FTwealth

THE ENTREPRENEURS AND PHILANTHROPY EDITION

LEHMAN BROTHERS: START-UP HUB | PALESTINE'S TECH | CHARITY IN ASIA | MEXICO'S BILLIONAIRES

HOW TO HACK IT

SEAN PARKER, NAPSTER CO-FOUNDER AND FORMER FACEBOOK PRESIDENT, SHAKES UP THE WORLD OF CANCER RESEARCH

BY STEPHEN FOLEY

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@hugo_greenhalgh

PRIVATE MATTERS MADE PUBLIC

Do we have a right to privacy? This is just one of the issues thrown up by the release of the so-called Panama Papers. The affairs of the super-rich are under scrutiny as never before, so when do the authorities have the right to know everything about your finances and when is it fair for you to shield your wealth from prying eyes?

The current debate is blurring the line between tax evasion, which is illegal, and tax avoidance, which is a normal part of financial planning. Questions have been raised about whether it is ever morally right to use an offshore centre.

Yet there are legitimate reasons for privacy, particularly for many of the entrepreneurs and philanthropists profiled in this special edition. Security considerations can be critical for the wealthy, as can a need to avoid rows over succession — and to be able to control the information flowing to the next generation.

No one is denying some offshore companies have been used to dodge tax — although Mossack Fonseca, the law firm at the centre of the row, has denied any wrongdoing — but that is not their only purpose.

The decision by the UK prime minister, David Cameron, to publish his tax returns was a mistake, setting a bad precedent that strikes a blow against the principle of privacy.

The dictum that if you have done nothing wrong, you have nothing to hide does not always hold true. Sometimes it really is no one else's business.

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

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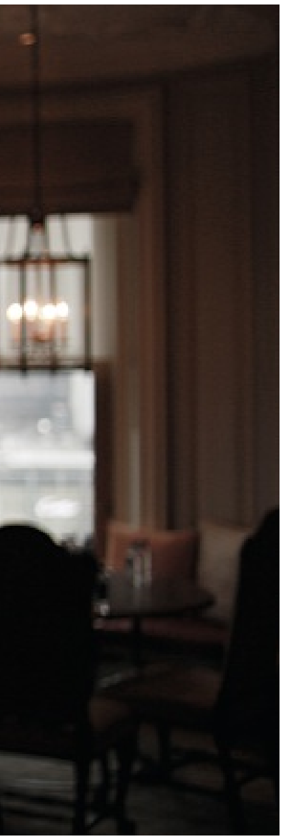


OPENINGS

INSIGHT

CONTRIBUTORS

Claer Barrett is the FT's personal finance editor; **Mary Childs** is the FT's US financial correspondent; **Avantika Chilkoti** is the FT's Indonesia correspondent; **Daniel Ben-Ami** is deputy editor of IPE Magazine; **Kate Burgess** is an FT columnist; **Maggie Fick** is the FT's west Africa correspondent; **Stephen Foley** is the FT's US investment correspondent; **Kerin Hope** is the FT's Athens correspondent; **Amy Kazmin** is the FT's south Asia correspondent; **Louise Lucas** is the FT's Asia news editor; **Victor Mallet** is the FT's south Asia bureau chief; **Sarah Murray** is a regular FT contributor; **Anna Nicolaou** is an FT digital editor; **Andreas Paleit** is the FT's Asia world news editor; **Adam Palin** is a reporter on FT Money; **John Reed** is the FT's Jerusalem bureau chief; **Naomi Rovnick** is acting digital and communities editor on FT Money; **Heba Saleh** is the FT's Egypt correspondent; **Henny Sender** is the FT's chief correspondent, international finance; **Matthew Vincent** is the FT's deputy companies editor; **Jude Webber** is the FT's Mexico and central America correspondent

COVER PHOTOGRAPH PASCAL PERICH

INVESTMENT FOCUS
ADAM PALIN

@adampalin

MARKETS AWAIT — NERVOUSLY

The spectre of Donald Trump winning the US presidency this year looms larger with every victory in the race for the Republican nomination.

And the world waits — nervously. The possible victory of the self-styled maverick was rated in March as the sixth greatest threat to global stability by the Economist Intelligence Unit — ranked alongside the threat of jihadist terrorism.

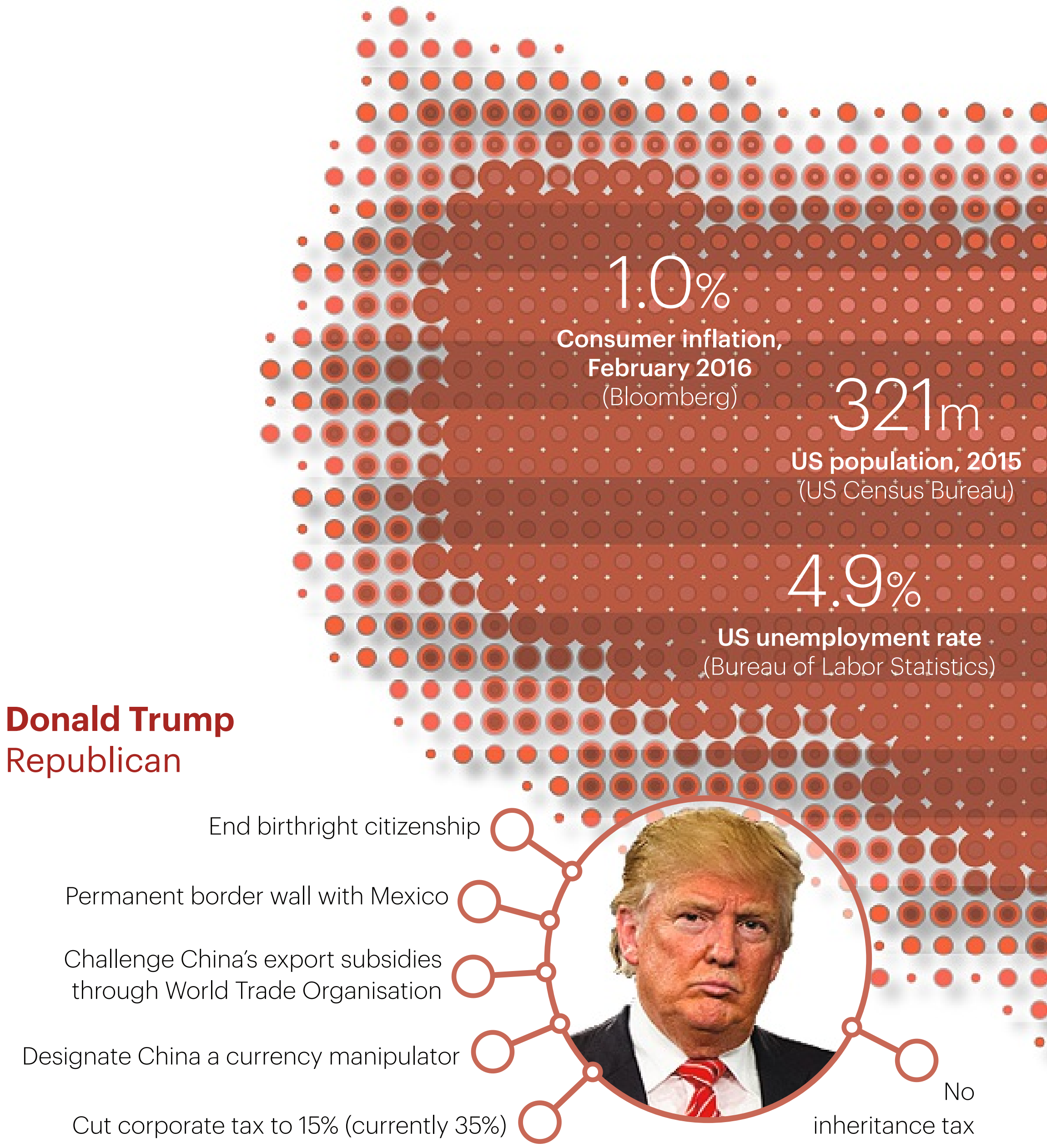
Yet Trump is not the only candidate whose hostility to free trade could spook investment markets. Democrat Bernie Sanders is also opposed to trade deals across the Atlantic and Pacific and has advocated reversing the well-established North American free trade agreement, Nafta. Indeed, neither Hillary Clinton nor Ted Cruz, the other two leading candidates, have come to the defence of international trade.

Bill O'Neill, head of the UK investment office at UBS Wealth Management, says the hostility of presidential candidates towards free trade, and towards China in particular for alleged currency manipulation, is a source of particular uncertainty for investors.

With both main parties only confirming their candidates in July it is too early for markets to be led by the US election, fund managers say.

The 2016 election barometer will, however, increasingly define the year before November's climax.

