Athens Composite index over the past 12 months

(Source: Financial Times)

38.9%

\$18bn

Chinese foreign direct investment in Europe in 2014

(Source: Baker & McKenzie)

€1.1tn

Quantitative easing programme, which will start with the ECB injecting

€60bn

a month into the eurozone's economy from March

(Source: ECB)

THE ROAD AHEAD THOMAS BECKET

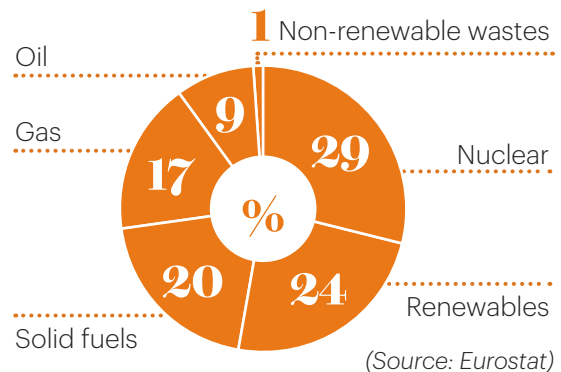


Chief investment officer, Psigma Investment Management

The early-year trend of European equities outperforming the US has persisted in the past few weeks. This should continue. We are surprised by how shocked many investors have been by the earnings disappointments we have seen in the US reporting season due to the crimping effects of the strong dollar.

More of this is coming, not least after the euro's recent crash against the greenback. European companies will be stealing their American peers' growth through the weak euro. With borrowing costs low, input prices cheaper and the economic outlook slightly better, European corporate earnings should be rising and profit margins widening. We therefore feel strongly we can justify being overweight in European equities.

EU domestic energy production, 2013 (%)



Foreign direct investment stocks held at end of 2013 (€bn)



THE IDEAS COLUMN JAMES MACKINTOSH



Where angels fear to invest

Investors are often told they can do well by doing good, making money while salving their consciences by applying ethics to their portfolios.

The better angels of the investment industry whisper that companies engaged in areas many object to, such as tobacco, guns and gambling, run the risk of bad publicity, customer boycotts and government action. Well-run companies selling socially acceptable goods are a better bet.

In fact, sinners not only have all the fun, their investments do better too. The best-performing industry in the US stock market since 1900 has been tobacco, averaging 14.6 per cent a year, according to London Business School academics Elroy Dimson, Paul Marsh and Mike Staunton. In Britain, it has been booze, with brewers and distillers turning £1 in 1900 into £243,152 today. Had there been a listed tobacco industry in the UK in 1900, no doubt it would have triumphed there also. Other research shows gambling, pornography and guns beating the markets as well.

Investors face a dilemma that goes back at least to Vespasian. The Roman emperor's son challenged the propriety of a "dirty" tax on urine collectors, only to be told by his father: "*Pecunia non olet*" (money does not smell).

Those who enjoy a brandy and cigar after a flutter on the races might see no reason to skip the tobacco, alcohol or gaming industries on moral grounds. Almost a fifth of US federal spending goes on defence, so investors who pay US taxes are already locked into the weapons industry, whatever its morality.

Few probably feel good about child labour or sweatshops, although free marketers occasionally point out that the alternative may be even worse.

Past performance suggests


conscience comes with a cost. Logic backs this up. If lots of investors avoid certain stocks on moral or religious grounds, the shares should be cheap. So long as the underlying business is not damaged – by boycotts or bans – the shareholders who remain are buying a bargain, and can expect higher returns.

The risk is that the underlying

buying companies with poor controls over management, at least outside Silicon Valley. As a result, they can expect better returns in future, so long as the risks of badly run companies squandering investor money do not appear.

Dimson, Marsh and Staunton found an intriguing pattern for corruption, which at first glance seems to fit the same pattern. They ranked countries by World Bank corruption scores, and found the most corrupt returned an average 11 per cent a year from 2001 to 2014, while the least corrupt – including the UK, Canada, Australia, Germany and the Nordics – returned 7 per cent. The implication is that investors are rewarded for risking corruption, perhaps because others nervous of bribery have avoided these countries entirely.

Corruption may be a different sort of sin, though. Applying the same methodology to the 1990s is hard, because many emerging stock markets only came to the attention of index compilers halfway through the decade. But looking at average returns from 1990, or index creation up to 2001, the ranking was reversed: the most corrupt made 5 per cent a year, the least corrupt 12 per cent.

The data prove little more than that there is a link between corruption and emerging market risk. Investors would be well advised not to seek out corruption. But those trying to salve their conscience by avoiding sin stocks should consider whether abstinence will help change the business or merely hand money over to less purlitan shareholders – as well as the quantity of the companies' products they quaff or smoke in a typical week. 

“
THE BEST-PERFORMING
[BRITISH STOCKS] SINCE
1900 HAVE BEEN BOOZE
”

business suffers. Anyone who bought shares in a Chicago brewer in the 19th century discovered that even intense lobbying could not prevent, first, a ban on selling alcohol to children (yes, they really did lobby against this) and eventually a total loss when Prohibition arrived in 1920.

Perhaps the higher return on "sin stocks" is a risk premium, compensation for the danger of being regulated out of existence. If so, investors need to pay close attention to the state of political debate over cigarette packaging, weapons exports and the social acceptability of binge drinking.

The same holds for corporate governance.

Investors quite reasonably demand a discount when



WHAT JAMES IS THINKING...

As the US inches towards a rate hike, will we see a repeat of the "taper tantrum" of 2013, with painful knock-on effects on shares and emerging markets? Or has the Federal Reserve prepared the ground so well that a rate rise will be a non-event?



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THE RICH COLUMN MATTHEW VINCENT

“FOR MANY, TALKING ABOUT PHILANTHROPIC ACTIVITY IS DISTASTEFUL”



Silence is not golden

About 40 years ago, the 7th Earl Cadogan — landlord of the vast Cadogan estate in London’s wealthy Chelsea district, former mayor of the borough, honorary lieutenant colonel of the Royal Wiltshire Yeomanry, and recipient of the Military Cross for “gallant and distinguished” wartime service — was named “White’s Club S**t of the Year” by Private Eye magazine.

This dubious accolade was supposedly the invention of the satirical title’s diarist, as a means of mocking ungentlemanly conduct among members of the gentleman’s club. Its first “winner” was millionaire racehorse owner, the Aga Khan. In subsequent years, the Prince of Wales romped to victory; the Duchess of Devonshire (aka Debo Mitford) bemoaned her husband’s runner-up position; and Auberon Waugh, the British columnist, confessed disappointment at never having troubled the stewards.

Of the various aristocrats to hold the distinction, most had done so through a crass demonstration of *noblesse n’oblige pas*. In Earl Cadogan’s case, the unbecoming behaviour appeared elevated by lofty disdain.

As Paul Johnson, a journalist and author, explained some years later: “An anonymous donor provided a large sum for a worthy London charity, on condition that another rich metropolitan matched it. Various people were tapped, including Cadogan. He declined to give the money and flatly refused to explain his reasons to the press. It was none of their business, he said.”

I was told this story a few weeks ago, when I asked the head of a multifamily office if today’s super-rich should address the bad press they have been attracting. It was just days after Oxfam, the charity, had warned billionaire delegates at the World Economic Forum



that, next year, the richest 1 per cent of the population will own more than everyone else combined.

In fact, change the venue of Private Eye’s old contest from White’s of St James’s to the Kongresszentrum in Davos and there would be no shortage of sh... chic people to choose from.

But the man from the family office was trying to make a different point about public opprobrium, which became clear when I read the rest of the Cadogan story. Despite his treatment in Private Eye, the earl made no protest. Only after his death did it emerge that he had been the original anonymous donor. He had been trying to encourage a further donation while keeping his own private.

According to my contact, who also prefers not to be named, this discretion is part of the problem. Modesty does the rich no credit. “We look after a large number of wealthy families... and they are all philanthropic,” he says. “But, in terms of external perception,

that activity is unknown. For many, talking about philanthropic activity is distasteful.”

But with rich non-doms’ apparent non-contribution leaving an equally unpleasant taste, he admits better PR is needed.

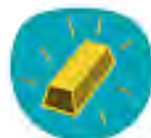
In private, wealthy clients appear well aware of their social responsibilities — and current standing. “Do they care?” says Jon Needham, global head of fiduciary services at Société Générale Private Banking Hambros. “However, the fact remains that since the 2008 financial crisis, the wealthy are considered, by some, to be pariahs.”

When I ask the chief executive of a global wealth management business if his clients realise this, he tells me: “I personally believe that the wealthy ‘get it’ now in a way that they didn’t in the past. And they are aware of the fact that they are accountable.”

John Taft, chief executive of RBC Wealth Management and author of *A Force For Good: How Enlightened Finance Can Restore Faith in Capitalism*, has no doubt that the wealthy must take a higher-profile role. “If you participate in the system you have a responsibility to that system,” he says. In his view, putting money back into society will be “one of the most important trends in wealth management over the next decade”.

But if some prefer to do so anonymously, they do not deserve to be treated with suspicion, says Needham.

Confidentiality can also prevent unseemly resentments and unflattering comparisons, as all generations of Cadogans knew. Since the 18th century, their family motto has been: “He who envies is the lesser man.”



WHAT MATTHEW IS READING...

News of an £18m fine for “cherry picking” by Aviva Investors — waiting to see how trades performed, then allocating the most profitable to funds with the highest performance fees.



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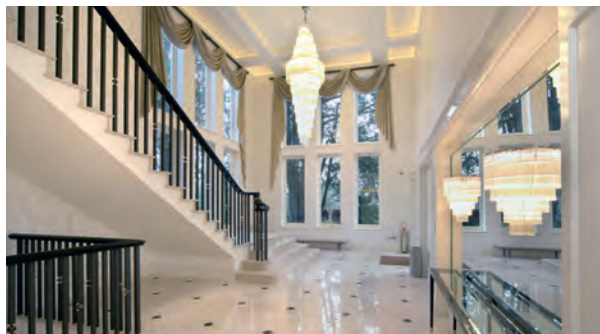
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A composite image featuring a man in a white shirt celebrating with a woman holding a trophy, and a man in a red boxing outfit in the foreground. The background is a warm, hazy orange and yellow light.

WHITE-COLLAR WARRIORS

ONCE A YEAR, WOULD-BE BOXERS FROM THE WORLD OF FINANCE LIMBER UP FOR HONG KONG'S HEDGE FUND FIGHT NITE

BY PATRICK MCGEE



Enter the dragon:
Harry 'Man of
Steel', an associate
director at HSBC
Private Bank takes
the stage for Hedge
Fund Fight Nite



Raging bull market:
writer Patrick McGee, above and opposite top, in blue

am standing in shorts and an oversized tank top beneath a marquee wedged between the harbour front and Hong Kong's great skyscrapers while on the other side of the curtain sit 700 guests eager to watch me get punched in the face.

While I nervously wait for the speakers to blast "Pump Pump" by Snoop Doggy Dogg — my chosen cue to enter the boxing ring — my cornerman rubs my shoulders while interviews of me and my opponent play on jumbo screens to the black-tie crowd. Bikini models circle the ring hoisting wine ads urging the audience to "Drink like a Champion".

Just before Snoop starts, the announcer blunders my name and proclaims: "From the blue corner, fighting for the Financial Times, Patrick 'I ain't pretty' McGeeeee!"

This is the set-up for Hedge Fund Fight Nite, an annual event now in its eighth year. After five months of almost daily training, 14 men and two women — all overeducated "white-collar" types (and one journalist) — are climbing into a boxing ring with the sole intent of demolishing their opponent within three two-minute rounds. We wear headgear and 16oz gloves to prevent serious injury, but I've already witnessed one competitor get knocked down by a single, concussion-inducing blow; another came out with a black eye. Everyone entering the ring *knows* they will win; only half do. And there are no second chances; the event is for first-timers only.

Just five months ago I started training with a group of 70. The coaches at JAB, a mixed martial arts studio in Hong Kong, whittled us down to 16 by reality show-style elimination, throwing out candidates on the basis of stamina, co-ordination or effort.

Harry "Man of" Steel, 30, associate director at HSBC Private Bank, had just returned from the alcohol-infused Glastonbury music festival in the UK when he arrived for the first training session. "It was a shock to the system," he says.

As the training progressed, more fighters would translate their anxiety into extra sessions. "Training for something, a fight, is great motivation," says Steel. "It's like, if I don't do this, I'll get my ass handed to me."

At the office, bruised faces often require delicate explanation so clients are not taken aback by the new hobby. "I deal with the wealth of lawyers and bankers — that's my demographic," says Will "Knuckle Sandwich" Kruis, from St James's Place Wealth Management. "Some thought I was nuts. There was a sense of, 'Oh, you're a different person outside the office.' You know — wealth manager by day, boxer by night."

The first white-collar fights took place at Gleason's Gym in Brooklyn, New York, the oldest active boxing gym in the US. The 15,000 square-foot facility is best known for the pros who have sparred there: 134 world

champions, including Cassius Clay just before he took the world title from Sonny Liston and changed his name to Muhammad Ali.

In the late 1980s, just as books such as *The Bonfire of the Vanities* and *Liar's Poker* were excoriating Wall Street culture for its excesses, droves of businessmen, lawyers and doctors started showing up to learn the "sweet science". Bruce Silverglade, who has owned the gym since 1983, sensed an opportunity. "I wanted them to have something to do so they wouldn't leave," he says. "You know, Gleason's is a world-famous gym, but in reality I'm just a small businessman."

Boxing in the US was, and is, regulated by the government at every level. "If you and your sister want to settle a dispute with gloves on, you need permission," Silverglade says. The regulators did not have a framework for less-than-amateurs to duke it out. Silverglade fought to amend the law, lost and contemplated giving up. Instead, in 1991, he started bootleg shows.

Silverglade called it "white-collar" boxing because the first contestants were so educated. The premiere match,



'TRAINING FOR A FIGHT IS GREAT MOTIVATION. IT'S LIKE, IF I DON'T DO THIS, I'LL GET MY ASS HANDED TO ME'



he says, was a Wall Street guy with a PhD matched against an opponent who was both a veterinarian and a lawyer. State regulators knew of the fights, Silverglade says, but they let it pass. “As long as it was in my gym and was safe, they looked the other way,” he says. “I started getting calls from people around the world — people were coming from all over. We got a lot of publicity. Media would cover it. Nobody was bothering me; nobody was getting hurt.”

Three decades ago Gleason’s was “99.9 per cent professional fighters”, Silverglade says. Now about 70 per cent are business people — and about a third of them are women. In 2000, white-collar boxing expanded abroad when Silverglade took a crew of Wall Street fighters to London, pitting them against City brokers in a contest dubbed “Capital Punishment”.

The illicit shows got too big. In 2006, New York State banned white-collar boxing and it took regulators five years to develop a proper framework. The shows nonetheless flourished abroad as event managers established regular training programmes culminating in major fundraisers. They are now in every leading financial centre: Tokyo, Shanghai and Singapore all have big events and many are glitzy affairs. The Boodles Boxing Ball, a charity event held in London by the luxury jeweller, has a history going back to 2002 and has hosted Prince William and Kate Middleton. Twice.

In Hong Kong, when event organiser Rob Derry founded Hedge Fund Fight Nite in 2007, he hoped it ➤



'IMAGINE THE MOST INTENSE CARDIO YOU'VE DONE, BE IT SPRINTING, PRESS-UPS. NOW, ADD SOMEONE PUNCHING YOU IN THE FACE'

might last five years before the novelty wore off. Instead, it has become bigger each year — and the last four have featured a women's bout. Derry says Hong Kong is an ideal city for the programme because the expatriate population is transient, hardworking and looking for a thrill. "If you are prepared — and I'm really not — to do that training while doing your day job, sacrificing the awesome night life on offer in Hong Kong, there has to be something different in your DNA," he says.

The latest Hedge Fund Fight Nite raised just under HK\$900,000 (\$116,000) for two charities — Operation Breakthrough, a Hong Kong-based organisation that tries to reform teenagers on the wrong side of the law, and the Chinese arm of Operation Smile, which provides free surgeries to repair children's facial deformities — it is poetic justice, perhaps, that a sport known for wrecking faces also raises money to fix them.

I signed up for the event because my girlfriend, Eleni, had won the women's match the year before and remembers it as one of the best nights of her life. That alone could have inspired me to sign up, but that she could beat me up was just as much reason.

I quickly learned the strange satisfaction of landing a fist on someone's face. In the video blaring on the jumbo screens, I describe a sparring memory when I deliver an uppercut that sent spit from my partner flying past his shoulder. One friend was concerned that I sounded like a sociopath, positively loving the memory of hurting


someone. But it is not my opponent's pain that pleases — it is the hours of hard work paying off in the most visceral way.

As the referee checks my gloves and my friends clamour for the best vantage point, I am feeling confident against Xiaozhou "Big Bang" Wang, a financial crime compliance manager at HSBC. Luck gave me longer reach — a crucial advantage.

I am in the best shape of my life, so it is surprising just how fatigued I am soon after the punches start flying. It's difficult to convey just how exhausting this is. The best way it's been described to me is: "Imagine the most intense cardio you've done, be it sprinting, never-ending press-ups, whatever. Now, add someone punching you in the face."

When ESPN, the television network, commissioned experts to rank 60 sports by difficulty, boxing came top; fishing was last. Boxing scored highest for durability — "the ability to withstand physical punishment over a long period of time" — and among eight categories it received more accolade for endurance, power and nerve — "the ability to overcome fear".

It was nerve that meant most to me. I knew I would enjoy the fitness and challenge of pugilism, but I surprised everyone, including myself, with the aggression that came out in sparring. Training at Rooney's Gym in London, I pummelled a taller opponent into a corner until a coach pulled me aside to say: "Hey, you're not trying to start a war here." It needed to be said, but whenever I tell the story I burst out laughing. Me?

As I stand centre ring, focused, the noise from the crowd is drowned out. I hear my coach's voice — "Go for the body!" — but little else. A long minute later, five months of anxiety and pressure dissipate. I am elated, arm raised in victory. The noise washes over me. But I am also disappointed it is over. 

Gain from pain: the boxing shows have become glitzy affairs and major fundraising events





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MUTUAL BENEFICIARIES

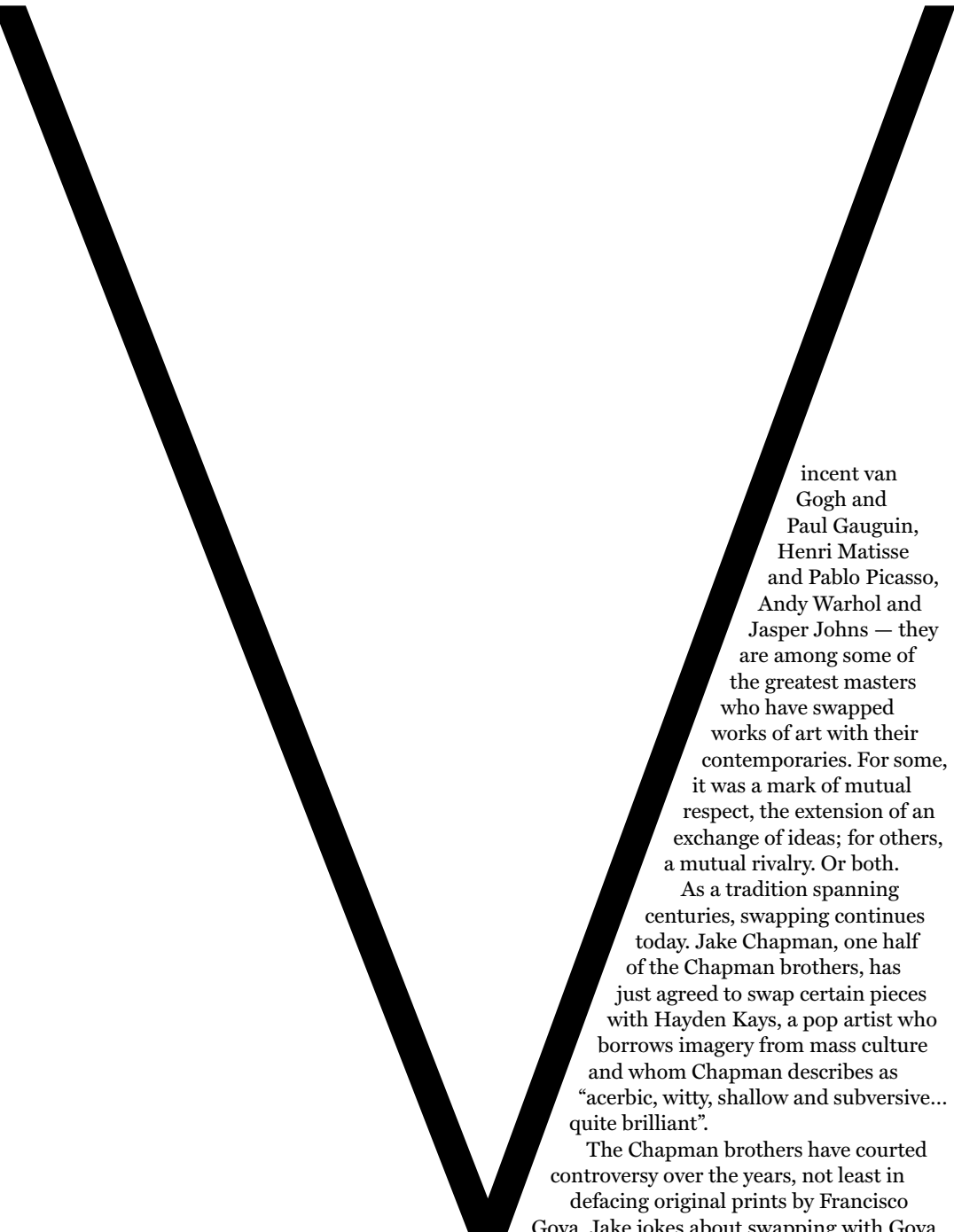
ARTISTS TRADE WORKS WITH ONE OTHER FOR REASONS OF FRIENDSHIP OR EVEN RIVALRY — AND TO SAVE MONEY

BY DALYA ALBERGE
PICTURE BY
KALPESH LATHIGRA





Currency of generosity: Hayden Kays, left, and Jake Chapman, right



'IT'S ABOUT MUTUAL RESPECT AND CREATING A DIALOGUE BETWEEN THEIR WORK AND THE WORK OF THEIR PEERS'

incent van Gogh and Paul Gauguin, Henri Matisse and Pablo Picasso, Andy Warhol and Jasper Johns — they are among some of the greatest masters who have swapped works of art with their contemporaries. For some, it was a mark of mutual respect, the extension of an exchange of ideas; for others, a mutual rivalry. Or both. As a tradition spanning centuries, swapping continues today. Jake Chapman, one half of the Chapman brothers, has just agreed to swap certain pieces with Hayden Kays, a pop artist who borrows imagery from mass culture and whom Chapman describes as “acerbic, witty, shallow and subversive... quite brilliant”. The Chapman brothers have courted controversy over the years, not least in defacing original prints by Francisco Goya. Jake jokes about swapping with Goya, acknowledging that the 18th-century Spanish master might be turning in his grave. He says he has swapped with “lots of different artists”, mentioning Damien Hirst — “prints and all sorts of stuff”.

Describing such deals as “a currency of generosity rather than value”, he adds: “There’s something quite nice about an exchange with artists. I’m not particularly interested in buying art. The possessiveness about buying art seems a bit strange to me. I also have a slight aversion to having art in my house.”

So what does he do with received artworks? “I’ve got a huge toilet, which is where all good art should go.” He insists he is being serious, adding: “It’s much better to be haunted by other people’s mistakes than your own. The last thing you want is a bunch of malevolent objects which memorialise your failures.”

Victoria Williams, director of the Cob Gallery, London, where Kays will exhibit this spring, says: “It’s amazing for so established and well-recognised an

artist as Jake [Chapman] to be recognising Hayden... and swapping.”

Kays can pick whatever he wants, Chapman says, having himself chosen one of Kays’ sculptures, “This Is Not A Brillo Box”, a variation on Warhol’s iconic “Brillo Soap Pads” boxes.

Matt Wrbcian, chief archivist of the Andy Warhol Museum in Pittsburgh, says the American pop artist swapped art throughout his career: “Warhol’s collection of other artists’ work was enormous, and he saw his own art as a currency.

“Jasper Johns has said that in 1964 Warhol traded one of his first Brillo box sculptures with him. Warhol chose a drawing by Johns from the ‘School Days’ series in exchange. Kenny Scharf says that, in the 1980s, he received one of Warhol’s 1964 self-portraits in exchange for his painting ‘Mad-Glad-Man.’”

Britain’s foremost pop artist, Peter Blake, recalls exchanging works with his contemporary David Hockney in the 1960s. In return for his portrait of Hockney, which the latter later donated to the Tate, Blake got Hockney’s “A Rake’s Progress” etchings. Such exchanges, Blake says, are usually a mark of “mutual admiration”.

Beyond admiration or rivalry, today especially there is an obvious monetary advantage of swapping — avoiding the substantial costs of agents, auctioneers and so forth.

Blake has also swapped with Hirst, who once suggested they give each other literally everything they created. As Hirst produces so much more, they abandoned that idea.

Blake is among artist-collectors featured in an exhibition, *Magnificent Obsessions*, at the Barbican Art Gallery in London, which also includes an untitled open cube by the American minimalist Sol LeWitt that he once swapped with Hanne Darboven, the German minimalist. What LeWitt got in return is unclear.

The catalogue notes: “Collecting was a form of dialogue with other artists and [LeWitt] generously continued to trade works throughout his career, including with emerging and lesser known artists.”

“It’s about mutual respect and creating a dialogue between their work and the work of their peers,” says the exhibition’s curator, Lydia Yee.

Philip Hook, senior director of impressionist and modern art at Sotheby’s, the auction house, believes artists exchange their art partly to shine with their peers: “One has always assumed it is an imprimatur of quality because artists, being rather self-regarding, would want to give another artist something that made them look rather good.” ➤



Collectors' pieces: clockwise from left: Andy Warhol and his "Brillo Soap Pads" boxes; Edgar Degas' "Mr and Mrs Manet"; Peter Blake's "Portrait of David Hockney in a Hollywood Spanish Interior"; Hockney's "Death in Harlem" from "A Rake's Progress"

‘[SWAPPING] TENDS TO BE A PRACTICE AMONG ARTISTS WHO ARE MAKING THEIR WAY RATHER THAN THOSE WHO ARE ESTABLISHED’

But that was not the case with Picasso and Matisse, according to a 1933 account by eccentric American author Gertrude Stein. Recalling a 1907 exchange between those titans of art she described as “friends but enemies”, she claimed each chose a picture “undoubtedly the least interesting either of them had done. Later each one used it as an example of the weaknesses of the other one.”