Adam Palin is a reporter for FT Money



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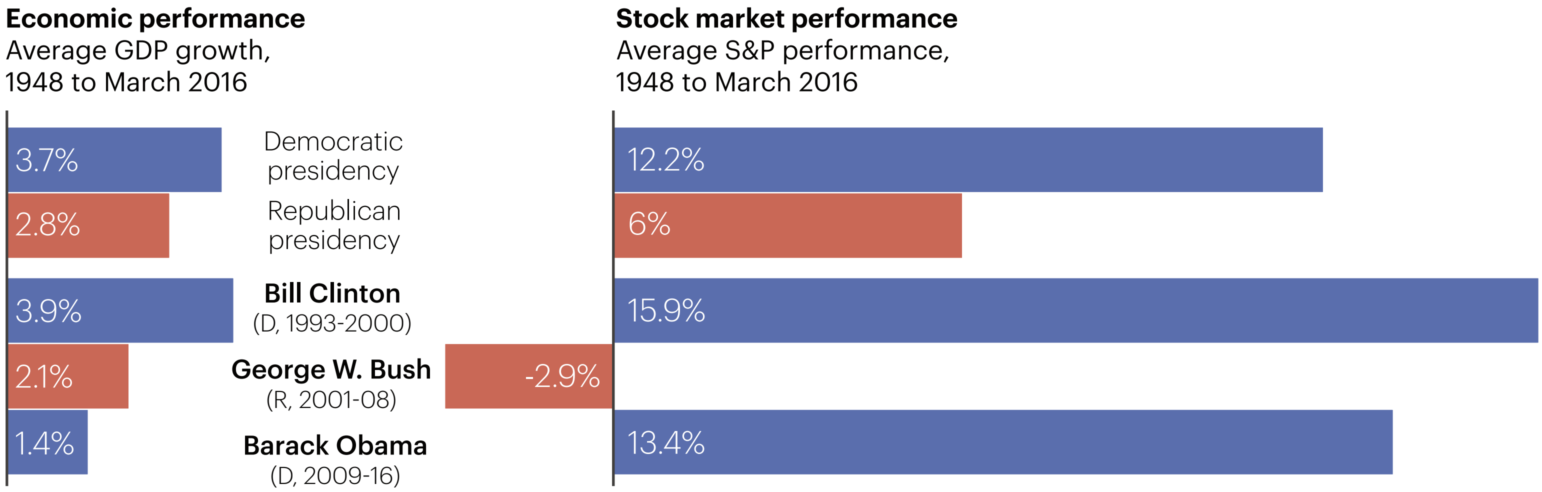

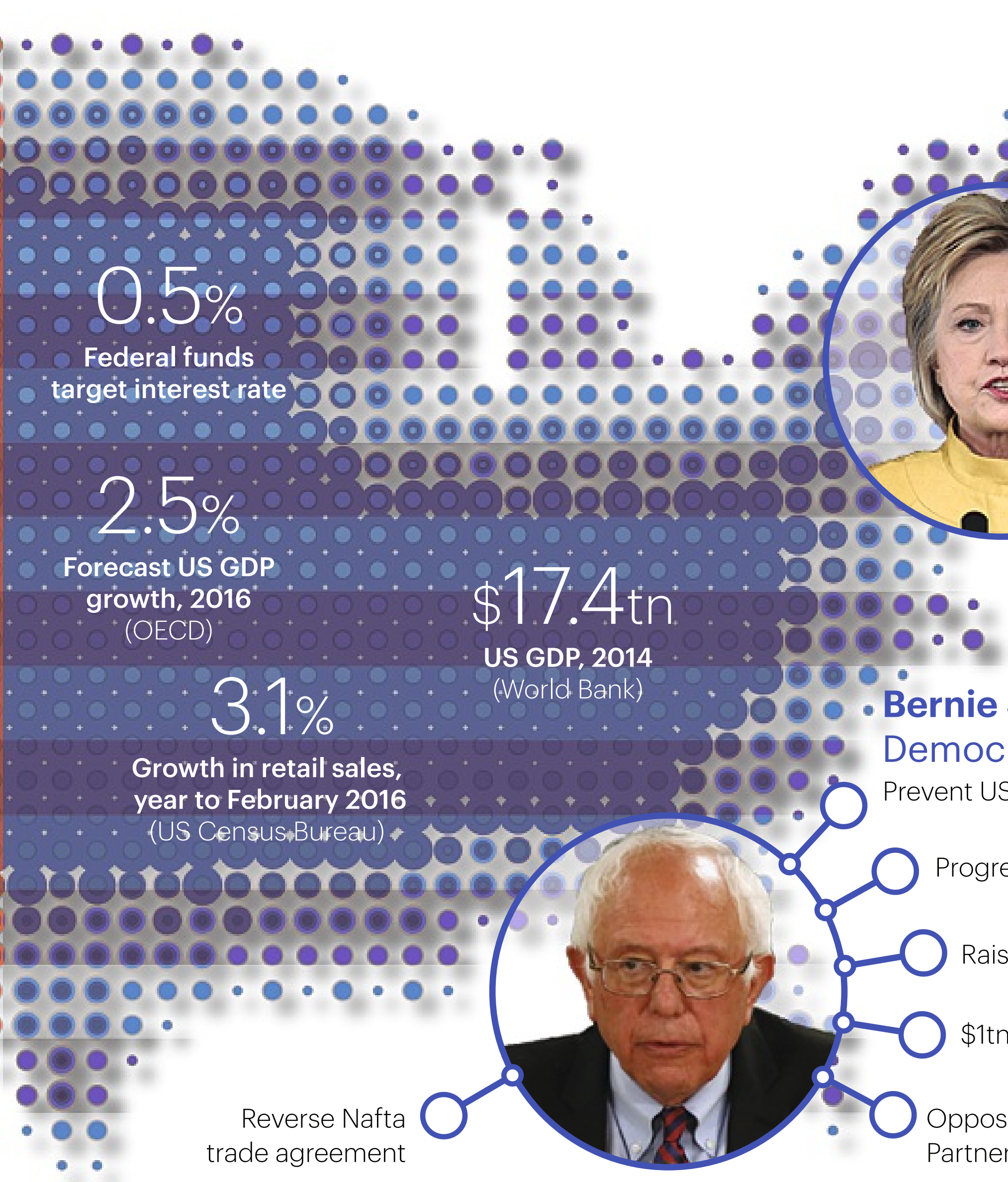

Hillary Clinton
Democrat

- Business tax credits for companies that share profits with employees
- Reform capital gains tax to encourage long-term investing
- Raise federal minimum wage to $12 an hour
- Refuse China's request for 'market economy' status
- Reform bank executives' pay to link bonuses with bank performance
- Clampdown on currency manipulation

Bernie Sanders
Democrat

- Prevent US companies deferring and avoiding US taxes
- Progressive estate tax on estates above $3.5m
- Raise federal minimum wage to $15 an hour
- $1tn infrastructure investment by 2021
- Opposition to Transatlantic Trade and Investment Partnership and Trans-Pacific Partnership
- Reverse Nafta trade agreement

Sources: Kleinwort Benson, Bloomberg and Bureau of Economic Analysis

MATTHEW VINCENT

@MPJVincent

TEMPORAL PARADOX

Had Queen Victoria been able to travel through time, she would probably have found aspects of 21st-century life disconcerting: the brazen flaunting of naked table legs; the reluctance to make mourning an Olympic sport (despite the promise shown by small groups of melancholic black-clad youths loitering by provincial bus shelters); and the downgrading of the Raj from subcontinental jewel of the Empire to a small Tandoori restaurant in Solihull, west Midlands.

However, some fixtures would remain reassuringly familiar: the Rothschild banking dynasty — whose services Her Majesty so valued — can still be found at New Court in the City of London, where it first set up shop in 1809.

Similarly, a parachronistic Jane Austen, if perplexed by the reworking of her novel for kinematograph as *Pride and Prejudice and Zombies*, would doubtless be relieved that the royalties could still be banked at her branch of Hoare & Co in Fleet Street, some 200 years on.

And, surely Ian Fleming, were he fast-forwarded to 2016, would be pleased to find his family office just a Bentley's drive from his club in St James's — even if the actor portraying his James Bond alter ego has, on recent evidence, forgotten the sat nav co-ordinates for Savile Row.

But, for the creator of the spy film franchise, one temporal continuity error might prove harder to accept: the plaque on the office door that now reads "Stonehage Fleming". While some private banks have remained unchanged for centuries, many wealth managers have been unable to resist the urge to merge.

In 2014, when Fleming Family & Partners combined with Stonehage, a multifamily office business, it continued a wider trend. That year,

MUCH OF 21ST CENTURY LIFE MIGHT DISCONCERT VICTORIA

Queen Victoria reigned over Great Britain and its empire from 1837 to 1901

merger and acquisition activity involving wealth managers saw $461.4bn-worth of assets brought under new control, in 83 deals, according to the consultancy Scorpio Partnership. Already, 2016 has begun in a similar vein, with Société Générale acquiring Kleinwort Benson, and Tilney BestInvest buying Towry.

For the dealmakers, it is all about upsizing. As Iain Tait, head of the private investment office at London & Capital, explains: "The transactions... typically have two characteristics: large financial institutions acquiring wealth managers for product distribution, or private equity bolting multiple firms together to realise synergies." For clients, though, it means upheaval. "It can be very damaging," warns Tait. "Less continuity, increased bias towards certain products and no longer an independent outlook." But, as a partner at an independent company, he would say that, wouldn't he?

Guy Hudson, partner at Stonehage Fleming would understandably say otherwise. "Change is not necessarily a negative," he argues. "A merger, which may bring increased resources and good new people, can enhance both investment performance and the other aspects of client service."

So what should you do if a takeover means you can no longer bank on old certainties? Sunaina Sinha, managing partner of Cebile Capital, suggests leveraging your own capital. "Clients should ask for assurances that the diligence and service will not suffer as a result of the takeover," she says.

If the people remain the same, it is a reassuring sign, says Rupert Robinson, managing director of Gresham House. "Wealth management is a people-driven business built on establishing trust. As long as these key attributes are preserved then stay with the devil you know."

Queen Victoria might wish her antecedents had done just that. How amused would "we" be on learning that her great, great granddaughter's private bank, now part of Royal Bank Scotland, suffered the indignity of a taxpayer bailout in 2008. Not very, I'm guessing.

Matthew Vincent is the FT's deputy companies editor

Matthew is thinking... *There is only one absolute in fund management: most absolute return funds fail, absolutely. These funds, which are supposed to achieve positive returns regardless of market conditions, have just turned in their worst performance since 2008, with 12-month returns to February 29 down by an average of 5.2 per cent. Absolute shower!*

PHOTO: POPPERFOTO/GETTY IMAGES

THE IDEAS COLUMN
LOUISE LUCAS

@louiseflucas

SHOE BOX LIVING

The tightening of the money tap in China is tempering the rush to buy increasingly smaller property in Hong Kong

THERE ARE FEW SPOTS ON THE PLANET WHERE SO MUCH MONEY BUYS SO LITTLE SPACE

Hong Kong: the city where most people live in shoe box-sized apartments that make those in New York or London look palatial — and yet still wins the title of least affordable housing market in the world.