Matisse exchanged a portrait of his daughter, Marguerite, for Picasso’s “Pitcher, Bowl and Lemon”. Although one account suggests Picasso and his friends hurled fake darts at the Matisse portrait, art experts dismiss Stein’s account. Picasso himself denied it.

Certainly any rivalry was matched by admiration, with Matisse once saying “Picasso sees everything” and Picasso observing “there is only Matisse”.

Van Gogh and Gauguin were to have a fraught relationship, but they sealed their friendship initially with an art exchange. Art historian Belinda Thomson says both these artists had struggled to sell their work: “[Swapping] tends to be a practice among artists making their way rather than established. Van Gogh

seems to have given Gauguin a choice of two paintings of ‘Sunflowers’... the slightly earlier ones of sunflowers gone to seed.” One of them today is in the Metropolitan Museum of Art, New York. In return, Van Gogh received Gauguin’s glorious painting “On the Banks of the River at Martinique”, now in the Van Gogh Museum, Amsterdam.

Gauguin wrote to Van Gogh in 1887: “You will find at the framer in Rue Fontaine a painting that I have delivered for you (for our exchange). If you do not consider it suitable, let me know, and come and choose yourself. Forgive me if I do not come to collect your paintings myself.” The following year, Gauguin wrote: “Your idea for an exchange, to which I haven’t yet replied, appeals to me, and I’ll do the portrait you want, but not yet.”

That year, Van Gogh also wrote to his dealer brother Theo about a swap with Gauguin: “I have just received the portrait of Gauguin by himself. My portrait, which I am sending to Gauguin in exchange, holds its own, I am sure. When I put Gauguin’s conception and my own side by side, mine is as grave, but less despairing. Someday you will also see my self-portrait, which I am sending to Gauguin, because he will keep it, I hope.”

Gauguin also swapped with Edgar Degas. Gauguin received one of the pastel dancers in return for his still life painting, “The Mandolin (On a Chair)”. Degas noted it down in his inventory as an “exchange”.

“The advantage for Gauguin was that he could exhibit this still life [as belonging] to Monsieur Degas, so it upped his profile, being able to say it belongs to a well-known artist like that,” says Thomson.



PHOTO: VINCENT VAN GOGH, COURTESY OF THE METROPOLITAN MUSEUM OF ART

Van Gogh was constantly urging his brother Theo to organise exchanges of his [Vincent's] work with other artists and this sometimes succeeded (Emile Bernard, Henri de Toulouse-Lautrec, Armand Guillaumin) and sometimes did not (Georges Seurat was one of several who declined), says Sir John Leighton, former head of the Van Gogh Museum in Amsterdam and now director-general of the National Galleries of Scotland. He adds that there are “countless examples across the centuries of artists exchanging works”.

“There have been some famous occasions when an exchange has gone disastrously wrong,” he says. “One thinks of the portrait of Manet and his wife by Degas that the latter gifted to the sitter, who promptly mutilated the picture by slicing off the — perhaps unflattering — image of his wife.”


Degas later told his dealer: “I left without saying goodbye, taking my picture with me. When I got home, I took down a little still life he had given me. ‘Monsieur,’ I wrote, ‘I am returning your “Plums” [painting].’”

Earlier artist exchanges included Albrecht Dürer and Raphael. Karen Serres, paintings curator at the Courtauld Gallery in London, says: “Dürer sent Raphael a self-portrait — untraced — as a symbol of his admiration. In thanks, Raphael sent Dürer several drawings by his hand. One drawing has been identified: a study of three nude men, by Raphael [today in the

Albertina in Vienna], which bears an inscription and a date, 1515, in Dürer's own hand. Long thought to be a preparatory work, it has been shown to be a finished drawing, probably made especially to be sent to Dürer.”

There is obviously a fine line between exchanges, gifts and purchases. Nico Van Hout, curator of the Rubens and His Legacy exhibition at the Royal Academy of Arts in London, says Rubens owned several paintings by his assistant Anthony van Dyck, and several by Adriaen Brouwer, whom he rescued from prison: “But we guess he mostly paid [them], rather than swapping.”

In June, Tate Britain in London will stage a major retrospective on Barbara Hepworth, one of the most influential sculptors of the mid-20th century, including a 1932 painting by her second husband, Ben Nicholson, given to her, although the reciprocal work is unknown.

Chris Stephens, the gallery's head of displays, recalls a story told to him by the abstract artist Terry Frost, who was at the start of his career when Nicholson visited his St Ives studio and was impressed enough to suggest a swap: “That was amazing from someone who was very established to someone just starting. They did a swap. Then Terry got his first London exhibition and Ben had to say: ‘You better have the picture back — it's too good not to be in the show.’ So they swapped them back again. Terry had lost his Nicholson.” A rare instance of a swap in reverse. 

Magnificent Obsessions: The Artist as Collector, runs at the Barbican Art Gallery, London, until May 25



Seal of friendship: an 1887 “Sunflowers” painting by van Gogh, opposite, and Gauguin’s “On the Banks of the River at Martinique”, left



A KINGDOM UNDER PRESSURE
NATIE KIRSH, BILLIONAIRE
ENTREPRENEUR AND PHILANTHROPIST,
WANTS TO SET THE RECORD STRAIGHT
ABOUT HIS ADOPTED COUNTRY,
SWAZILAND

BY MARGARET O'CONNOR



Natural kingdom:
Swaziland is
home to fertile
agricultural land
and forests

PHOTO: GRAEME WILLIAMS/PANOS

Like any successful parent whose child has suffered a serious setback, Nathan “Natie” Kirsh, the billionaire founder of a diversified conglomerate, wants to help. But Kirsh’s adopted child is a country, Swaziland. The US government’s decision to rescind Swaziland’s favoured trading nation status on December 31, 2014 triggered Kirsh’s campaign to “set the record straight about the Swaziland leadership” — and, in turn, save the country’s textile industry.

Most of the textile factories are owned by Taiwanese businesspeople who could move their operations to another country if Swaziland does not regain its preferential access to the US market soon.

The Swaziland Kirsh encountered 57 years ago when he moved there from South Africa was a peaceful, isolated mountain kingdom, rich in cultural traditions, fertile agricultural land and forests but lacking much in the way of industry, infrastructure and entrepreneurial know-how.

The then 26-year-old put the small amount of money he inherited when his father died to work, establishing a maize-milling business. He diversified into malt, agricultural supplies, commercial vehicles and finance, before returning to South Africa in 1968.

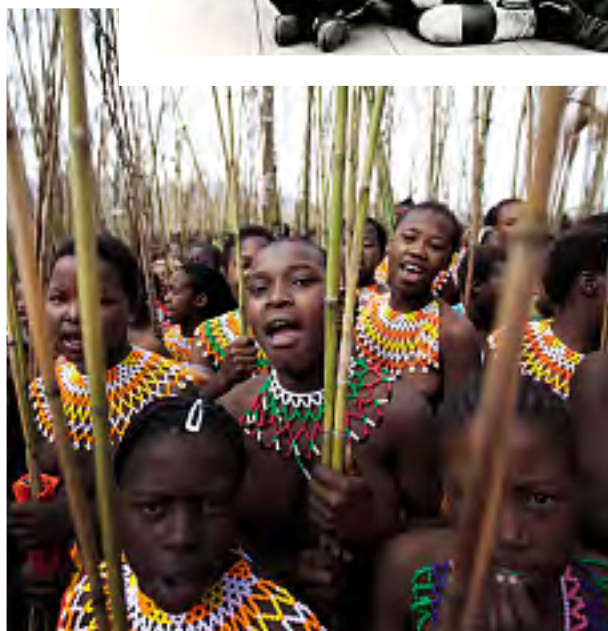
Kirsh invested his first fortune in South African retail, food distribution and property. He moved quickly and expanded aggressively but eventually lost everything. New York provided a clean slate. The immigrant went on to amass another fortune in the US through convenience stores, restaurants and large-scale property development. Bloomberg Business News recently valued his fortune at \$8.4bn.

The 83-year-old entrepreneur and philanthropist, who commutes between the US, the UK, South Africa and Swaziland, is now using his international clout to try to restore the bilateral agreement that could save the jobs ▶

'THE LEADERSHIP THOUGHT MAKHUBU'S IMPRISONMENT WOULD CRUSH OUR SPIRIT. WE'RE GLAD TO HAVE PROVED THEM WRONG'



National spirit: King Mswati III, above left, addresses the UN General Assembly in 2013; Natie Kirsh at Manzini sports club in the 1960s, above right; a Reed Dance ceremony, right



of more than 12,000 textile factory workers, supporting at least 10 times that number of people. The impact of the job losses would be significant in a country of 1.2m people, where few new jobs are created and 31 per cent of the 18-49-year-old population is HIV positive. "We are facing a humanitarian crisis," says Frances, Kirsh's wife of 60 years. "This is the first issue in his career that's given him sleepless nights."

George Lys, an ex-Gurkha army officer who is the southern African head of Kirsh Philanthropy, an organisation that aims to improve the lives of Swaziland residents, explains that the family's approach to helping Swazis help themselves has led it to put programmes in place to provide vulnerable people with seeds and agricultural training.

The microfinance venture that Kirsh Philanthropy started in collaboration with local chiefs provides affordable loans and financial literacy training to Swazi women. More than 20,000 people are employed in these small-scale enterprises.

Apart from textiles, sugar and timber are Swaziland's

only other export industries. The phasing out of EU subsidies for the country's sugar in 2017 is the next big challenge for the economy. Although Swaziland's sugar producers are extremely efficient, labour costs are higher than those of their competitors, including Brazil. More job losses are expected as mechanisation continues to replace manual labour.

Contributions from the Southern African Customs Union have fallen but still represent 51 per cent of the country's national budget,

and South Africa has warned its neighbour to expect further cuts. Pressures to curtail Swaziland's bloated public sector wage bill are expected to intensify.

International donors, who have propped up the sluggish economy and provided much-needed support to the population, driven by the HIV-Aids issue, are often critical of what they see as the Swazi leadership's failure to act on three of the five International Labour Organisation benchmarks that informed the decision of the US.

"We are making the maximum effort possible to regain eligibility," says B Sibusiso Dlamini, Swaziland's prime minister. Plans to curb police power have been approved and the government is still debating how to respond to pressure to amend the Public Order and Suppression of Terrorism Acts.

"At this particular point in time the word 'compromise' would not seem appropriate since we are in discussion with the US government on policy," says Dlamini. "There will be no compromise in our determination to protect our people and others who reside here, including members of the international community."

Swazi activists are outspoken about the need for reform. This small, articulate group of union leaders, civil society leaders and journalists argue King Mswati III and the Queen Mother, who have jointly ruled the country for 29 years, have lost sight of the best interests of the nation.

The imprisonment last year for sedition of Bheki Makhubu, the editor of *The Nation*, an independent news magazine, after he wore a T-shirt bearing the logo of Pudemo (the outlawed political party that claimed responsibility for placing a bomb beside a bridge near one of the king's 14 royal palaces in 2009) has made him a figurehead for the Swazi reform movement.

"The leadership thought Makhubu's imprisonment

Man with a mission:
Natie Kirsh expects
Swaziland's preferential
access to the US markets
to be restored soon



'THE MYTH THAT KING MSWATI IS THE LAST REMAINING ABSOLUTE MONARCH COULD NOT BE FURTHER FROM THE TRUTH'

would crush our spirit and bankrupt this magazine. We're glad to have proved them wrong," says Vuyisile Hlatshwayo, founder of the Nation.

But the magazine's views do not speak for all Swazi progressives. Factionalism divides the opposition, and Chatham House, the UK-based international affairs think-tank, estimates only 15 per cent of Swazis advocate reform. Outsiders, notes Lys, should not underestimate the strength of traditional cultural values and the social stability it engenders.

Yet while there is widespread respect for the institution of the monarchy, there is growing frustration about the apparent lack of respect some of the royal circle show for the common people.

"Have the interests of Dlamini Inc trumped the interests of ordinary Swazis?" asks a development worker who lives in a rural community.

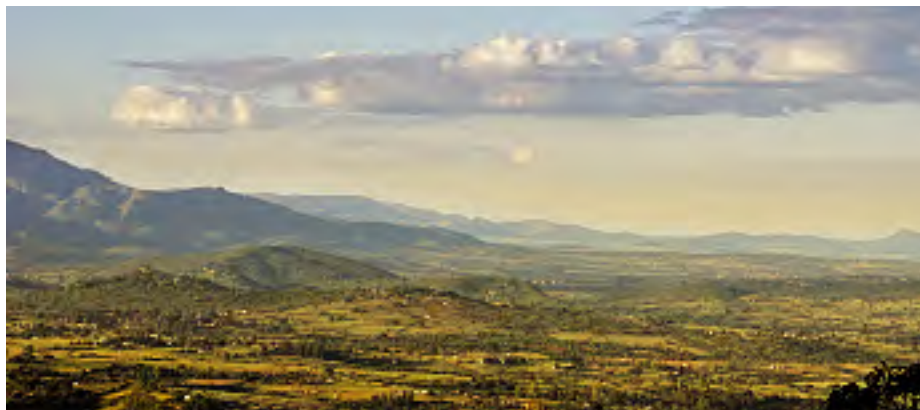
"Dlamini Inc" serves as shorthand for the 300 or so members of the royal household who receive a stipend from the national government, and for their advisers and allies in business and the civil service. There are many Swazi citizens who carry the Dlamini surname but are not close relatives of the king.

The king also has his own private investments and income, including 10 per cent of MTN Swaziland, which was awarded the country's first — and only — mobile phone licence in 1998.

In a country where poor people will sometimes buy airtime instead of food, "we would like to see more affordable pricing structures adopted so that more people can use their mobile phones more often to access information that will enable them to exploit personal and professional development opportunities", explains Siphso Alfred Dlamini, former managing director of Swaziland Posts and Telecommunications.

The vast majority of people in Swaziland are subsistence farmers whose children's formal education ends at age 12 in grade seven. Government schools are free until that point, but high school fees, which average SZL4,500 (\$370) a year, are beyond the means of most Swazi families.

Showcase issues: the area around Piggs Peak, where the main industry is forestry, below left; journalist Bheki Makhubu, below right, who was jailed for sedition



The establishment of a new technology university is intended to address the dearth of people with the academic training to staff the new biotechnology park that is another cornerstone of Vision 2022 (Swaziland's national development strategy to turn it into a first-world country). The Taiwanese government donated \$300,000 to establish the park. Further co-operation from Taiwan and investors is expected to help expand the sector.

Swaziland has a long history of sending its brightest young people to universities in South Africa, the US and the UK, but because of the limited economic opportunities, few graduates return home.

Natie Kirsh fills a vacuum in the court of public opinion in a country where the monarchy does not often engage with the international media (the king declined interview requests from the Financial Times) and the royal household does not employ a spokesperson. Lys complements his employer's personal networks and deep knowledge about how Swaziland works, having worked as the king's private tutor and mentor when the monarch returned to Swaziland from England after completing his education at Sherborne, a British public school, in 1986.

One of Lys's first assignments in Swaziland was preparing the then 21-year-old king for a six-country foreign tour. The British Foreign Office, Lys's employer at the time, assisted. During his 17 years working for the king, Lys says he got to know him as a man with a deep commitment to improving the lives of his subjects.

But while the king might be above reproach within the country, reports suggesting Swazi royals have accompanied their Gulf state peers on extravagant overseas shopping trips have gained credence following the creation of SwaziLeaks, a Wikileaks-inspired Twitter feed dedicated to exposing royal excess.

Yet the truth of the matter remains elusive.

Despite repeated requests by the Financial Times, the creators of SwaziLeaks declined to confirm whether they had been able to verify the claims they have published on social media.

King Mswati III's address at the opening of parliament in mid-February referred to the negative mainstream and social media coverage the SwaziLeaks



campaign triggered. “It should deeply concern us when we hear people who have no knowledge of our culture, portraying it in bad light on some foreign forums,” the king said. “This has drastically affected our image as a county in many spheres. It has deprived the nation of key benefits that could contribute handsomely to both our sustainable development and social welfare programmes.”

Kirsh is keen to challenge certain negative media reports. “The myth that King Mswati is the last remaining absolute monarch could not be further from the truth,” he says.

“The authority he has to appoint the prime minister and cabinet gives him huge influence on the management of the country and ensures the cabinet acts responsibly and honestly in carrying out its duties with minimal corruption, in conjunction with an independent, non-political civil service.”

Lucky Lukhele, spokesman for the advocacy group Swaziland Solidarity Network, says he thought the Swazileaks campaign was “clever packaging” of the kind of information he often receives from people disgruntled with the persistent economic inequality in Swaziland. “Unfortunately, Swazileaks hasn’t made the royal family feel more accountable to the people,” he adds.

But many people in Swaziland feel such criticism is unwarranted.

“The royal family has its own income streams and this spending is often overstated or sensationalised in the international media. In our experience, the king’s focus on international trips is on promoting Swaziland, not on frivolous spending,” says Andrew le Roux, executive director of Montigny Investments, a sustainable-timber company.

Montigny’s work with sugar and timber producers and Swaziland’s public sector to improve hydropower production and develop renewable energy from sawmill waste might just keep the lights on in the country when the electricity supply from South Africa falters because of generation capacity problems in Swaziland’s neighbour. This renewable energy initiative is one of the few bright spots in a country with uncertain economic prospects.

“Now is the time for change’ is a refrain we’ve echoed before,” says Christopher Vandome, Africa programme administrator at Chatham House. Swaziland’s loss of African Growth and Opportunity Act status — which gave it preferential access to the US markets — like its fiscal crisis in 2011, presented an ideal opportunity for international donors to facilitate reform in exchange for assistance.

“But the king has become a master of brinkmanship diplomacy and calls for change inside Swaziland have gained little traction,” Vandome says.

Kirsh, a long-time chairman of the Swaziland Electricity Board, remains confident that the US will change its mind — and return Swaziland to favoured nation trading status.

“The restoration of AGOA eligibility for duty-free entry to the US market has been addressed and should be in place by the end of March,” says Kirsh. “Thereafter I am confident Swaziland will continue to become an ever more stable and peaceful country, continuing the progress since independence to provide a better life for all its citizens.”

Ruling monarch:
Mswati III, below
right, was crowned
king at the age of 18





t dawn on a cold, grey March morning in London's Mayfair, 135 police officers burst into the homes and offices associated with Vincent and Robert Tchenguiz, the property moguls, in the glare of paparazzi flash bulbs. It is 2011 and the

raid has been orchestrated by the Serious Fraud Office to gather evidence against the brothers for their alleged involvement in the collapse of Kaupthing, the Icelandic bank, three years previously. In moments like these there is only one question: who you gonna call?

In this case, Vincent Tchenguiz called a very new, little-known business intelligence company founded and staffed by two young ex-Israeli military intelligence officers, Dan Zorella and Avi Yanus. Black Cube set about mapping the complex network of relationships that underpinned the 2008 crash of the Icelandic banking system that collectively had debts nine times the gross domestic product of the entire country. As a result of this investigation, the case against the Tchenguiz brothers collapsed, the courts ordered the SFO to pay £3m plus costs and David Green, director of the SFO, issued a public apology. Vincent Tchenguiz is now suing accountants Grant Thornton, among others, for £2.2bn using the same dossier supplied by Black Cube.

Black Cube is a different breed of investigative company. It does not just gather information for its clients, the company builds a body of evidence focused on a particular lawsuit, corporate attack or threat, and is known for its tenacity.

Elite units within the Israel Defense Forces' Intelligence Corps, such as the renowned Unit 8200, have arguably spawned more technology companies than any business school. Stylit, Nice, Comverse and Check Point are all examples. Professor Asher Tishler, until last year dean of Tel Aviv University's school of business and now president of the College of Management Academic

PHOTO: GAJUS/DREAMSTIME

SPOOKY BUSINESS

THE SECRET SERVICES HAVE SPAWNED A NEW BREED OF COMMERCIAL INTELLIGENCE COMPANY

BY LIZ BOLSHAW





Studies, taught both Zorella and Yanus, and sits on Black Cube's advisory board. "IDF intelligence graduates are very smart people," he says. "They have been trained very well to think outside the box, not 9-5."

It is not only action by the police or the courts that may have you reaching for the phone. When a Ukrainian bank noticed that some of its ATMs appeared to be faulty, paying money out in an apparently random way, it put in a call to Kaspersky Lab.

"I don't know if we would categorise ourselves as an intelligence company," says David Emm, principal security researcher for Kaspersky Lab, "but we have been drawn in that direction inexorably." Founded in 1997, Kaspersky has since been dubbed "the best anti-virus and cyber-threat company in the world" by a senior industry source.

There was nothing wrong with the bank's ATMs, but someone had hacked the machine's programme to dispense cash at prescribed times. It was the tip of a very big cyber iceberg. "As with many targeted attacks, you are looking at a unified code base that attacks a range of organisations," says Emm. "It is not like a Brink's-Mat [gold bullion] robbery and a single hit." In this case Kaspersky, then working with Interpol, uncovered thefts amounting to approximately \$1bn from 100 banks across the globe.

The company analyses 325,000 samples of code every day to detect malware and unusual patterns of activity that may indicate a future security breach. Predictive analytics allows the company to "keep track in real time" of anomalies in software or browser behaviour.

The Carbanak gang was able to hack important employees' computers using "spear phishing" (highly targeted emails) and drive-by downloads (unintentional

software downloads), and then mirror bank operations so precisely that they remained undetected until Kaspersky became involved. "Companies and individuals should not rely on the thin red line," says Emm. "We are not as smart as we should be on raising awareness of human vulnerability."

Facing two rooms full of electronic data in their efforts to recover money for investors hung out to dry by Bernard Madoff, the convicted Ponzi schemer, Baker Hostetler, the US law firm, called in K2 Intelligence. The company specialises in crunching through large volumes of data "with our new whizz-bang tech", says Paul Lyons, co-head of the business intelligence practice at the company. Working with Palantir, the software specialist, K2 has been analysing tens of thousands of email and phone records to prove that certain individuals claiming they did not know Madoff, actually did.

K2 was founded by father and son Jules and Jeremy Kroll in 2009. Kroll *père* is a veteran of corporate investigation, more or less inventing the industry. The former district attorney built his eponymous company from its inception in 1972 to an enterprise worth \$1.9bn when it was sold to Marsh & McLennan, the US insurance broker, in 2004. It is now owned by Altegrity, the security group. Until perhaps a decade ago, companies such as Kroll and Control Risks dominated the risk mitigation and business intelligence sector.

"These firms are huge factories," says a senior industry

'[EX-INTELLIGENCE OFFICERS] ARE USED TO HACKING COMPUTERS, WIRETAPPING, LISTENING TO PHONE CALLS'



source. “A project goes in one end and goes through a predetermined set of 10 processes and the product emerges at the other end.” By contrast, companies focused on the sharp end of intelligence work have “no reliance on reaching down from the shelf”, in the words of Chris Morgan Jones, an ex-Kroll intelligence staffer and now adviser to K2, when he is not writing thrillers. “Much due-diligence work, for example, has become highly commoditised,” he says.

“What we do is very personal,” explains Frans Post, chief executive of GPW, the business intelligence group. “We do not have 100 analysts in a room monitoring Google Stream [an online newsfeed], then writing it up into a report. We provide unique intelligence.”

Globalisation, cyber threats and the 2008 financial crisis have all been good news for business intelligence companies. Not only is the market expanding (total global spend is forecast to grow 8.2 per cent in 2015, to \$76.9bn, according to research by Gartner, the technology research company), but the speed and nature of these challenges also favour entrants.

GPW, founded in 2004, specialises in providing corporate intelligence in Russia and the Commonwealth of Independent States, the Middle East and Africa. “As companies with a big geographical footprint look to expand into unknown territory with more challenging jurisdictions, they need expert support in helping them gather intelligence on the ground,” says Post. K2’s Morgan Jones says older companies have been slow to grasp opportunities to build valuable business relationships with clients from emerging markets. Such work builds a two-way intelligence route, as these clients open doors and offer “far deeper access to these markets” than would otherwise be possible, he says.

‘[THE DARK NET] IS WHERE CRIMINALS, HACKERS, INTELLIGENCE OFFICERS AND INVESTIGATIVE JOURNALISTS OPERATE’

Companies founded by former intelligence officers, have to tread a narrow line between legal and illegal methods of intelligence gathering. “When you leave the service, it is like being suddenly blinded,” says a senior industry source. “You are used to hacking computers, wiretapping, listening to phone calls. Suddenly you have to create unique methodologies that are legal to gain that information.”

Prof Tishler adds: “You work on the borders and sometimes by mistake you cross the border. Sometimes you drive your car and go over the speed limit. It happens in life and it happens in intelligence work.”

Heavyweight legal counsel helps. Black Cube’s advisers include Michael Drury, former director of legal affairs at GCHQ, the UK state communications monitoring agency, as well as the law firm K&L Gates in the US.

Intelligence is still a covert, secretive business. That is partly why the deep web (part of the internet not indexed by standard search engines) – and the even more clandestine dark net – is one of its critical tools. “It is an interesting place,” says a senior industry source, “because it is where criminals, hackers, intelligence officers and investigative journalists operate.” However, navigating the dark net “requires very specialist skills”, adds Morgan Jones.

For all the importance of data, Black Cube, GPW and K2 invest in “people on the ground” in Post’s words. “Sometimes one telephone call can save you three months of work; it is not all done through technology,” says Prof Tishler. “You just need to know who to call.”

Cyber war (from left to right): the London offices of Robert Tehenguiz being raided; the headquarters of Kaspersky Lab in Moscow; servers in a London office; Vincent Tehenguiz and his sister, Lisa, arrive at the Royal Courts of Justice in London



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INSIGHT



Sixties style:
the Triumph
Thruxton Ace
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INVESTING EQUITIES

“
GUILLEMETS ARE VISUAL
QUARANTINE FOR ANYTHING
TOO RABIDLY ANGLO-SAXON

”

Gained in translation

If you want to know what the French think of a British or American idea, just look for the *guillemets*. These are the angular quotation marks you will find around any Anglicism deemed unworthy of the language, from «asap» to «le weekend». They neatly encapsulate the offending English words and the French attitude towards them. They are, if you like, a visual quarantine for anything too rabidly Anglo-Saxon.