It is an accolade the former British colony does not wear lightly. Here, where the most modest flat will set you back at least $1m, developers — ever eager to maximise income — have worked out that you can make apartments smaller still — at just 500 sq ft — and access a slightly less well-off pool of buyers.

But cracks are appearing in the bricks and mortar. Price tags are rising to new, and ever less sustainable, heights. A combination of curbs on foreign buyers and tightening capital controls in China — the money tap that has buoyed up property sales from Sydney to London to New York — are starting to temper the rush to buy.

Take affordability. According to Demographia international property affordability survey, prices in the third quarter of last year were 19 times annual pre-tax household income (both on a median basis), propelling Hong Kong to the top slot ahead of second-ranking Sydney's 12.2 times and London, which comes eighth on 8.5 times.

Add on asset inflation so far and between 2003 and their September peak, property prices soared 370 per cent, fuelled by a potent cocktail of limited supply, record-low interest rates and, of course, mainland Chinese money.

The result? As millennials — those aged between 18 and 35 — the world over are discovering, people are living with their parents for longer, often until marriage and, increasingly, afterwards as well.

Foreign buyers are starting to lose their nerve, too. And no wonder. There are few spots on the planet where so much money buys you so little space. Many are now taking their cash and seeking relative bargains in Europe and Japan instead.

Appetites were further tempered by the imposition of a 15 per cent tax on foreign buyers and investors, which came into effect in October 2012 in a bid to cool spiralling prices. To a certain extent, it worked.

Transaction volumes dipped, prices stabilised and estate agents squealed that the policy was killing off the secondary market.

But that pales beside the chillier winds to come, this time from China, which itself is turning the taps off. The renminbi is weakening — down 5.8 per cent against the dollar since a one-off 2 per cent devaluation rocked global markets in mid-August last year — and there are many who see further depreciation or even another devaluation down the line.

China has responded by tightening capital controls, making it tougher to move money out of the country. Quotas are being more firmly enforced and application processes to invest overseas tightened.

The anti-corruption purge in China, a keystone of Xi Jinping's presidency, has also had an impact — by following money trails overseas there are far fewer places to hide. All of which means fewer funds crossing the border and into property.

There have already been some red flags. In February, a plot of land in the residential New Territories went for nearly 70 per cent less per square foot than a similar one just six months earlier.

Home prices are 11 per cent below their September high, according to the Centaline Property Centa-City leading index.

Developers are starting to sound increasingly bearish; more bullish agents take heart from the mantra that the rich will always be rich and have access to legal ways of circumventing capital controls.

This is certainly true. But it is also true that Chinese money is drying up, that yields have been squashed and that homes are still out of reach for a huge swath of the population.

As US investor Warren Buffett says, "It's only when the tide goes out that you learn who's been swimming naked."

Actions across the border are set to reveal plenty of nudity in Hong Kong's property markets — and very possibly in London, New York and Vancouver, too.

Louise Lucas is the FT's Asia news editor

PHOTO: AFP/GETTY IMAGES

MANAGE YOUR MANAGER
CLAER BARRETT

@ClaerB

AN INDUSTRY IN DISRUPTION

Online questionnaires by robo-advisers typically use responses to offer ways into low-cost portfolios

PHOTO: ISTOCK

THE 'HENRYS' AND 'HENRIETTAS' WANT SIMPLE GUIDANCE AND 24-HOUR ACCESS TO IT

Who are the customers of tomorrow? This question is constantly being asked by far-sighted investors seeking to future-proof their portfolios and entrepreneurs hoping to spot that elusive gap in the market. But it is increasingly being asked by the wealth management firms providing both groups with financial advice.

Millennials — those aged between 18 and 35 — matter to the wealth management industry. In marketing speak I've heard several refer to prospective younger clients as "Henrys" — or "high earners, not rich yet".

Those Henrys and Henriettas might not have much money at the moment, but they will one day — whether earned or inherited. In the past, picking a manager may have been decided on the strength of a 100-year-old brand name or simply choosing the firm their parents used. In the future, it will depend on technology, price and the overall ease of experience.

You might have heard of robo-advice and dismissed it as a fad or a gimmick. But as a non-robotic client of a wealth manager, you need to be aware that the old-fashioned fees you're paying could well be cross-subsidising this leap into the future.

Algorithms are the robot's tin heart. Online questionnaires typically start by asking, "What are your financial goals?" with further responses determining your investment horizons and risk appetite, which are translated into low-cost investment portfolios.

So why does it matter to you? Older clients could benefit from filtering their investments into two pots: those that require little or no advice (such as tracker funds or ETFs) and those that require more formal planning. Future investments into the former could easily be scooped up by an ultra low-fee robo-adviser.

Younger clients don't want, and can't afford, an annual meeting with an adviser talking about the relative pros and cons of emerging markets, bonds or structured products. They want simple guidance and 24-hour access. And they don't want advice delivered in an office, they want an app.

This is the basic model behind online "pure plays" such as Betterment in the US and Nutmeg in the UK. Both companies are gaining traction not just with younger clients, but "mom and pop" investors looking to cut costs and time-poor professionals who want to manage their investments at a time that suits them.

Getting the technology and marketing pitch right is a costly investment, but the prize is being able to service greater volumes of clients for a fraction of the cost. Betterment came from nowhere in 2007 to amass nearly $4bn of assets under management today. Of course, this is a drop in the ocean in a US market estimated to be worth $30tn. But it is enough to worry the established wealth managers, which are spending money innovating for themselves or acquiring stakes in smaller robo-businesses.

So Google the name of your current money manager alongside the word "robo" to see if they've joined the burgeoning acquisition trail. If they have, play around with their digital offering. The level of pricing may shock you — with fees as much as 75 per cent lower — but see what you think of the functionality. Is it so different to the service you're currently paying so much for?

Deloitte projects that by 2025, the robo-advice industry could have transformed into one that holds as much as $7tn of US assets under management. This will invariably put downward pressure on fees across the sector as firms compete for custom.

In future, I foresee that a hybrid model of part-robo, part-human advisory will evolve. Investors can benefit from the lower fees and digital efficiency that robo offers, but bolt on aspects of specialist face-to-face advice.

Many future customers might be younger, but the older ones need to get wiser and pickier about the services they are paying for.

Claer Barrett is the FT's personal finance editor

Claer is thinking... *Could April be the month that the UK property bubble was finally pricked? Property investors face new, higher tax rates on purchases from April. We won't know until we see the impact in sales data, but experts are predicting a slowdown and price falls. In London, where new housing developments are being aimed squarely at foreign investors, it is especially pertinent.*

HACKER MENTALITY

SEAN PARKER ON WHAT BILLIONAIRES SHOULD DO TO LAUNCH SCIENTIFIC BREAKTHROUGHS

BY STEPHEN FOLEY
PHOTO BY PASCAL PERICH

Sean Parker emerges from his kitchen carrying a cup of lemon tea with honey, two bottles of pills and some free medical advice.

I should treat my cold, the billionaire Facebook investor tells me, not with a typical over-the-counter cold remedy but instead with individual medicines for each symptom. “In most cases you’re not going to need all of the things in the cocktail and some of them are going to make you feel a little wacky,” he says. “You’re better off buying the ingredients separately and customising.”

For my dry cough and runny nose, he prescribes ibuprofen and the allergy medicine Allegra, and there is a little something in the tea, too. “I may have put a tablespoon of bourbon in it,” he says with a smile.

I have come to Parker’s apartment, at one of New York’s most extravagant addresses, the old Plaza Hotel on the corner of Central Park, not because he has set up a doctor’s surgery but because he has strong ➤

The creator of Napster, the music file-sharing service, is still a prolific backer of start-ups views on how billionaires might help create the medical breakthroughs that presently elude us. As I sip my tea, he will dispense advice not only for me but also for the scientific establishment, for philanthropists and for the world of charitable foundations that he says suffers from "cruft and inefficiency".

Parker is calling his approach "hacker philanthropy" and in his latest move he has pledged $250m to reshape the field of cancer immunology through the new Parker Institute for Cancer Immunotherapy, which will pool the work of leading scientists at half a dozen big universities and hospitals, with the aim of dramatically speeding up the development of new drugs.

Seventeen years after he created the music file-sharing service Napster, and now aged 36, Parker is still a prolific backer of tech start-ups, from politics apps to movie streaming ventures and he is also on the board of the online music company Spotify — but he says that this work in cancer now effectively monopolises his time.

"The other companies I'm involved with probably wouldn't want to hear that," he says. "Luckily the consumer internet companies are not very mentally taxing at this point. This is both much more intellectually interesting and a lot more rewarding than building yet another product for teenage girls."

Hacker philanthropy is meant to be the antidote to what Parker calls the conservative, incremental work of most charitable foundations; a timidity he says is borne of institutional self-preservation and a need to assuage philanthropists' "deep-seated anxiety that their capital may not be accomplishing anything".

Hackers, by contrast, are iconoclasts drawn to fix the holes in big, complex systems, and they are willing to make bold experiments and embrace failure as a learning experience. Since the world's billionaires lists are increasingly populated by computer programmers who have built insanely large tech companies, it is only a matter of time until their hacker mentality is brought into the world of philanthropy.

"I don't even see it as giving away money so much as trying to solve a set of social or political problems that are not easily addressable with for-profit companies and investments," he says.

Parker first set out his philosophy in a deliciously rude essay published in the Wall Street Journal last year. In it, he claimed that Andrew Carnegie, the robber baron-turned-funder of the US public library system, would be appalled at what has become of the foundation that is dispensing his fortune.