Ultimately, the aim of l'Académie Française, the body that guards the mother tongue, is not merely to contain etymological impurities within these punctuation marks, but to squeeze the life out of them altogether. In this, it is aided by the Commission Générale de Terminologie et de Néologie – a sort of French linguistic version of the Spanish Inquisition. It will convert only the most essential of Anglophone hearsays and heresies into “les mots justes”.

In recent years, it has allowed «le credit crunch» to be re-evaluated as

“le resserrement du crédit”, «le binge drinking» to be gender realigned to “la beuverie express” and «le hashtag» to be retyped as “le mot-dièse” (even though this refers to a musical sharp symbol, which slants in a different way to a hashtag). For

BY MATTHEW
VINCENT

readers of the financial pages, the most telling change has been Le Monde’s adoption of “l’assouplissement quantitatif”, in place of the very un-French «le quantitative easing». In fact, in the first seven weeks of this year, as the European Central Bank was preparing to ease economic concerns with €1tn of bond purchases, the newspaper made more mentions of “l’assouplissement” than it had in the whole of 2014.

Portfolio managers are asking whether this verbal volte-face will presage a similar turnaround in market sentiment. Some even suggest that by embracing «QE» – or rather l’AQ – at the same time that oil prices are falling, Europe may finally have adopted a seldom-heard Americanism: recovery.

“The US had its recovery, we did not,” notes Karen Olney, a strategist at UBS, the Swiss bank. “Take advantage as we get help [from the] weak euro, oil, QE.” With US equities still trading at a 60 per cent premium to European equivalents, on price-to-book ratio, she sees a buying opportunity before this gap inevitably closes.

César Pérez, chief investment strategist for Europe, the Middle East and Africa at JPMorgan Private Bank, is confident that QE can be easily translated from American and Japanese vernacular into Latinate languages. “Based on previous experiences in the US and Japan, we believe that in order to be effective, QE [bond buying] has to be about 20-25 per cent of equity market cap,” he argues. “Therefore, at around 21 per cent of market cap, the ECB is well placed for a good result.”

“Good
moaning”:
Officer Crabtree
from BBC
TV’s sitcom,
“Allo 'Allo!”

“
TO SOME MARKET WATCHERS,
«LE BUZZ», OR ‘LE RAMDAM’,
SURROUNDS THE OIL PRICE

”

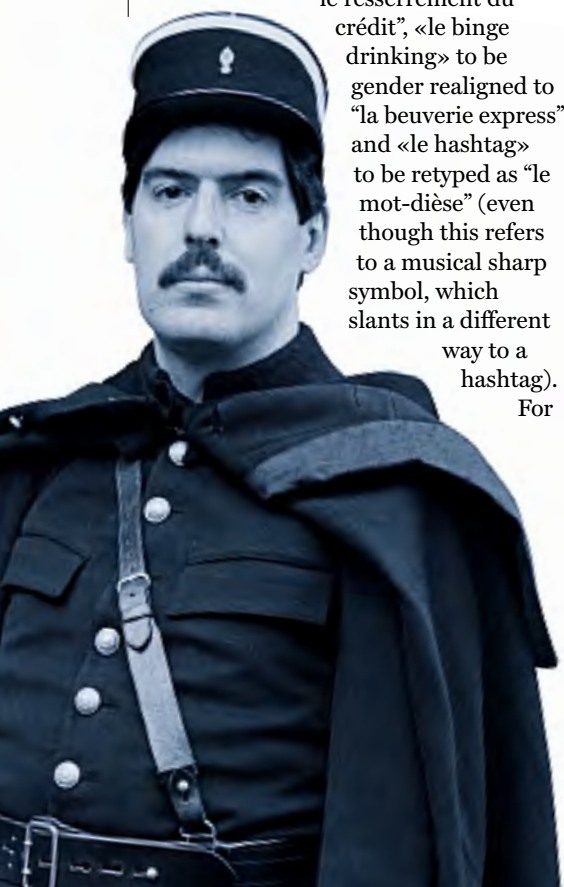
Others expect Europeans to steal more than just US vocabulary. “European companies will be nicking their US peers’ growth through the weak euro,” says Tom Becket, chief investment officer of Psigma Investment Management. He believes a weakened currency must benefit European exporters’ margins.

But to some market watchers, «le buzz», or “le ramdam”, surrounds the oil price. Guy Monson, chief investment officer at Sarasin & Partners, points out that the positive correlation between equity markets and oil has broken down for the first time in decades because, for once, oil prices are falling for a good reason: US shale. “Europe is the winner over 12-18 months,” he says, “and the emerging markets – especially India, China and Indonesia, the big oil consumers – are the investment winners over 3-5 years.”

Not everyone is convinced. Pau Morilla-Giner, chief investment officer at London & Capital, admits European stocks may rally in the near term thanks to QE and cheaper oil, but believes the eurozone success story is still missing several words – difficult ones such as political and fiscal union, and bank recapitalisation.

Nor are all the numbers and abbreviations helpful. Shares in Eurostoxx 600 index already trade on a slightly higher price/earnings ratio than their longer-term average of 13.4, Morilla-Giner notes, even though “quality of [earnings per share] growth is low”. Christophe Donay, head of asset allocation at Pictet Wealth Management, has a term for this: “excess territory”.

For investors needing words of encouragement, QE/l’AQ at least provides a lingua franca. Gerrit Smit, head of equity advisory at Stonehage, the multifamily office, suggests it does not even matter how the stimulus is spelt out: “Capital markets thrive on changes in perceptions, rather than what the current economic reading is.”





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INVESTMENT CURRENCIES

“

THERE HAS BEEN A
CO-ORDINATED RACE TO
DEVALUE CURRENCIES

”

The price is right



PHOTO: JOHN WILHELM/GETTY IMAGES

It is official: foreign exchange still has the power to shock. When the Swiss National Bank ended its currency's euro cap in January, the franc leapt almost 30 per cent against the single currency in a day. Swiss stocks plunged and two foreign exchange brokers collapsed.

While this was not a typical day in the world of foreign exchange, analysts say the Swiss decision heralded a year in which currency movements would surge higher up investors' agendas.

"The Swiss National Bank's decision at the start of the year has really introduced volatility back into currency markets, and that elevated volatility is likely to linger," says Dean Turner, an economist at UBS Wealth.

"We have seen a sharp rise in implied volatility across major currency pairs since the low points reached in the final quarter of last year."

The Swiss dropped their bombshell shortly before the European Central Bank became the latest monetary authority to unveil a quantitative easing programme, in this case a €60bn per month bond-buying scheme expected to exert downward pressure on the single currency.

"There has been a co-ordinated race to devalue currencies and thereby stimulate inflation in the world's major economies, initiated by the Bank of England, adopted by the US Federal Reserve and taken to dizzying new heights by the Bank of Japan," says James Maltin, investment director at Rathbone Investment Management.

However, now that the Fed is seeking a return to "normal" monetary policy after its quantitative easing programme, many analysts foresee a continuing bull market in the dollar. Turner's portfolios are overweight US-focused assets as a result.

What does this mean for investors? "One should apply a greater degree of caution with regard to FX risk and hedge foreign exchange exposures to a greater degree than before," says Yves Bonzon, chief investment officer at Pictet Wealth Management.

BY JUDITH EVANS

To hedge or not to hedge is one of the key questions, particularly in the cases of the euro and yen. Many wealth managers advocate using a hedging mechanism, for example a derivative overlay in which the manager buys currency-related instruments such as futures and swaps to access underlying growth in securities without exposure to a fall in the currency.

"We are quite constructive on the European equity market, and one function of that optimism is that the weaker euro is good for corporate earnings. We want to hedge that exposure," says Turner.

Others are not so sure. While César Pérez, chief investment strategist for Europe, the Middle East and Africa at JPMorgan Private Bank, hedges fixed income exposure, Rathbone's Maltin is not a fan of hedging. "Given the unpredictable nature of the world's currencies and the costs of hedging, this is inadvisable," he says.

“VOLATILITY SEEMS SET TO BE EXTRAORDINARILY HIGH IN THE NEXT FEW YEARS”

For investors whose home currency is sterling, the question could be complicated by potential weakening in the pound as political uncertainty looms over the May general election. While sterling hit a seven-year high against the euro on March 9, Thomas Becket, chief investment officer of Psigma Investment Management, believes this trend could go into reverse.

"We would argue that much of the repricing of sterling against the euro and yen has taken place," he says.

It is not all about risk management; a bumpy ride for currencies presents opportunities as well as pitfalls.

"Volatility seems set to be extraordinarily high in the next few years, presenting lots of opportunities for nimble investors," Becket says.

He has direct currency plays in his portfolios, including the Aberdeen Global Asian Local Currency Short Duration Bond fund, which expresses a positive view of Asian currencies against the pound over the coming five years.


Pérez argues that India's rupee and Indonesia's rupiah "should benefit from the positive structural reform trend". He says both currencies may be regarded as a "carry" play for investors from elsewhere, who can benefit from their high yields (sometimes while borrowing more cheaply in lower-yielding countries). India, as a net commodity importer, is also set to benefit from low commodity prices, says UBS's Turner.

Until recently, China was the most popular venue for the carry trade, but analysts believe this may be unwinding after record outflows of \$91bn from the country's capital account in the final quarter of 2014. Brazil's real has been another popular carry play thanks to returns of 12 per cent on local currency bonds, but the real has begun falling against the recovering dollar as Brazilian growth falters.

The U-turn in the dollar's direction of travel, following a decade of weakening between 2001 and 2011, has placed "severe stress" on companies and countries that accumulated dollar-denominated debt, notes Pictet's Bonzon. "As a result of this, one should stay very cautious on emerging market assets and on US high yield," he says.

This applies especially to Ukraine and Russia, which have high dollar borrowings to add to their political woes.

Chris Towner, managing director of HiFM, the foreign exchange risk management company, says currency strategies should be based on the health of underlying economies, however seductive or alarming short-term fluctuations may be. He is bullish on the Turkish lira, for example.

"Turkey's economy is well balanced and it has a very young population. Currencies do follow the fundamentals," he says. 



Fall from grace

To the untrained eye, it was a Fabergé egg, a pristine example of the multimillion-dollar ornament produced by the favoured jeweller of the Russian imperial family. However, after seizing the object last month from the home of Eike Batista, Brazil's former richest man who could be facing jail over insider trading allegations, federal police soon discovered it was a fake.

It was yet another bizarre twist in the spectacular fall from grace of Brazil's most ostentatious billionaire, the shamed poster boy of Brazilian capitalism ranked by Forbes in 2012 as the world's seventh-wealthiest man.

BY SAMANTHA
PEARSON

"What did you expect?! Even his hair isn't real," remarked one Brazilian on Twitter in a barrage of comments on social media showing both fascination and disgust with the former oil and mining tycoon. "Where did he hide the real egg?" wrote another in indignation.

The tale of Batista's downfall not only gives an insight into the lives of Brazil's super-rich but also highlights their complex role in a country still plagued by extreme poverty and corruption — a country where exhibiting wealth raises not only suspicion but also security and moral dilemmas.

Aside from Batista's infamous egg, police also confiscated several of his watches, a sculpture, a piano, large sums of cash and a Lamborghini,

Porsche and other luxury cars in raids on two of his homes. The federal judge who initially led Batista's trial, Flávio Roberto de Souza, said he had no choice but to issue the court order to guarantee the payment of fines in the event of a guilty verdict.

"We found sufficient evidence that [Batista] has been getting rid of his assets, making large donations in cash and in real estate and transferring large sums of money abroad," Souza told Brazil's TV Globo.

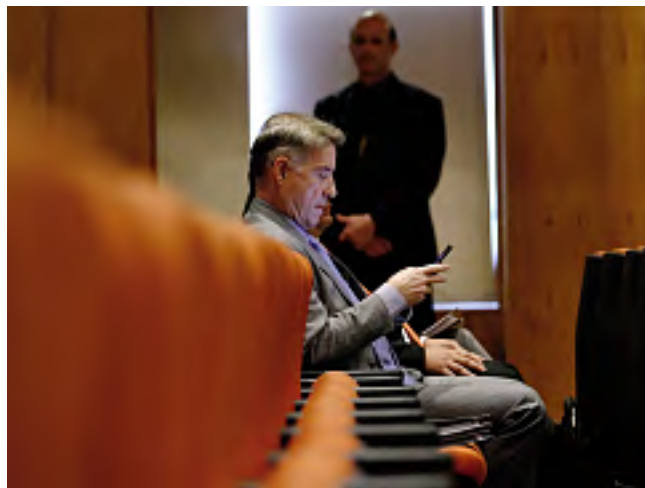
The judge has since been removed from the case after Batista's lawyers released photographs last month showing the confiscated Porsche exiting Souza's apartment building. Judge Souza told local media he had been



looking after the car because of a lack of parking at police and court facilities.

Since November, Batista has been on trial for two counts of insider trading and one each of market manipulation, criminal conspiracy, misleading investors and false representation following the collapse of his oil and mining empire in 2013.

Public prosecutors allege Batista used Twitter in 2013 to boost the share price of his oil company, OGX, by encouraging his followers to invest in it, just as he was secretly selling his own shares. OGX filed for bankruptcy five months later after it emerged his oil reserves were, like his Fabergé egg, worth next to nothing — a revelation that triggered the largest corporate default in Latin



America and wiped more than \$30bn off Brazil's stock market.

If found guilty on all charges, Batista could be jailed for at least six years — the first person to be locked up for such crimes in the country's history. He has denied any wrongdoing.

An eccentric, self-confessed megalomaniac, Batista has always been a singular character in Brazil's business world. He holds a world record for powerboat racing in spite of suffering from asthma, he consults spiritualists and had a passing obsession with taking intravenous vitamins. His most recent business ventures involve impotence medication and dog cloning.

Batista, however, is also an exception in Brazil for the way he unashamedly flashed his wealth. He parked his Mercedes in his living room, dined with the likes of Madonna, drank vintage champagne like water and told anybody who would listen that he would soon be the world's richest man.

While Brazil has its fair share of billionaires, they are largely far more discreet. First, endemic corruption means wealth in Brazil is often suspected to be a product of wrongdoing or, at best, luck, rather than hard work and talent. The allegations against Batista and a bribery and kickback scandal at state oil company Petrobras have only reinforced this view.

"Brazil was founded as a colony of exploitation... for the benefit of a few

Tycoon's trappings: Eike Batista's shows of ostentation were unusual by Brazilian standards

and this practice continues to this day. Very few people get rich because of hard work and the recent scandals involving Batista and Petrobras reflect this," says Aurélio Valporto from Brazil's National Association for the Protection of Minority Shareholders who has been summoned as a witness in Batista's trial.

Stark income inequalities in Brazil, where more than 10m people live in extreme poverty, generate mixed reactions towards ostentatious demonstrations of wealth. Upward social mobility in Brazil means many poor people are fascinated by the lives of the super-rich — who often feature in soap operas, or *telenovelas* — but they also love to watch their downfall.

Maria Immacolata Lopes, a researcher into *telenovelas* at São Paulo University, points to last year's hit soap *Amor à Vida* and the character of Félix, initially a villain from a rich family who is kicked out of home and forced to sell hot dogs on the street where he learns to become a better person.

Brazil's wealthy also have practical reasons to remain discreet about their fortunes. Executives in cities such as São Paulo often avoid wearing their Rolex until they get to the office or use

“WEALTH IN BRAZIL IS OFTEN SUSPECTED TO BE A PRODUCT OF WRONGDOING”

rucksacks rather than briefcases for fear of being robbed.

Although murder rates have fallen sharply over the past 15 years in São Paulo, the fear of attack is still widespread. The number of cars being bullet-proofed in Brazil, for example, hit a record high in 2013, up 21 per cent on the previous year.

But many of Brazil's wealthy opt for a more mundane car to avoid drawing attention to themselves and their families. Following the seizure of his assets, Batista will have no choice but to follow their example.

Lessons in everyday morality

Religion and wealth have long been seen as separate realms. “Ye cannot serve God and mammon,” says a famous passage of the *King James Bible*. But look more carefully and it becomes apparent that the links are closer and more surprising than widely assumed.

The connections go way beyond the routine injunctions for businesses to behave more ethically. Max Weber, one of the founders of modern sociology, is noted within his field for writing about the relationship between the Protestant ethic and the spirit of capitalism. Less well known are the parallels between the Jesuits, an order of the Catholic Church, and the commercial world.

To understand the link it helps to go back to 1540 when the Society of Jesus, as the Jesuits are officially known, was founded. Its creation was at least partly a response to the Reformation, with the new force of Protestantism ascendant in Europe. It was also, many historians argue, the dawn of the modern age when capitalism was emerging.

It was not long before the Jesuits had set up a network of missionaries around the world. Members of the order quickly became known for their international and cosmopolitan character. They were also renowned for the emphasis they put on the value of a classical humanist education.

In important respects, the development of the organisation foreshadowed the emergence of the multinational corporation. “The main comparable feature was the way they locally adapted,” says Jose Bento da Silva, assistant professor of organisation and human resource management at Warwick Business School. While strategic decision-making was centralised, the local subsidiaries, or “provinces”, had considerable autonomy.

John W O’Malley, a Jesuit priest and a professor of theology at Georgetown University, endorses this view. “There was a lot of local autonomy,” he says. He adds that in some respects the Jesuits

BY DANIEL BEN-AMI

can be seen as “empowered employees”. Every Jesuit province has a meeting every three years at which they vote for someone to send to Rome to decide whether to call a general congregation — the order’s highest authority.

A second similarity is the emphasis the Jesuits place on what in a business context would be called management education. Becoming a Jesuit priest is a notoriously rigorous process that typically takes 15–18 years. They are required to have a thorough grounding in classics, philosophy and theology as well as to speak several languages. “They are really highly trained

“
THE POINT WAS TO DEVELOP
A SYSTEM TO FACILITATE THE
MAKING OF JUDGMENTS
”



Modern thinker:
Ignatius of Loyola (1491–1556), founder of the Society of Jesus

people,” says da Silva. “For them talent management is not a buzzword.”

Indeed this high level of education has led some to compare them with management consultancies. McKinsey consultants in particular are sometimes referred to — by both admirers and critics — as “the Jesuits of capitalism” for their emphasis on elite educational attainment. However, the Jesuits were there almost four centuries before the consultancy was founded.

One perhaps surprising way in which the Jesuits anticipated modern business practices is in accounting. Not only was the Society of Jesus at the forefront of developing financial accounting but it ran parallel to the organisation’s more spiritual operations. O’Malley says in the past many Jesuits monitored, “very diligently how many confessions they heard, how many people came to mass, how many communions they distributed, how many members they had in their different lay organisations”. From this perspective, “you don’t know what is going on in people’s souls, but there is a way of counting”.


Paolo Quattrone, a professor of accounting at the University of Edinburgh Business School, says in some respects Jesuit accounting was superior to the contemporary discipline. It was not simply a way of keeping track of financial transactions but a method of reflecting on the society’s goals in any given situation. In that respect, there are contemporary lessons to be learnt from the Jesuits.

He points out Jesuit accounting emerged out of classical humanism. In the 16th century, the term did not refer to an atheist or anti-religious outlook. Instead it meant a viewpoint grounded in classical Greek and Latin texts on what it meant to be human. “The Jesuits translated humanist knowledge into a coherent system of administration and accounting that was functional to the organisation’s quick spread and long-distance control,” says Quattrone.

The study of rhetoric — which was concerned with the invention and classification of knowledge — was important to the development of Jesuit accounting, providing a means of reflecting on possible futures, rather than just an accurate representation of financial transactions.

For Quattrone this meant developing a system that could handle what nowadays are referred to as “unknown unknowns”. “When you go to the Amazon forest without a map you do not know what you do not know,” he says. There are, he says, parallels with path-breaking current projects such as hugely expensive development programmes for combat aircraft.

For Jesuits the point was not to add an ethical afterthought to traditional accounts but to develop a system that facilitated the making of judgments. It was a world away from the box-ticking compliance regimes in many contemporary companies. “They embedded into daily operations this highly sophisticated moral and philosophical basis,” says Quattrone.

Perhaps now is the time to start rediscovering classical humanist texts. 



PHILANTHROPY
MUSIC

“
THESE CHILDREN OTHERWISE
WOULDN'T HAVE THE
CHANCE TO PLAY MUSIC
”

Supporting acts



**Hitting the right
note: Jessop Primary
School has teamed up
with London Music
Masters through The
Bridge Project, an
educational initiative**

Never have I met such passion, belief and ability. That inspired me and I thought I had to help, because times are hard.” So says former retail magnate

John Osborn of his recent gift of £100,000 to the City of Birmingham Symphony Orchestra.

Making a difference to the career of a musician does not necessarily demand deep pockets, though. Their needs are many and varied, from finding a rehearsal space or legal advice to spending money on a recording or a new instrument. The rewards for helping, says Bob Boas, a retired financier, are proportionate. “The more you give, the more you get.”

Boas is one of a band of London philanthropists who lend their houses to musicians for run-throughs in preparation for important concerts and recordings, and to raise money for charity. But, he says, you do not necessarily need a large house to help. “Finding pianos and spaces to rehearse is a problem for young musicians, particularly once they leave college. If you have a good piano or a reasonably sized room it can be very helpful.”

Visiting artists often need places to stay, and this is one of the ways artist Louise Kaye and her husband David support the London Music Masters Bridge Project. Set up to teach violin to underprivileged London schoolchildren, the scheme sometimes brings in young virtuosos from abroad to inspire the beginners.

As well as housing these players, Kaye has helped financially and describes the satisfaction of being involved: “It’s wonderful to hear these children, who otherwise wouldn’t have the chance to play music. It’s amazing to see the little ones so still and engaged for the whole two hours.”

Some musicians lack practical business skills, so being in contact with someone knowledgeable can make a huge difference. Boas is a trustee on many charitable boards. “Most people can solve their problems just by having

BY ARIANE TODES

people they can talk them through with,” he says. “I’ve been involved long enough now that I know charitable trusts and foundations that might help, and I can give players ideas about how to approach those foundations.”

Sabine Vinck is an associate dean at London Business School. When the Belcea Quartet decided to set up a trust to help young groups she was happy to join the board. “As a trustee you have to be clear about the role you can play and how you can add value, as well as about your time commitment and what you can give,” she says, adding that the time commitment was not necessarily challenging. “The discussions at the beginning involved two or three afternoons chatting over tea, and now we have meetings twice a year.”

Of course, besides expertise, money does help, especially when it comes to buying a good stringed instrument, which can cost hundreds of thousands of pounds. Entrepreneur Nigel Brown sets up syndicates to purchase instruments that players eventually buy out. These are not purely philanthropic, but Brown is clear: “I don’t promote these as investment schemes because I want people to understand they are making a long-term commitment to the musician. Any financial reward is for the hereafter.”

Kaye has also bought instruments for players. “Buying fine instruments has been a good investment, but as we have no intention of selling them, it defeats that purpose,” he says. “We do it for our love of music and the satisfaction of supporting young people in their careers.”

Ultimately, the love of music is the motivation for these acts of generosity. “Follow your enthusiasms,” advises Osborn, while Boas adds: “Knowing the musician makes listening to them a more rewarding experience. It’s lovely to see them starting to have real success in their careers.

“You can get great rewards from watching someone early in their career going on to become a well-known musician. If you’ve helped them a little way in that it’s very satisfying.”

JOHN OSBORN

FORMER CHIEF EXECUTIVE,
ALEXON GROUP

“I’ve put a dozen boys through education, with a bias towards music. They write me a letter each year. I always reply and say: ‘All I ask is, keep in touch. I’d love to know what you’re doing in 10 years’ time. If the outcome is good, it’s a bonus.’ I endowed a directorship of music at my old college, Sidney Sussex, Cambridge, for David Skinner, who’s transformed music there. His group Alamire sang Tallis’s ‘If Ye Love Me’ at my youngest son’s wedding. It only lasted two minutes, 20 seconds, but I cried the whole way through.”

NIGEL BROWN

FOUNDER, NW BROWN GROUP AND
THE STRADIVARI TRUST

“The first instrument I arranged was for Nigel Kennedy. He hadn’t recorded Vivaldi’s *Four Seasons* yet but was being talked about. I was doing other work for him and said: ‘I’ll find someone to buy you a Strad.’ It took two and a half years, but I did. The day it was handed over to him he said: ‘You know, I’ve been knocking my head against a brick wall for years, and suddenly there’s no brick wall.’ That made me feel the two and a half years of slog were worth it.”

LOUISE KAYE

ARTIST

“We had been following the Jerusalem Quartet for some time, so when we found out, 10 years ago, that Amihai Grosz was looking for a new viola, we wanted to help. Having the new instrument made a real difference to his playing and his career. My husband has Parkinson’s disease and in 2013 I asked all the players who have our instruments if they would do a fundraising concert for Parkinson’s UK. They were all delighted to be able to give something back to us and there was a wonderful atmosphere at the concert. These eight musicians have become part of our extended family.”

PLANNING CARE HOMES

“
BUYERS ARE OFTEN DOWNSIZING
FROM £3M HOUSES AND
RELEASING THE CAPITAL
”



The high life

In the capacious sitting room of a handsome country manor house a tight little group is poring over a crossword. Outside, the sun-lit lawn stretches into the distance, strewn with the shadows of cedar trees. But the puzzlers are not interested in the view — they are too busy consulting an iPad app to unravel clues.

“I hate cryptic crosswords,” says John Ryan, 80, a retired agronomist, as he taps away on the device. “I like straight general knowledge. Keeping the mind going; it’s one of the best things.”

John’s wife, Ann, a former nurse and midwife, strides in, fresh from a

BY HELEN BARRETT
PHOTOGRAPHS
BY DAVID PARRY

morning run. Later she will join friends for a tai-chi class before a three-course lunch (duck liver pâté, beer-battered cod with chunky chips, fresh fruit platter) in the licensed dining room.

The couple have lived at West Hall in West Byfleet, Surrey, a high-end care home for older people, for eight months, after the family home became increasingly difficult to manage.

Care homes in the UK are usually associated with institutional malaise and drab decor. But with a timetable of activities — from one-to-one technology classes to Zumba dance fitness sessions — high-tech bedrooms with smart

sensors, a library and a beauty and massage salon, West Hall is one of a new breed of high-end care homes more reminiscent of a smart hotel.

“The notion that if you need care, you move into a solitary 12ft-square room is very dated,” says John Galvin, chief executive of the Elderly Accommodation Counsel, a UK charity that helps families find residential care.

But West Hall is expensive: rooms start at £1,200 a week, rising to £1,520 for the largest rooms for residents with the most intensive care needs.