"Perhaps if he had lived to see the internet, he would have funded Wikipedia instead," he wrote. "We will never know, but the foundation that bears his name carried on funding libraries even after the internet made them obsolete."

Cancer immunology is a case in point. The idea that the body's own immune system could be "hacked" and used to fight tumours is now one of the hottest areas of research and new drug development. But it received very little funding until a decade ago, despite its roots in 19th-century scientific experiments, because it was deemed too uncertain for government grants, Parker says.

His own personal and family history of asthma and allergies has meant he has always been fascinated by the


1.

immune system. He has been ramping up his interest in, and donations to, cancer immunotherapy for the best part of a decade and it is a big focus for the Parker Foundation, which he seeded with $600m of his fortune last year. "It used to be the red-headed stepchild of the oncology world. There was a dedicated band of scientists who were convinced by the data that the immune system played an important role in cancer, but they were essentially refugees from the cancer establishment.

"If you do what most charitable organisations do, which is form a scientific advisory board composed of the luminaries in the field, who are all at that point the establishment, and then you let those people determine how your resources are going to be allocated, you're going to end up doing essentially more of the same thing that everyone else is doing.

"There are a set of things where they're either too far ahead or they're unpopular for some reason or the establishment isn't yet interested, where private philanthropists can step in and have a huge impact."

But, I ask, if a philanthropist funds only areas of scientific research that are out of the mainstream, surely all he or she will end up getting is a lesson that most areas are out of the mainstream for good reason?

"Your point is a valid one," he answers; "that you can't expect every well-meaning philanthropist to educate themselves about the science and find the next frontier that's worthy of their investment. That's a very tall order. I do however think that more people should try."

We are sitting in the dining room of the apartment under a giant portrait of Queen Elizabeth II, a piece of art that has been digitally created out of hundreds of photos of the royal family. It comes with the rental, as does the rest of the decor and furniture, and therefore does not signify any particular interest in British royalty, though Parker adds: "I do have a lot of people round who are hoping to get knighthoods."

Earlier he had told me that Sting and Trudie Styler were due for dinner shortly after our interview finishes. At another point, he says he plans to host a get-together for Chris Martin of Coldplay when he returns to his Los Angeles home, and I start to worry that the man who did so much to upend the music industry with the invention of Napster might be settling into the lifestyle of an ageing rocker.

Parker's Hipster International playlist on Spotify — once a must-follow for fans of new music and credited with launching the US career of New Zealand singer Lorde — has lain dormant for a couple of years and when I ask what he listens to these days, his first answer is The Smiths. I jokingly suggest that musical ossification is inevitable when you become a father, as he did for the first time in 2013, when his daughter, Winter, was born,


2.

PHOTOS: BRIAN RASIC, BSIP/GETTY IMAGES; JIM WILSON/NEW YORK TIMES/REDUX/EYEVINE

THE IDEA THAT THE BODY'S OWN IMMUNE SYSTEM COULD BE "HACKED" AND USED TO FIGHT TUMOURS IS NOW ONE OF THE HOTTEST AREAS OF RESEARCH

1.
Sean Parker speaks onstage during the launch of the Parker Institute for Cancer Immunotherapy
2.
From left, Mark Zuckerberg, Dustin Moskovitz and Sean Parker at Facebook headquarters in California in 2005
3.
Parker still listens to Morrissey and Johnny Marr of The Smiths
4.
Vaccines for cancer on test in a laboratory

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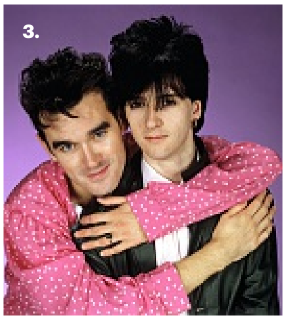

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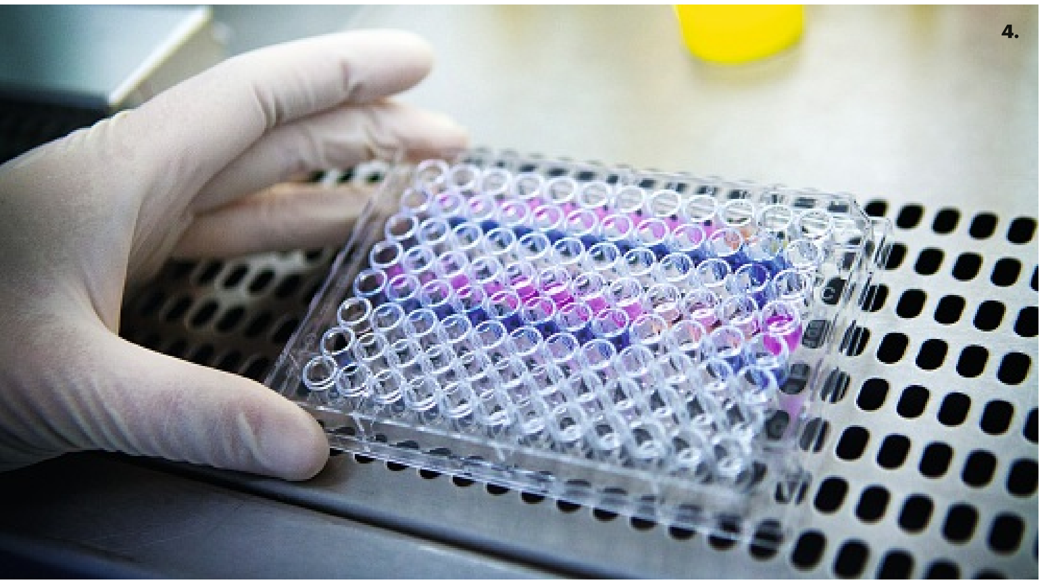


and for a second time in 2014, when his son, Zephyr, arrived. "I was pretty active in music, in discovering new music and also promoting it to the world, up until maybe the age of 34. So that's fairly atypical," he says. "I stopped because I couldn't find any music I liked any more. These last two years have seemed rather bleak for new artists. It's not me. It's them."

Spotify continues to tussle with artists, new and old — or more accurately, with their managers — who want a larger slice of royalties when a user streams their songs, but Parker says they ought to be directing their fire elsewhere.

"There's a lot of free music in the world right now and the problem with free music isn't Spotify," he says. "We monetise at a very high rate a very small number of users. YouTube has a gigantic number of users and doesn't nearly monetise those users as well. So it's frustrating and a little perverse when artists, managers and labels complain about too much free music and yet they continue to give it all away to YouTube."

The same sorts of arguments about monetising content in the internet age are at play in one of Parker's other ambitious ventures right now, Screening Room, an idea he is backing that would allow people to watch new films at home on the same day they come out in cinemas. The hope is to persuade cinema owners to support the idea by offering them a share of the revenues.

Meanwhile, he is also juggling another start-up, called Brigade, an anti-apathy app designed to promote civic engagement by asking users to debate political topics. Parker himself is no stranger to political debate, having supported causes including gun control and the legalisation of marijuana.

The intersection between politics and philanthropy seems a good place to end our conversation, since another tenet of hacker philanthropy is that donors probably need to change government policy if they want to create real systemic change. Mark Zuckerberg, probably the richest hacker philanthropist in the world, has signalled he will use part of his Facebook fortune to do just that. "If you've been very successful, you have a responsibility to try to use your resources and influence to improve other people's lives and that responsibility can be interpreted much more broadly than just giving away money," Parker says, as I gulp down the last of my bourbon-laced tea.

"The political channels for giving back, they're met with greater scepticism. They don't have the same blessing of the public or the media and they're more controversial. In some ways they are probably a more pure form of giving back because you're unlikely to get credit for it. If anything, you're likely to be criticised for it. So one of my core tenets in trying to make an impact is that if I'm not being scrutinised at least a little bit, I'm probably not doing everything I possibly can."

LEHMAN LIVES ON
THE ILL-FATED BANK'S ENTREPRENEURIAL CULTURE SURVIVES IN NEW BUSINESSES

BY HARRIET AGNEW

“Lehman Brothers is not afraid of risks. The biggest risk sometimes is to take no risk at all.” So said Robert Lehman, who for many decades ran the company that his father had founded in 1850 as a cotton trading operation but grew to become the fourth-largest investment bank on Wall Street.

Lehman junior might just as easily have been referring to the attitude of dozens of former Lehman employees, who have gone on successfully to set up their own businesses following its bankruptcy in 2008 at the nadir of the financial crisis.

Mass layoffs and market chaos followed the now infamous collapse of Lehman, which triggered the worst banking crisis the world had experienced for almost 80 years. Investors’ money was wiped out. From what remained, Barclays bought Lehman’s US investment banking and trading business, while Nomura acquired the company’s European and Asian franchises. However, many of Lehman’s top people who had already left in the bank’s final years or in the aftermath of its collapse decided to strike out on their own.

The result is the dawn of a generation of entrepreneurs who have risen from the carnage. These include former Lehman executives who have founded private equity firms JRJ Group and Trilantic Capital Partners, corporate finance boutiques Ondra Partners and Noah Advisors, and a swath of other businesses outside finance.

Lehman is not alone in producing entrepreneurs among the bulge-bracket banks, which share a culture of long hours and competitiveness with the start-up scene. The new companies that grew out of Lehman’s bankruptcy were part of a bigger wave of people from financial services who set up their own businesses, perhaps disillusioned with the established system. It was partly out of necessity — thousands of people lost their jobs, but many had the financial security of

Lehman Brothers’ last days in London

PHOTO: REUTERS

bonuses from the bull market years to support them in a change of direction.

But living through the boom and the crash at the bank made many reconsider their careers. Britt Lintner, a managing director at Deutsche Bank Asset Management who previously worked at Lehman for eight years says that the "Lehman's bankruptcy was an epiphany". After she left in 2003, Lintner set up a women's clothing business. She adds: "There was a loss of trust and faith in the banking system and people felt it was their chance to do something different."

Yet it does feel as if there was something different about how Lehman was managed. So what was it about the now-defunct US bank that made it such an incubator for budding entrepreneurs?

Former Lehman employees point to the unique entrepreneurial culture at the bank, particularly in Europe, that they believe prepared and encouraged them to strike out on their own.

That culture had deep roots. As a commodities trading and brokerage operation, Lehman thrived during the economic and industrial expansion in the US in the second half of the 19th century, before moving into investment banking in the early days of the new century. In his 1966 book, *The Merchant Bankers*, Joseph Wechsberg wrote that the House of Lehman's operations "are characterised by 'ingenuity'... They are a bunch of brilliant entrepreneurs, unorthodox without being unconservative."

Long before the financial crisis, the company's executives had begun breaking out. Lehman dealmakers Pete Peterson and Stephen Schwarzman founded Blackstone Group, now the biggest private equity company in the world, and Evercore, one of the largest independent investment banks in the US, was set up by Roger Altman, a protégé of Peterson at Lehman and Blackstone.

In 1984, Lehman Brothers was acquired by American Express and merged with its retail brokerage Shearson to form Shearson Lehman Brothers. American Express began to divest its financial services by business lines, and in 1993 the bank was spun off and once again became known solely as Lehman Brothers.

Dick Fuld, Lehman's chief executive from 1994 until its bankruptcy, hired Jeremy Isaacs and ➤

'LEHMAN'S BANKRUPTCY WAS AN EPIPHANY: PEOPLE FELT IT WAS THEIR CHANCE TO DO SOMETHING DIFFERENT'

'AT LEHMAN THERE WERE NO BOUNDARIES; THE ONLY LIMITS WERE YOUR ABILITIES AND YOUR COMMITMENT'

Roger Nagioff (the duo who later set up JRJ) with a mandate to expand the bank's operations in Europe and Asia from a small office at 1 Broadgate next to London's Liverpool Street station. "The two were very dynamic guys who set the tone for Europe," recalls one person who worked for them. "They made it the entrepreneurial, street-fighting, chip-on-the-shoulder organisation that it was."

It was a company on the make. "For those who joined Lehman Brothers in the early 2000s you went there to build," recalls John Candillier, a Lehman managing director between 2002 and 2008. "Your mandate was to build, hire, create. There was no script on how to do that. You wrote it along the way by working relentlessly at disrupting the status quo."

Candillier co-founded and is now chief executive of the Keyfetch Group, an online "lost and found" service that uses technology to help people protect their valuables.

While larger names that were better established in Europe were constrained by their long-term strategies, Lehman had the luxury of being nimbler. "Lehman Brothers was a firm that didn't focus on big plans or strategies," says Adrian Valenzuela, who founded Hong Kong-based brokerage MCM Partners in 2012 with Rachid Bouzouba, the bank's former head of equities for Europe, the Middle East and Africa. "It didn't behave like a bulge-bracket firm or a premier franchise. This gave it the liberty to be more opportunistic and reactive."

The same factors that led to the bank's eventual downfall — creative attitudes towards funding, not enough checks and balances, and a chief executive in Fuld who was distant from the everyday operations of the bank — also created a fertile environment for new concepts to flourish.

"It was a place where ideas would travel very rapidly," says Vittorio Pignatti-Morano, who ran Lehman's private equity business for Europe and the Middle East, and set up Trilantic afterwards with two partners and a team from the bank. "The investment committee wouldn't a priori say it's a wild idea only because they'd never heard of it. You were right until you were proven wrong."

There was little hierarchy. "Even at a junior level you got lots of responsibility," says Gustave Geisendorf, who spent almost a decade at Lehman before founding Nova Investment Partners, a Nordic-focused venture capital company. "At other banks there are clear definitions of what an associate, vice-president, managing director is supposed to do. At Lehman there were no such boundaries; the only limits were your abilities and your commitment."

The US bank's status as the underdog in Europe meant it had to fight harder to prove itself. "At Lehman

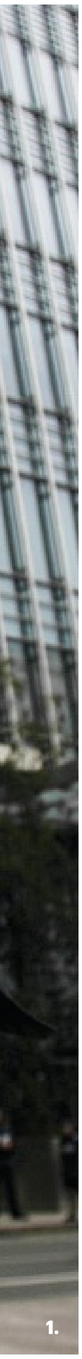
1. to 4.
Lehman Brothers employees in London and New York depart with their effects after the bank's filing for bankruptcy in 2008

in Europe the investment bankers and capital markets individuals were better than the brand," says Benoit D'Angelin, the bank's former co-head of European investment banking. "They had to be better — more competitive, creative and entrepreneurial. It was not the case at some other top investment banks where the brand was better than the bankers."

Jorn Werdelin, a former mergers and acquisitions banker at Lehman who went on to set up Linde Werdelin, a maker of luxury sports watches, agrees: "At Lehman Brothers we weren't necessarily the number one choice for a CEO. That gives you a certain fighting instinct that you're less likely to have coming out of Goldman Sachs or Morgan Stanley."

Career paths could be unconventional and people were encouraged to move between divisions and countries. That environment meant Lehman built more rounded managers as well as entrepreneurs. For example, Xavier Rolet, who is now chief executive of London Stock Exchange Group, was co-head of

PHOTOS: REUTERS; GETTY IMAGES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global equity trading at the bank in London, led a newly created European senior client relationship management group and was chief executive of Lehman in France.

Former employees recall that their peers were frequently trying to raise money for ventures set up by their friends and family. One such fledgling project around the turn of the millennium was Net-a-Porter, a website for selling designer fashion founded by Natalie Massenet that has gone on to be one of the internet's great success stories. Her then husband, Arnaud Massenet, ran equity derivatives at Lehman in Europe and helped raise the roughly £1.5m of seed capital from his colleagues.

People were brought in to build businesses and left to get on with it. In 1995, Lehman hired Noam Gottesman, Pierre Lagrange and Jonathan Green from Goldman Sachs' private client division to start a hedge fund business, GLG Partners, as a unit of the bank. By the time GLG — which is now owned by Man Group — was spun off five years later, its initial team of 13 people had grown to around 150.

After Lehman, D'Angelin set up Ondra, an advisory boutique, with Michael Tory, who had run UK investment banking. Tory had joined Lehman from Morgan Stanley, drawn to the challenge of working for an up and coming company. He reckons that the bank attracted a certain type of person: "Lehman was always — both in the US and especially in Europe — the scrappy insurgent. It was fighting to come up from a lower base. It had to try harder. The people who were drawn to Lehman were themselves more entrepreneurial — and therefore more likely to do something entrepreneurial afterwards." Ⓦ

Two-way street: start-ups not for all

The day Lehman Brothers filed for bankruptcy, September 15 2008, was one Lynn Gray had anticipated for more than a year. The company's former chief administrative officer had been looking for opportunities outside the company when layoffs raised the spectre of an implosion. But she describes the day as "very, very sad" even if it was not a surprise.

"People were just crying. We had lived as the underdog for so long. Lehman had such a special culture; we were survivors," she says.

It was this culture, and the dire job market, that spurred Gray to start a company, rather than joining another bank after her role became redundant in the takeover by Barclays. "Lehman was different to the rest of Wall Street," she says. "It was more collegial and less rigid because it was smaller, so you could do creative things."

With job opportunities slim, and having a 10-month severance package, she says she "wasn't going to put her CV on [job-search site] Indeed.com".

Gray started teaching at New York University, which sparked an idea for a recruitment service for companies that did not have the formal strategies for hiring on university campuses that the banks did. She has run the company since 2009.

But Gray says she was the exception rather than the rule and the vast majority of her Lehman colleagues from New York have gone back into banking and finance. Even now, eight years after the crisis, more than 60 per cent of workers who leave banking remain in the financial services sector, according to an analysis of 24,500 people carried out by networking site LinkedIn for the Financial Times last year.

Brad Hintz, who had been chief financial officer of Lehman in the late 1990s, says there were striking differences between Lehman's US and European arms, which might explain why fewer New York alumni have become entrepreneurs.

The divergence stretched back to the 1980s, when Lehman "fought a civil war" between bankers and traders, leading to a sale of the company to American Express. The Amex acquisition was a "disaster" for Lehman, Hintz says, and years of underinvestment and disappointing profits eventually led to a spin-off.

Lehman's senior management, led by Dick Fuld and Chris Pettit, who had been in post throughout the period of Amex ownership, were based in New York and aimed to revive the company, which had fallen behind its peers in the derivatives and high-yield businesses.

"From these events, a New York Lehman culture was born — it was a company driven to succeed, which always felt like an outsider, with a chip on its corporate shoulder," says Hintz. Lehman in New York had a "sharper edge to it" because of the company's history and the New York office was "much harder to deal with" than the London operation, which was more "grey flannel", he says. In New York, Hintz felt like he "needed a whip and chair when I went down to the fixed income trading floor".

Lehman's European arm was smaller and Europe's economy took longer to recover than that of the US, which might explain why Lehman's London staff were more likely to start companies than work in a bank, he says.

"Wall Street recovered and then you saw a boom in fixed income markets, and mergers and acquisitions coming back. So you were in better shape as an unemployed Lehman employee looking for a new job in New York than in Europe. That leads to entrepreneurial decisions [in Europe] out of necessity," he says

By Anna Nicolaou in New York

TALENT HUNTERS

FT WRITERS TALK TO SIX UP-AND-COMING START-UPS FROM AROUND THE WORLD TO DETERMINE WHAT MAKES FOR A SUCCESSFUL BUSINESS

The Vuhl 05 goes from 0-100 kph in 3.7 seconds

JUDE WEBBER IN QUERÉTARO

Having a sports car business sounds like the ultimate dream and two passionate young Mexicans have made it come true.

Sleek, speedy and sophisticated, high performance cars are a far cry from solar-powered greenhouses, elegant tequila bottles or low-cost housing — some of the other products to which industrial design duo Guillermo and Iker Echeverría have applied their skills.