Operated by the Anchor Trust, a not-for-profit provider, the 117-bedroom



home opened in 2013 following a £30m refurbishment. It offers 24-hour residential care — some residents have dementia, others physical disabilities or limited mobility.

There appears to be no shortage of people prepared to pay West Hall's premium. For its operator, care homes are just half the story. The trust is so confident demand for luxury developments for older people will increase that it is building two premium retirement villages in Hampshire. Unlike care homes, they comprise independent and "assisted-living" flats and houses — self-contained but with on-site staff and extras such as private spas, gyms and restaurants.

Interest is such that 68 per cent of dwellings of phase one of Bishopstoke Park and 82 per cent at Hampshire Lakes have been sold off-plan, says Howard Nankivell, sales director.

The trust is targeting the baby-boomer market — the generation born between 1946 and 1964 that has accrued sizeable equity in property over decades of UK house price inflation. Nankivell talks of "affluent downsizers" who pay for their new home by selling valuable properties. "Buyers are often downsizing from £3m houses and releasing the capital," he says.

Over the next five years, the trust hopes to offer a further 1,300 premium homes for older people — some in care homes, others in assisted-living, village-like communities.

Inevitably, Anchor Trust's care homes and assisted-living villages are concentrated in England's affluent southeast. "We use geographical analysis tools to look at house prices, wealth indices, customer segments. We know what regions we need to target," says Nankivell.

But not all baby boomers favour bucolic surroundings. Battersea Place, an "extra care" community comprising 109 plush apartments in a complex in the upmarket south London district, opens this year and is targeting wealthy retirees with no intention of giving up urban life. "The perception is that people want to retire to the country or the coast. But our experience shows they want to stay in a three- to five-mile radius of their home," says Richard Davis, chief executive of LifeCare Residences, the developer.

Prices at Battersea for a 150-year lease range from £600,000 to nearly £3m for a three-bedroom penthouse. A concierge service, cinema and spa pool are among private facilities on offer, but again costs are steep. Besides the lease



Lap of luxury: from puzzles to tai-chi, activities and facilities are plentiful for residents of West Hall care home

purchase price, residents pay a service charge fixed at the time of purchase — currently £1,100 a month — and a deferred membership fee.

The latter is payable when the apartment is sold, and is either between 10 and 20 per cent of up to 30 per cent of the sale price.


But Davis says the hefty fees mean day-to-day expenses — such as domiciliary care, housekeeping, pool cars and care at the complex's on-site nursing home — are effectively front-loaded.

"[Residents] don't want to worry about the cost of living rising above their income. They would rather enjoy now and pay later — and they want certainty of staying."

More than 60 per cent of the apartments have been sold off-plan, and the development is "freeing up larger, family homes in the capital", Davis adds. "I would argue that's a good thing."

Despite the costs, the number of high-end retirement developments in the UK is expected to soar in the coming decade, says the EAC's Galvin. "Because of the value of residential property, and plenty of people on good pension plans, they can make the finances work," he says.

But the best quality auxiliary care, he says, is impossible to buy.

"We know it's the human touch — that comes down to the care of a human being," Galvin says. 

OPPORTUNITIES IN AN AGEING WORLD

In developed markets outside the UK, high-end retirement communities tend to be concentrated in urban areas, says Richard Davis of LifeCare Residences. "In the US, New Zealand and Australia there is already a multitude." London, he believes, is poised for prime developments.

He sees Asia, particularly China, as the next boom territory for premium retirement homes. China is starting to adopt European models of elderly care, such as care homes and retirement villages, he says, as the country's one-child policy, introduced in 1978, is putting pressure on adult children to look after parents and grandparents. Despite the attractions, the company has no plans to enter the Chinese market, at least in the short term. "On the face of it there are opportunities, but the language, cultural and legal structures are huge barriers to entry," he says.

PLANNING THE FERTILITY INDUSTRY

Growth sector

BY EMMA BOYDE

Like most sperm donors at Cryos International, Laus has chosen to be anonymous. The Danish sperm bank, which says it delivers sperm to more than 80 countries, is a great believer in protecting the identities of the donors on its list as only a small proportion have indicated they would be open to future contact.

You can click on Laus's profile, which reveals him to be a 6ft 2in student of business administration with blond hair and blue eyes. There is a picture of him as a smiling baby and an audio recording of him as a grown man. "I cannot see any downside in donating my semen," he says. "As for myself I am not ready to become a father yet."

Like other sperm donors, Laus has been paid nominal amounts but is part of a rapidly growing fertility industry. Driving its growth is what some have called a "delayer boom" — the trend for women to put off having children until they reach an age at which their fertility is reduced — as well as the growing acceptance in many western societies of single-parent or same-sex families.

For-profit sperm banks such as Cryos, established in 1987, are among the businesses that are benefiting from these trends. Ole Schou, founder of Cryos, says his company processes sperm "like milk from a cow". Like other sperm banks, it collects samples and tests and grades them. The different grades of sperm are sold at prices ranging from €40 to €1,000 per 0.5ml "straw" — which also reflects the amount of information Cryos publishes about the donor and whether he is open to future contact. The donors go through months of testing and only a tiny fraction of applicants are accepted.

Cryos is part of a "fertility cluster" in Denmark that turned over Dkr1bn (\$152m) in 2012, according to Copenhagen Economics, a consultancy. It estimated the cluster as a whole exported goods and services worth Dkr700m in the same year.

PHOTO: DAVID LEVENE/EYEVINE



“ONE MAN MIGHT
PRODUCE 75 SELLABLE
VIALS IN A WEEK”



“
THE INDUSTRY DOESN'T
ALWAYS OPERATE AT THE
HIGHEST ETHICAL LEVELS
”

Denmark has become a world leader in the fertility market, says Annemette Arndal-Lauritzen, chief executive of European Sperm Bank, Cryos's main Danish competitor.

Denmark has certainly become a significant source of sperm used in the UK. In 2013, according to the UK's Human Fertilisation and Embryology Authority, licensed clinics used 387 new UK-based donors and 178 new imported donors. Of the imports, donors from the US accounted for about 70 per cent. However, Denmark, with a population of 5.5m, was the next biggest source, accounting for nearly a fifth of all new imported sperm donors.

Clients and industry bodies are concerned, however, that the number of children born to sperm donors could be much higher than authorities think — the point is that there is no way of knowing. Cryos and many of its US counterparts ship directly to women's homes, which means women can self-inseminate and authorities might never find out. “We can ship directly to a woman. We don't need to go through a clinic and the authorities can't do anything about it,” says Schou.

The implications of this and the associated under-reporting of so-called “live child” data (babies who survived), even from registered clinics, are serious. In Europe, most countries have imposed strict limits on the number of families a donor can help. In the UK that number is 10. The restrictions exist for a number of reasons. For example, authorities want to minimise the risk of in-breeding — half siblings could meet one another in the future and be unaware they have the same biological father. In addition, these rules help protect sperm banks against criticism and possible legal action should the father be found to be carrying a genetic disease. The limits are also meant to ensure donors and offspring are not shocked to discover how many biological relatives they have.

“One of the challenges is that people don't report their [live births],” says Alice Ruby of The Sperm Bank of California, a non-profit organisation. “It needs to be more carefully monitored.”


Laura Witjens, chief executive of the UK's National Gamete Donation Trust, which has responsibility for the recently launched National Sperm Bank, says the problems are exacerbated by the financial incentives for those in the industry. She estimates a donor could help to generate up to £50,000 in revenue if his sperm is sold through UK clinics and linked to fertility treatments for just 10 families. His sperm alone, if sold by the non-profit National Sperm Bank for straightforward insemination, could earn £5,000–£6,000.

But a donor's sperm could generate far more — in the US, for example, there are recommendations, but no rules, to limit the number of families a donor can help. In addition, sperm banks that sell to European countries sometimes exceed their limits — Schou says Cryos simply puts a warning up when the limit has been reached and does not ask buyers to identify themselves. Also, many sperm banks are marketing globally — once they have reached a limit in one country they can still offer an individual's sperm for sale in another. Schou says the average Cryos donor will have 25 children, although he admits some will have more than 100.

Wendy Kramer, founder of the Donor Sibling Registry, a US-based website that invites donors and siblings to connect with one another, says she has met men who are shocked to discover they have fathered more than 200 children.

She set up the site because her own child, who was born after she received donated sperm, was curious about his origins. “My own donor donated three times a week for five years,” she says, adding that men might not be aware just one donation could father several children. “One man might produce 75 sellable vials in a week,” she says.

Witjens agrees men may not fully understand what they are doing. “I've spoken with UK donors who think one ejaculate equals one baby,” she says.

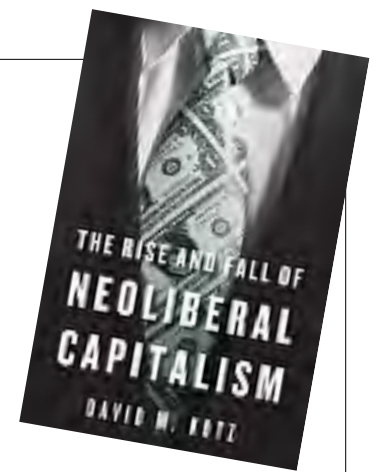
“We assumed they would keep accurate records and practise the highest ethics. A lot of us have come to realise the industry doesn't always operate at the highest ethical levels,” says Kramer. 

BOOK REVIEW
NEOLIBERAL
CAPITALISM

“
KOTZ IS TOO QUICK TO DISMISS
THE SIGNIFICANCE OF THE SIZE
OF AMERICAN GOVERNMENT
”

In the shadow of the state

**Neoliberalism:
the malevolent
ideology of the
super-rich?**



Neoliberalism is frequently portrayed as the malevolent ideology of the super-rich. Its critics contend that its preference for minimal state regulation favours the strong over the weak. The conclusion usually drawn is that state powers need to be strengthened to protect the vulnerable.

Unfortunately the term is rarely defined clearly in such discussions. It often simply suggests a sense that the wealthy are free to abuse their economic power by dominating the rest of society. In that respect it is more often used pejoratively than with an understanding of its true meaning.

Against that backdrop *The Rise and Fall of Neoliberal Capitalism* should be warmly welcomed. For one thing, it has a whole chapter called “What is neoliberalism?” Supporters and critics of the concept would do well to read it.

David Kotz, a professor of economics at the University of Massachusetts Amherst, rejects one common definition of neoliberalism. He accepts that relative to gross domestic product the size of American government has not decreased since the onset of the neoliberal era in about 1980. Instead it has stayed at more or less the same level once cyclical fluctuations are stripped out.

Indeed, in terms of absolute spending the size of government has increased considerably in real terms. Since the economy is substantially bigger than it was in 1980, the amount of spending is much higher, even though the share has remained steady.

Despite this concession, Kotz maintains his view that the US has become neoliberal. His argument is that the neoliberalism is defined by the state’s withdrawal from key areas of economic intervention. For instance, it has renounced Keynesian demand management and allowed for the deregulation of the financial sector.

BY DANIEL BEN-AMI

But Kotz is too quick to dismiss the significance of the size of American government. According to figures from the International Monetary Fund, the total spending of US government in 2014 amounted to \$6.4tn or 37 per cent of GDP (that is, including not just federal government but also state level and local spending). These figures alone raise questions about what the state is doing if not intervening in society or the economy.

Not only does it spend huge amounts on the military — which Kotz concedes — but substantially more on education, healthcare and pensions. Whether such spending is desirable is another matter, but it is certainly inconsistent with a classical liberal view of a minimal role for government.

The activist character of government

“EVEN ON THE LEVEL OF RHETORIC, [NEOLIBERAL] IDEAS HAVE LITTLE PURCHASE”


is also reflected in the huge number of regulations published annually by the federal government. For example, the number of pages devoted to rules in the Federal Register, an official record of federal government, reached 26,417 in 2013. This compares with 21,092 in 1980 and 12,589 in 1976. Such figures may not be a perfect measure of state intervention but strongly suggest government is playing an extensive regulatory role.

Of course Kotz is right to point to important policy changes over the

years. Keynesian demand management has certainly gone out of fashion even if high public spending has not. But the changes are more accurately described as a reregulation — a change in the forms of regulation and intervention — rather than deregulation.

For example, monetary policy has become far more activist over what Kotz characterises as the neoliberal period. The Federal Reserve has taken a high-profile role in managing interest rates and more recently quantitative easing. It is richly ironic that the Fed chairman from 1987 to 2006 was Alan Greenspan, an ardent devotee of Ayn Rand, an arch free marketeer.

Kotz is on particularly shaky ground when he refers to the emergency measures enacted in 2008–09 as a return to a “Keynesian moment”. He is forced to accept that the huge bank bailout and the rescue of General Motors were inconsistent with a free market. The same is true of the Dodd-Frank Act for financial reform. It is arguable that such measures were necessary, but they were not an aberration. They were not nearly as great a departure from the previous or subsequent years as Kotz suggests.

Even on the level of rhetoric, the ideas of neoliberalism have little purchase. Outside of a few university seminar rooms and think-tanks it is, for better or worse, pragmatism that reigns. 

The Rise and Fall of Neoliberal Capitalism, by David M Kotz (Harvard University Press, 2015). £29.95/\$39.95

The writer is the author of Ferraris for All (Policy Press 2012)



THE QUOTE

“The size of the state is one indicator, but not the best indicator, of whether this form of capitalism can be considered ‘neoliberal’. Liberalism calls for a state that does not ‘interfere’ in the economy letting the ‘free market’ operate undisturbed.”