At first, the brothers were written off as ambitious amateurs. “We never thought we couldn’t do it. We thought it was weird people didn’t believe in us,” says Guillermo, 34. That was eight years ago: the brothers were fresh out of college and no one knew they had grown up watching their father design, construct and race cars.

Recognition came after accelerator TechBA, which helps Mexican companies go global, came on board in 2009. Though not quite as rapid as the 3.7-second, 0-100kph acceleration of their six-speed turbo Vuhl 05, suppliers quickly flooded in.

“When one door opens, another, bigger one does too,” says Guillermo. Ford supplies the engine and transmission system and other industry names are involved because “it’s a very sexy project”. The Vuhl 05 launched at the Goodwood Festival of Speed in the UK in 2013. “You wouldn’t bet on two 30-something brothers from Mexico City to create something so dynamically sophisticated at the first attempt but, with a little help from their friends, that’s what has happened,” wrote Autocar magazine. “The Vuhl 05 is a car of unexpected maturity.”

1.

2.

The cavernous warehouse on an industrial park devoted to the aerospace industry in the central city of Querétaro looks nothing like an assembly line. There is no machinery and no noise, just a few moulds, rolls of carbon fibre and tools.

Although 51 per cent of components are Mexican, the cars are truly international. The brothers contracted Esiste, the Italian design house that works with Lamborghini, Maserati, Alfa Romeo and Audi, for the suave looks; and 42 per cent of components are from the UK and other suppliers come from the US and Europe. Initially assembly was in Montreal, Canada, but is now done in Mexico, and Vuhl ("vehicles of ultra-light weight and high performance") is about to move to a bigger plant.

The 80kg chassis is aerospace-grade aluminium — parts are not welded but glued, like on planes, to be light and flexible. The bodywork weighs 35kg. All told, the car clocks in at 695kg — less than a Smart car and half the weight of a Volkswagen Golf.

They are unabashedly playthings for aficionados — track-day cars with no windscreen or doors — but they can be driven on the roads and a helmet, while useful, is not essential.

The order book is filling up faster than the team can build. So far, 25 cars have been sold to clients in Mexico, the United Arab Emirates and the UK, but only 10 have been delivered. It takes time, in part because clients are given plenty of chance to customise their £60,000 car.

The Echeverría brothers, who received funding from the Mexican state but have not disclosed investment numbers, already have a dealership in London. They expect to open another in Mexico City within weeks and in the US, most likely either in California or Florida, in the coming months. China is also on the radar.

While Guillermo is the chief executive, Iker, who is 31, is technical director. They are almost accidental entrepreneurs: they want to keep their parallel industrial design business, Etxe, as a financial back-up and they do not see themselves diversifying too much.

"This is a life project for us," says Guillermo. "If someone came and wanted to buy the company, we wouldn't know what to do."

THEY ARE UNABASHEDLY PLAYTHINGS FOR AFICIONADOS, TRACK-DAY CARS WITH NO WINDSCREENS OR DOORS

PHOTOS: LAURENT NIVALLE

1. to 3.
Guillermo and Iker Echeverría with their Vuhl 05

3.

VICTOR MALLET IN NEW DELHI

Unless she is in mid-flight, Anu Acharya of MapMyGenome can match even the brisk Sir Martin Sorrell of WPP for the rapidity of her email responses.

The molecular diagnostics company, based in Hyderabad, India, is her second start-up in the same field and the 43-year-old physicist turned entrepreneur remains a whirlwind of energy. She even writes poetry when stuck at the traffic lights.

Founded less than three years ago, MapMyGenome is a pioneer in India in the globally rising business of genomics. By analysing a customer's genome, the company can assess the risks of various diseases and give advice on preventing illness and managing health.

The Genomepatri offering, for example, is a saliva-based test to decode DNA and predict genetic risks for more than 100 diseases, traits, inherited conditions and responses to drugs. Other products focus on heart disease, cancer, mental illness and sport — while SlimGene and BeautyGene look at weight and fitness, skin and hair.

While there is no doubt that Acharya as chief executive and her 30 employees are focusing on the potentially lucrative market of India's vast and fast-growing middle class, she says there is a deeper motivation for genetic analysis in a country of 1.3bn where public health spending amounts to less than 1.5 per cent of gross domestic product. (That is less than half the level in China).

"Healthcare is not going in the right direction," she says, noting that the number of doctors in India is growing much more slowly than the burden of disease. "There is a need for disruption. I look at healthcare as being nutrition, fitness — everything included rather than being hospital-driven.

"My motivation to look at this was primarily that one sixth of the world population is Indian and the [global] data are fairly skewed to the Caucasian population. The data that is available is on the Caucasian population.

"The main driving force is to be able to say, 'Can I leave the world a little better than when I went into business?'. It's our responsibility to leave the world a better place."

To achieve that, of course, the business has to succeed in the sometimes difficult environment of India, where entrepreneurs must wade through thickets of bureaucratic rules devised long before genomics existed as a field of study or business.

Acharya, however, has form as an entrepreneur. After postgraduate studies at the Indian Institute of Technology at Kharagpur and the University of Illinois, she worked for a telecoms start-up and a consulting firm before launching Ocimum Biosolutions, a genomics outsourcing company, which she ran for 13 years until 2013. MapMyGenome's early funders include Rajan Anandan, Google's boss for Southeast Asia and India, and Acharya is now aiming to blaze a trail towards profitability in a market increasingly excited by smartphones and ecommerce but unfamiliar with genomics. "The market's not ready, so you're creating the market," she says. "It's a good thing to be able to do this. But it's also tougher."

She skirts diplomatically around the problem of government bureaucracy — "there are multiple departments and multiple issues" — and says MapMyGenome is not yet making money but should be profitable soon. "Our plan is this year to be able to get to that," she says.

As for the poems, they reflect her peculiar blend of high-mindedness and whimsy. In her recent collection, subtitled "Random rhymes at odd times: on science, non science and nonsense", there is one *Hamlet*-parody reflection on the lethal dangers of the tuberculosis that plagues India. It ends with the lines: "TB is not to be/ there is no question."

Asked what kind of poems she writes, Acharya says they usually have a double meaning and depend on her mood. "It could be something that's deep, but fairly light." Someone chips in from the background. "My friend says my poetry is 'irreverent'," she says. That sounds about right.

'HEALTHCARE IS NOT GOING IN THE RIGHT DIRECTION — WE NEED DISRUPTION'

1. Anu Acharya of Indian pioneer MapMyGenome
2. Saliva-based test kit that helps predict genetic risks

PHOTOS: XINHUA NEWS AGENCY/EYEVINE; GETTY IMAGES

MAGGIE FICK IN LAGOS

Nigerian designer Amaka Osakwe launched her own label, Maki Oh, straight out of fashion school and within a few years had US First Lady Michelle Obama wearing her designs, followed recently by Beyoncé's sister, singer Solange Knowles.

When Obama wore Maki Oh on a trip to South Africa with her husband in the summer of 2013, she chose an airy but tailored navy blue and white blouse emblematic of Osakwe's distinctive style.

Osakwe says that as a designer, she is also a storyteller, trying to preserve culture and celebrate Nigerian style with her own twist. She points to her consistent use of adire, the hand-painted and hand-dyed organic fabric worn by Obama, as "one of the ways we strive to contribute towards reviving a dying art" while also supporting local artists. Her spring 2016 ready-to-wear collection paired more adire-inspired print blouses with billowy high-waisted trousers and layered skirts.

3.
Amaka Osakwe, right, with a model displaying a design from her Maki Oh label

Osakwe says she has been sewing since she was a child and learnt at a young age from her mother to appreciate patterns and fabrics. "I have a very short attention span," she says with a laugh, "but fashion is what has held my attention for the longest period of time. It is a continuous learning process that engages all of my senses. The learning and unlearning never end."

One of the hardest steps in the 28-year-old's path towards founding what has quickly become an internationally known label was convincing her parents that she could "really have a career in fashion". Bucking the preferred route of studying economics, law or medicine was not an easy sell to her father, she says, though he eventually gave his full support.

She studied fashion at Arts University College in Bournemouth in the UK and returned to Nigeria after graduating. "I had a very clear idea of the path I wanted to take. It felt like a market that had a slot for my vision and I needed to fill it immediately.

Osakwe is one of a growing number of internationally known Nigerian designers to come out of Lagos, the country's commercial capital. The city is a source of inspiration for artists, writers and musicians, and it is increasingly playing host to art and fashion events that draw people from around the continent. There are even start-up incubators geared specifically towards supporting striving designers.

But Lagos can also be a source of frustration for entrepreneurs. "I am building everything from scratch, from training every member of staff to generating my own electricity," she says. "It's a tough one. These are issues my counterparts in other parts of the world probably cannot fathom."

Another problem she cites is the same one facing large manufacturers and multinationals as Nigeria suffers its worst economic slowdown in years: lack of access to raw materials because of a dollar shortage caused by the crash in the price of oil.

'I AM BUILDING EVERYTHING FROM SCRATCH, FROM TRAINING STAFF TO GENERATING ELECTRICITY'

Still, Osakwe spends at least nine months of the year in Lagos. Although she draws inspiration from her travels and experiences around the world since launching her label in 2010 and presents her collections in New York, she prefers to stay up late in her studio in Lagos preparing new collections and, when she can, encouraging others to follow her lead.

Designers, tailors and seamstresses are trained through a programme she launched. "There are limited avenues for talented, young, aspiring designers to gain relevant skills and essential exposure."

She says her happiest moment as a designer was when she was invited by Obama to the White House for an event celebrating design. She took her parents as guests. "Seeing that I was the only Africa-based designer chosen was such a proud moment for them."

'I WANT TO FIND OUT WHAT IS THE NUMBER OF START-UPS DOING WELL VERSUS THOSE THAT WIN AWARDS BUT DON'T SUCCEED IN BUSINESS'

HEBA SALEH IN CAIRO

Hanan Abdel Meguid, an Egyptian angel investor in technology start-ups, calls her company Kemelizer because, she says, "the values of the camel are needed to survive".

"The camel has perseverance and it always carries reserves for dry times because the trip across the desert to find water is often lengthy," says Abdel Meguid, sitting in her elegant one room, split-level office in the Greek Campus, a space for start-ups in central Cairo.

The 45-year-old is a veteran of some of the biggest tech companies in Egypt: after graduating in computer science in 1993, she co-founded Microlabs with colleagues, designed to outsource software solutions to US companies at a time when there was no access to the internet from Egypt.

In 1996, she joined Link — then a start-up established by a small team of young professionals, which grew into one of the foremost digital companies in the region. Link was sold in 2010 to Mobinil, a mobile telecoms company, and Abdel Meguid moved with it to serve as chief executive of its subsidiary OTVentures. By the time she left in 2014 to focus on the Egyptian start-up scene, annual revenue at OTVentures had reached $100m.

"It is now back to origin and back to risking my own money," she says. "I discovered I am not equipped to just be in the corporate environment. The higher you go, your job relates to the dynamics of the organisation and not to the dynamics of creation, which is where I want to be."

As an angel investor, Abdel Meguid is currently backing two start-ups. One is Iqraaly, which means "read to me" and "aims to be the Audible of the Middle East", by providing audio versions of books and overcoming the distribution problems facing the publishing sector including illegal downloading. Iqraaly is already functioning on Android phones and a version for iOS is in the works.

"It's mind-blowing, the interest that exists in books and culture in general," she says. "The platform has been growing 20 per cent in terms of usage per month."

The other investment is in slickr.com, which she describes as "a toolbox for fashion ecommerce", offering virtual reality fittings unlike the current 2D representations of clothes. The start-up is creating an app for UK brands and has already established a legal entity there because "that is where the action is in a segment called fashion tech".

Abdel Meguid says her investment in each company ranges from $20,000 to $40,000 with the possibility of more follow-up capital.

For the moment, her fund is made up entirely of her own money but she is looking to involve others in the future, maybe in two years' time.

"I first want to explore and find out what is the number of start-ups doing really well versus those which win awards but don't succeed as businesses," she says. "The real matrix now is to go from hype to reality."

1.
Egyptian angel investor, Hanan Abdel Meguid

2.
Seven Kim, co-founder of Indonesian food site, Qraved

AVANTIKA CHILKOTI IN JAKARTA

The sharp tang of fresh paint lingers outside the new offices of Qraved, the Jakarta-based food and drink start-up, a litmus test for fast-growing businesses in Southeast Asia's largest economy.

For Indonesians, Qraved aims to do what reservations site Opentable, Yelp and Tripadvisor together do for consumers in the US and Europe.

Through its website and app, the start-up allows customers to browse restaurants and bars in their area along with their menus. Users can create a personal profile that includes their favourite spots and read blog posts on everything from all-you-can-eat offers to the priciest venues in town.

For co-founder Steven Kim, it was an obvious idea. "I've been a crazy foodie myself," the 35-year-old entrepreneur says. "Being a Korean who grew up in the United States as a child, going back to Korea looking for pasta or burgers — it wasn't easy."

But when Kim arrived in Indonesia in August 2012, he found there was no single business helping him explore new bars and restaurants. The only similar service was India-based Zomato, which remains the company's biggest rival today.

"Back in 2012, people were not that interested in going out and trying good food," the Insead business school graduate says, adding that social media, in particular, has spurred a new interest in eating out.

Indonesia has changed markedly in the past three and a half years, laying the foundations for businesses such as Qraved that target Indonesia's young, aspirational population eager to explore, and be seen at, its most fashionable venues.

Thanks to cheap Chinese mobile phones, the penetration of smartphone subscriptions reached about 40 per cent last year, according to Ericsson, the Swedish telecoms group.

Meanwhile, the growing middle class is eating out more than ever before — and are being more discerning about where and what they eat. Restaurants are becoming more popular with many springing up to cater for growing demand. Euromonitor projections suggest the market for full-service restaurants grew to Rp385.3tn ($29.3bn) last year, from Rp257.2tn five years earlier.

"I have heard people joke that social media ruined Indonesian people's happiness," Kim says. "They were happy and it didn't matter if you were going to the hottest restaurants or staying at the hottest hotels."

Qraved, which covers Jakarta, Bali and Bandung in West Java, now has some 1.2m unique users every month, up from just 50,000 in December 2014.

There are some 70 people working at the start-up, a number expected to double in the coming months, forcing Qraved to relocate to its freshly painted premises.

Within the next year, Kim also plans to launch an English language app and to move into other markets in the region, including Singapore and Malaysia.

From there the opportunities are endless. Restaurants and bars in the region face three big hurdles, according to the co-founder: marketing, human resources and supply chain management.

Qraved currently helps businesses to market themselves and makes money via sponsored content. But in future Kim aims to provide software for the hospitality sector that allows businesses to take reservations and manage inventory through Qraved, taking a cut along the way.

According to CrunchBase, a website that tracks private equity investments, Qraved has received a total of $9.3m through three rounds of funding, and Kim mentions Silicon Valley venture fund 500 Startups and China's Gobi Partners among its best-known investors.

Dressed in trainers and a T-shirt, Kim belongs to a new generation of tech entrepreneurs in Indonesia, many of whom learnt the ropes at Rocket Internet, the Berlin-based "start-up studio" or "venture builder", as it describes itself.

Kim worked on the group's Airbnb competitor, Wimdu, and its fashion e-tailing unit, Zalora, in Singapore. One of Kim's co-founders, Sean Liao, led the Rocket development centre in China that launched some of the best-known businesses in the region, including Lazada and Zalora.

"It's really about having complementary skill sets," Kim says.

INDONESIA HAS CHANGED MARKEDLY IN THE PAST YEARS, LAYING THE FOUNDATIONS FOR BUSINESSES THAT TARGET THE YOUNG, ASPIRATIONAL POPULATION EAGER TO EXPLORE ITS MOST FASHIONABLE VENUES.

KERIN HOPE IN ATHENS

Family and food are the ties that bind and sustain Greeks, all the more so while the country is in dire economic straits. Athens experienced an explosion of new cafés, bistros and fast-food takeaways as a prolonged recession forced young unemployed Greeks to emigrate or become entrepreneurs. Cooking courses around the capital are heavily oversubscribed.

Forky, a food start-up launched by 29-year-old Michalis Gkontas, stands out from the crowd: an online delivery service aimed at office workers hungry for the kind of warm lunch their mothers would make.

"The culinary strategy is Mediterranean cuisine, familiar tastes like moussaka and salads but with a twist — maybe an ouzo vinaigrette. There's always an element of discoverability for our customers," he says.

Forky's menu is designed by Gkontas's business partner Petros Pitsilis, a childhood friend and the owner of a popular bar and restaurant on the Aegean island of Mykonos. Gkontas says he decided in his teens to become an entrepreneur: he chose the food sector because "I like food but I can't cook and will never learn".

The son of a middle-class Athenian family, Gkontas studied at Athens University of Economics and Business. But it was a five-month student exchange in Vienna backed by the EU's Erasmus programme that ignited his drive: "I was a different person when I came back. I raced to finish my degree, get military service out of the way and take an MBA that would let me travel."

Gkontas won a place on the global entrepreneurship programme at EMLyon, the French business school, which also took students to campuses in China and the US — "a life-changing experience". True to the Greek family tradition of investing in education, his mother footed the €30,000 bill out of her retirement bonus.

His first start-up grew out of his MBA thesis, inspired in part by Greece's collapsing economy, which opened up unexpected opportunities for online communities operating in peer-to-peer marketplaces. Gkontas and Pitsilis each contributed €5,000; an angel investor, a Greek businessman, later injected another €200,000.

Cookisto, a website that matched home chefs with customers in the same area of Athens, signed up plenty of willing cooks. Newly broke Athenians jumped at the chance to get quality meals at a modest price. Gkontas and his team earned a cut of the meal price.

Cookisto worked so well that Gkontas's angel investor encouraged him to open in London. It went well at first. "We had a real buzz, with more than 40,000 users and we gained traction. But the retention rate wasn't good enough to attract the next round of funding," he says. "I came back to Athens after 10 months."

Forky was initially funded by the remnants of Cookisto's seed capital. While the range of food offered is simpler, the logistics are complex. A central kitchen produces meals designed by Pitsilis with help from a dietician. Sixty part-time bike riders operating from two hubs in Athens deliver a choice of two hot dishes, dessert and a salad. A routing algorithm updated every 10 seconds ensures that most deliveries are made within 15 minutes.

Forky recently raised €2m in its latest funding round. "By limiting the variables, we've hugely improved convenience," says Gkontas. "Now you're only two clicks, or app taps, away from a good meal."

1.
Michalis Gkontas founder of online food delivery service Forky
2.
Forky offers familiar tastes such as moussaka and grilled salmon, below

'I RACED TO FINISH MY DEGREE, GET MILITARY SERVICE OUT OF THE WAY AND TAKE AN MBA THAT WOULD LET ME TRAVEL'

PEAK DISTRICT
THE YOUNGER GENERATION CHANGING CHINA'S GIVING CULTURE

BY HENNY SENDER AND ANDREAS PALEIT

In Asia, there is a firm belief that philanthropy starts with the family, village and community and gradually builds out

PHOTO BLOOMBERG

When Yale president Peter Salovey visited Hong Kong and Beijing in March, he found himself the beneficiary of rivalry among mainland Chinese alumni. But rather than fighting for admission, this time it was for a good cause — donating to the university.

Ivy League schools have made headlines in recent years for educating Chinese "princelings" — children of Communist party heavyweights ranging from President Xi Jinping and vice-president Li Yuanchao to disgraced politician Bo Xilai. But some of China's best-known investors have also passed through the system.