CAR REVIEW PORSCHE CAYENNE TURBO

“
IN THE CITY THE CAYENNE
CAN FEEL MORE LIKE A MONSTER
TRUCK THAN AN SUV
”



Massive attack

I am at the wheel of a car the size of a small island, with the weight to match, but one that is capable of doing 173mph and 0-62mph in just 4.5 seconds. This should be a nightmare, but in fact everything feels surprisingly under control.

The Cayenne Turbo is a big sports utility vehicle from Porsche. For one of the world's purest sportscar makers to enter the bloated SUV market was bold. But sales vindicated the move — the Cayenne, introduced in 2002, became the marque's bestselling vehicle, its success helping to bankroll

BY ROHIT JAGGI

the flow of cars that Porsche purists do love. But the Cayenne was still outstandingly ugly.

Improved styling of the newest version of the Cayenne, the first update since the second generation was introduced in 2010, helps the model make sense, though. Meanwhile, the vehicles planned by luxury carmakers Bentley and Rolls-Royce as they attempt to muscle in on the pumped-up SUV look underline the amount of money to be made from the sector — and how hard it is to make a big SUV look pretty at the same time as

maintaining a resemblance to less bulky members of a marque's family.

Porsche is no stranger to odd-looking cars. The four-door Panamera, for all its extensive dynamic abilities, was not the most successful extension of Porsche sportscar styling cues with its marriage of a 911 back end to a saloon front. But this version of the Cayenne is much improved. There is less of the stranded guppy crossed with amphibious car about it.

The current Cayenne range goes from a base model at about £50,000 via diesels, petrol-engine versions



Pumped up: the looks have improved, but the weight of the hybrid, left, does it few favours

run across the range of Porsche cars and work less well, such as the high console. The effect of sitting in a high-sided single-seat racing car is a bit strange in this big SUV.

On narrow city streets or winding country lanes the Cayenne can feel more like a monster truck than an SUV. That, though, is where its smaller sibling, the Macan, scores.

Launched last year, the compact SUV was another bold step, and even more impressive than the Cayenne in its segment. The Macan essentially feels almost as taut as its sportier stablemates, just taller. The Cayenne is based on the huge Q7 from Audi, Porsche's stablemate in the Volkswagen group. The Macan is based on the Q5, though again with a host of changes.

With both cars there are occasional glimpses into the compromises that a Porsche SUV entails. For example, the Macan can be specified with hugely expensive but hugely capable carbon ceramic brakes — pretty much a necessity for the options list of a sporting car. But with such brakes fitted, off-roading is not recommended as small stones could ruin them.

The Cayenne's greatest enemy is its weight. Fuel consumption will always suffer, and no matter how much electronic driver assistance is available, any car can crash if its drivers is ham-fisted or unlucky enough — and the more massive the car, the more damage it can do.

All cars, even those of the sportiest hue, have been putting on weight over the years to meet safety regulations and accommodate the gadgets and gizmos that buyers demand. But Porsche has already said the 911's weight is now on the way down, as the pursuit of economy justifies lighter materials.

If that is also applied to the Cayenne, it will make a car that is outstanding despite its mass, even better. **W**

“ THE TURBO HAS ON-ROAD RIDE AND HANDLING TO MATCH ITS POWER ”

just 50hp down on the range-topping Turbo S and enough to make it entertaining at all times. That and 750 newton metres of torque mean off road the problem is more applying all that power and torque with enough subtlety.

Driver aids such as hill-descent assistance help, though, taking the fear out of surfaces that would be difficult to walk across. Humpy sections that test the level of axle articulation should make the Cayenne feel like an elephant perched on a stool but instead make this vast car feel graceful.

It is on the road that most of these vehicles will stay, however — indeed, the Cayenne over the years has lost a touch of its off-road capabilities. The Turbo has on-road ride and handling to match its power — astonishingly so for a car that weighs about 2.2 tonnes unladen and, with occupants, can tip the scales at nearly three.

Inside, the car is well-designed, but some features are designed to

and now a plug-in petrol-electric hybrid to the £118,455 Turbo S. The hybrid is a disappointment, however, the extra weight of its batteries and drivetrain doing an already heavy car few favours.

None are exactly low on power, but the 520 horsepower of the Turbo is

STATS

PETROL ENGINE: 4806cc V8, 520bhp, 750Nm of torque, 8-speed Tiptronic gearbox, 24.8mpg (combined), 264g/km CO₂ emissions
TOP SPEED: 173mph;
0-62mph in 4.5 seconds
PRICE: £92,628





Spirit of the sixties

used to have one of those when I was younger.” Most of the many times I heard this comment it felt cruel to point out the motorcycle in question was a newborn, its shine the result of recent manufacture rather than loving restoration.

But it is a forgivable mistake, for it is one the Triumph motorcycle factory, with the collusion of another reborn British institution, has fostered.

Motorcycling, at least in the west, is in an interesting phase: less transport and more accessory, but still with a dangerous edge. The move upmarket means motorcycling is increasingly seen as an engine of financial growth, as shown, for example, by Warren Buffett’s Berkshire Hathaway buying German motorcycle accessory group Detlev Louis last month.

The message is that bikes are worth a punt — and cool. The Triumph Thruxton Ace is one of the better examples of a trend in cars and motorcycles that has ebbed and flowed, plundering designs of the past to lure buyers of the present. There is a double win here — offering a choice from history’s most attractive looks and appealing to buyers who could not afford top-of-the-range vehicles when they were young.

The British Triumph motorcycle brand dates back to 1902, though the current company’s history stretches back only to 1983, when housebuilder John Bloor bought a marque that had collapsed in the face of far more sophisticated competition from Japan. He created a new company that borrowed heavily from the heritage of the brand’s heyday.

Triumph is not alone in doing so. Harley-Davidson in the US; Moto Guzzi and Ducati (with the new, old-look Scrambler) in Italy; Royal Enfield in India; and Norton, Brough Superior

PHOTOGRAPHS
BY CHARLIE BIBBY

and even, soon, Francis-Barnett, in the UK, all have models that look straight out of the 1960s. Kawasaki got in on the act in 1999 with the W650 vertical twin, a bike some say looks more like a 1960s bike than a modern retro Triumph does. But then it also has a pukka pedigree — the Japanese manufacturer, diversifying away from aviation in the 1960s, built a 650cc bike based on an engine licensed from British bikemaker BSA.

For Triumph, the 1960s were when

“
TRIUMPH’S BIKES HAVE
ARTFULLY ADOPTED THE
LOOK OF THEIR FOREBEARS
”

bikes such as the Bonneville ruled. Named after the US dry lake where the engine’s reputation for speed was carved in salt, the road bikes’ twin-cylinder motors were faster than the ability of their frames — but no matter, as that merely enhanced the myth. There were solutions available to the mechanically able, such as transplanting a Triumph engine into the far better Norton featherbed frame.

The lure of such specials endured, too — in the 1970s as a teenager I assembled in my bedroom the makings of just such a Triton, the motor taking pride of place by my desk. Sadly, the project and components alike vanished amid the disruption of moving away to university, leaving only an oil stain on the carpet.

The retro bikes that are one pillar of the impressive current Triumph line-up have artfully adopted the look of their forebears. The model that carries the Bonneville name is 865cc rather than the 650cc of the original, with thoroughly up-to-date overhead

camshafts and fuel injection. But despite that, the motor looks startlingly similar to the one-time mechanical centrepiece of my bedroom.

The Thruxton is a racier version, and the Ace ratchets the retro up another gear. The Ace Café on London’s North Circular Road was an institution among rockers, even starring in the cult 1964 film *The Leather Boys*, until it closed in 1969.

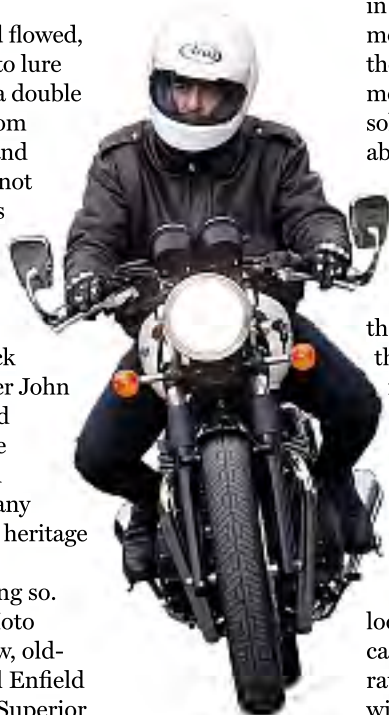
Some 32 years on, it reopened as a temple to the spirit of the 1960s. One tangible manifestation is this Triumph, a limited-edition collaboration between the café and the bike maker.

And it certainly looks the part, as all those confused former Triumph riders could attest. Not only does it hang together with its own coherent design, but it has touches that please those who know the older bikes, such as the shape of the silencers, which are aurally as well as aesthetically tuned.

It is light and thin, like those 1960s Triumphs, so it handles fairly well, despite budget suspension components. But the ample torque helps make it a delightful ride — I found excuses to use it even in the depths of winter.

No matter that the seat is so faithful to the age that after rain it transfers the water it has secreted within its padding to the seat of the rider. No matter that the authentic placing of the ignition key switch on the left of the headlamp means the separate steering lock is as irritating to use as was that on my 1969 Triumph 650. This is retro for real — genuine heritage, usable authentic looks.

Perhaps it is a sign of how intrinsic the past is to the present that not only is a replica of the legendary Norton featherbed frame available, but that adapters are available to fit the current Triumph Bonneville engine into it. Now that is a project in which it could be worth investing time and money.



“

THE SILENCERS ARE
AURALLY AS WELL AS
AESTHETICALLY TUNED

”



Faithful to the age:
the limited-edition
Triumph Thruxton
Ace has much to
please those who
know the older bikes,
along with equally
vintage irritations,
such as a rainwater-
retaining seat

THE BUSINESS GURU

BOB RICH

“ IF A COMPANY SETS A GOAL AND IT'S NOT ABOUT WINNING, IT'S A BAD GOAL ”

A winning mentality is everything

Bob Rich is the chairman and majority owner of Rich Products, a privately held US food company that sells its goods in more than 110 countries.

He joined the family business in 1963, first establishing its Canadian arm before returning to Buffalo, New York, to set up the company's sales and marketing team. The 73-year-old was president and chief executive between 1978 and 2006.

A consummate sportsman, he owns several sports clubs, including the Buffalo Bisons baseball team. He is also the chairman of Cleveland Clinic, a medical centre in Ohio.

“A lot of young people are reluctant to go into their family business because they know critics will say they are only there because of being family,” he says. “But I was able to put that behind me. I realised I had a chance to start at a good level, with

BY ATTRACTA MOONEY
PHOTOGRAPH BY PASCAL PERICH

good financial backing. By going into a company that was entrepreneurial, that was already on a good growth curve, I had the opportunity to go further faster. I realised I was who I was and I could just ignore any of the criticism that came my way. That was one of the better decisions I made in my life.

“When I went into the company in 1963, we were doing \$12m in sales.

“ MY FATHER'S ADVICE? 'DON'T DRINK MARTINIS AT LUNCHEXTIME' ”

Now it's approaching \$3.5bn. When you are on that kind of trajectory, you get a lot of requests to sell the business. But I've never been tempted. In fact, I get so many offers and requests I have prepared a form letter and my assistant sends it out automatically. People could say that is irresponsible. But it gives our people a great level of comfort. They are never going to be called into a staff meeting in the cafeteria and be told that the company is being sold.

“When I get up in the morning, I can do what is best for Rich Products and the 9,000 people who work for our company. I don't have to go to New York and try to mesmerise potential investors or investment bankers. That gives me a tremendous advantage over people in listed companies. If we see a need for a new plant or an acquisition or a pricing policy to promote goods to build market share, we don't have to worry about what the investment banks in New York or London are going to think about that. We just do it.

“We developed a model where we would buy other closely held businesses. We knew what it was like to be a family business. We knew in many cases the elder generation was looking to cut

down risk. We knew the young people wanted more responsibility and more financing. Knowing that, it gave us a great platform for making acquisitions. So through some 20 acquisitions over a decade, we became a family business of family businesses.

“Contrary to what many people think, winning is important. Winning is everything. If a company sets a goal and it's not about winning, it's a bad goal. You have to set winning as a priority and then you really have to give people the tools to win. People say: 'We are not number one, but that's OK.' But for me that's not acceptable. For me winning is not an option — it is a mandate. Survival is not a good target. You have to win. But you win together as a team and you celebrate together and you have fun doing it.

“In sports, whether you are a goalie or a striker, you have to win together. If the team has a weakness, when you get to the championship game, it will be exploited. So if you carry the analogy through to business, you have to make sure you really are spending time on attracting and hiring and retaining the best people that you can.

“My father was asked what advice he would give someone starting out. He said: 'Don't drink martinis at lunch,' which I thought was pretty good. That's not my advice, though. People have to find their passion. You might take jobs to learn skills, but ultimately everyone should look to find their passion. Finding that passion might be more important than the pay you are receiving.

“A lot of success comes down to people being risk-takers, finding their passion, being restless and keeping their youthful curiosity. For me those things are much more important than a university education.

“Retirement is not in my vocabulary. There are still a lot of things I want to do — retirement is not one of them.”





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