Yale's graduates, for example, include Neil Shen, founder of Sequoia China, and Zhang Lei, who established Hillhouse Capital with seed money from the Yale endowment and named his multibillion-dollar fund after a street on campus. Both were among those who vied to host Salovey and raise money for their alma mater during the visit.

Shen and Zhang are among the most visible of a new generation of mainland entrepreneurs, some but not all of whom studied overseas and then returned home. They have created great wealth for themselves — and now wish to give back.

As a group they are mostly too young to have borne the scars of the Cultural Revolution and can afford to undertake generous philanthropic initiatives. "We are the second generation," says Chen Yidan, one of the five founders of internet company Tencent and among the biggest donors in China. "We are less desperate than our parents. We have known more stable lives."

Despite China's breakneck economic growth over the past few decades, the country's strong philanthropic culture, effectively dismantled during Mao Zedong's radical socialism despite a strong tradition of giving, had until recently struggled to re-establish itself. Shawn Shieh, a Hong Kong-based expert on Chinese civil society and philanthropy, says that until a decade ago, charitable giving was a state-controlled process focused almost solely on Communist party priorities such as poverty reduction and disaster relief. But since then things have changed — and the shift is gathering pace.

"Over the last 10 years, you've seen new philanthropic influences that are strongly influenced by the west and are changing the Communist tradition of philanthropy," he says. "You can see these influences reflected in the new charity law, which defines charity more broadly than traditional notions."

The broad new set of rules, which analysts expect to cause a seismic shift in the country's philanthropic landscape, aim to make giving easier and more appealing, partly through improved tax incentives and confirming the legal status of charities, but also by making it simpler for wealthy people to launch foundations.

While per capita rates of giving remain a fraction of the levels seen in the west, absolute amounts are rising rapidly, with some experts saying Chinese people will soon be giving more money away than nationals of any other country except the US. It is tempting to ascribe that purely to the astounding wealth that Chinese have generated in recent years and their rise up the world's rich lists (there are now 335 domestic dollar billionaires in the country, according to Forbes, while China's homegrown Hurun ranking puts the number at 470).

However, wealth and giving do not always go in tandem in Asia. When Japanese billionaires dominated the tables during the bubble years, for example, there was no such comparable wave of generosity. And in the Charities Aid Foundation's 2015 World Giving Index, which ranks nations by the proportion of citizens who have recently performed acts of altruism, economic powerhouse China comes a dismal 144th out of 145, while top place in the global rankings is occupied by relative minnow Myanmar.

So, perhaps even more so than in the west, it is the super-rich who dominate the Chinese field. The country's top 100 donors in the year to August 2015 gave away a combined $3.8bn, according to a recent study by Harvard's China Philanthropy Project. Localism was a striking trend among these donations, with almost 60 per cent of the money targeted in the same province as the donor's corporate headquarters.

"In Asia, there is a firm belief that philanthropy starts with the family, village and community and gradually builds out," says Dien Yuen, managing director of San Francisco-based consultants Kordant Philanthropy Advisors. However, she says, the business and personal ties that have grown along with donors' fortunes have led many to target their giving outside the country. Beijing Normal University's China Philanthropy Research Institute believes 80 per cent of donations by wealthy Chinese go overseas.

While most of China's new generation of donors inhabit an urban tech world, there are a few exceptions. One is Niu Gensheng, the founder of Mengniu Dairy, China's biggest dairy company. Niu established family foundation Lao Niu in 2004, which he funded by donating all of his shares and most of his dividends when Mengniu went public. He is now fostering ties with

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1.
Neil Shen, founder of Sequoia China
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Zhang Lei, established Hillhouse Capital
3.
Azim Premji is behind Wipro, India's third-largest software company

Low-key driver behind Tencent's foundation

Charles Chen Yidan waited three years before telling his parents that he had quit his secure government job inspecting materials being imported into China to join four of his classmates from middle school and Shenzhen University to form Tencent Holdings in 1998.

Fifteen years later, in 2013, he exchanged his job as Tencent's chief administrative officer for the role of adviser emeritus. But Chen is far prouder that he remains honorary chairman of the Tencent Charitable Foundation, which was set up in 2007 and which he says was the first charitable foundation founded by a Chinese internet company.

He also established the Chen Yidan Foundation, "a private charitable foundation… to promote, rejuvenate and develop the Chinese traditional culture and education", says its website.

Chen's first experience of giving though was not entirely voluntary. It came when the Shenzhen government asked Tencent to donate old computers to rural schools. Since then, both he and his company's philanthropic arm have come a long way, thanks to the fact that Tencent, with its market capitalisation of $200bn, has made its founders among the wealthiest billionaires in China.

To this day, the charitable foundation receives a percentage of Tencent's annual profit.

Few would recognise the low-key Chen, however. One of his rare public appearances abroad was at Harvard in March to address students at the law school. Yet his most important undertaking to date is to singlehandedly endow Wuhan College, the first private non-profit school, in central China. Chen founded it with Rmb400m ($61.7m) but has since given the school a total of Rmb2.2bn.

Like many of his peers, Chen believes education can change peoples' lives. "I first thought of education as an investment opportunity," he recalls. "Later I realised I should focus on it as a charity. I want to… use the entrepreneurial spirit for education, not just to donate money."

By Henny Sender


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ALMOST ALL THE YOUNG MAINLAND ENTREPRENEURS AND INVESTORS HAVE CHOSEN TO FOCUS ON EDUCATION

his US counterparts in organisations from the Bill and Melinda Gates Foundation to the Nature Conservancy.

"At the time, everybody including my family thought I was crazy," he recalls. "Even Bill Gates told me, 'you were ahead of me'. I was the first when I did this. But in 20 years everyone in China will do this." Lao Niu now has Rmb4bn ($600m) to disburse.

The rise of mainland philanthropy is particularly interesting because in many parts of Asia there is tension between governments and the culture of giving. From Japan to Singapore, authorities take pride in their paternalistic approach, regarding philanthropic causes as a form of self-indulgence. In China, too, the government has historically regarded many charitable initiatives with suspicion, believing they challenge its dominance and that donors often harbour private agendas.

Education, for example, has historically been the exclusive domain of the state. With university presidents generally having very senior status in the Communist party, receiving research grants, even in the pure sciences where ideology has little relevance, is a function of party loyalty rather than the merits of the proposal, according to mainland professors now teaching in US universities.

In a way, the reverence for education is part of the Confucian edict that it is better to give a man a fishing rod than a fish — education is the means to self-sufficiency. "Chinese have always respected knowledge to an extent that is inconceivable in the west," says Chen Zhiwu, a professor at the Yale School of Management who has taught many of the most famous of the mainland alumni.

Almost all of the young mainland entrepreneurs and investors have chosen to focus on education, citing a mix of traditional and personal philosophy for doing so. Alibaba's founder Jack Ma, who says that in his mind the title of chief executive really stands for chief education officer, gives to both educational and environmental causes — priorities he shares with Niu.

"Education has been so critical to our careers and our lives. For everyone who gets to go to university, tens of thousands of others don't have that opportunity," says Shen. "And when we were abroad, we were exposed to the culture of giving and we want to give back to our alma mater as well." Shen has given $10m to the Yale China Center in Beijing and Sequoia will help shape a programme for local executives. But he is giving to Shanghai's Jiao Tong University as well, which he attended. He has also contributed to programmes in medical research that will bind his two alma maters more closely.

"I can't change the system," he says, referring to the emphasis on examinations which are a part of the educational system. "But at least I can encourage innovation."

Wipro's wave-maker in India's education

As a businessman, Azim Premji transformed his father's small cooking oil and detergent business into India's third-largest software company, Wipro, with revenues of $7.8bn in the year ending March 2015. Along the way, he became India's third-richest person, with a fortune estimated at $13bn last year.

More recently, Premji, now 70, has made waves by giving his wealth away. Today, 39 per cent of Wipro's shares, worth about $7.8bn, are owned, by charitable trusts that he established to grapple with one of India's biggest public policy challenges: strengthening weak government primary schools.

"I strongly believe that those of us who are privileged to have wealth should contribute significantly to try and create a better world for the millions who are far less privileged," Premji wrote in 2013, after becoming the first Indian signatory to the Giving Pledge, the philanthropic campaign led by Warren Buffett and Bill Gates.

About 70 per cent of Indian children attend government primary schools, but these schools are often unable to successfully teach even basic skills, as teachers juggle pupils of multiple age and ability levels, and a big load of mandatory administrative work.

Initially set up in 2001 with $125m worth of Wipro shares, the Azim Premji Foundation is working with eight Indian states to strengthen their school systems, focusing on teachers, administrators, curriculums, assessment and management.

Premji's commitment is not merely financial. While many Indian entrepreneurs avoid open critiques of decision-makers, he is outspoken in his beliefs about what ails Indian public education and the remedies possible.

By Amy Kazmin in New Delhi

PHOTOS: BLOOMBERG; REUTERS

INSIGHT

Private foundations: Missions made possible — part two of a five-part series. Page 50

PHOTO: REUTERS

BY MATTHEW VINCENT

HOLD THE FRONT PAGE

Do you ever get the feeling you know more than financial journalists? Well, whisper it quietly but, since March 7, there has been a greater chance that you are right. Actually, thinking about it, I might have slightly shot myself in the foot — I probably should not have mentioned this fact quite so early on. It may have been better to save it as a pay-off line at the end. Mind you, if I'd made you read that far before admitting this, you could accuse me of being disingenuous. Perhaps I should explain.

March 7 was the date on which Barclays, a big provider of investment research, decided to stop sending many of its reports to "media personnel". Coincidentally, or not, it was also the day when a new service called Research Tree started making professional investment research available to wealthy private investors for the first time. Consequently, you can now read analysts' latest assessments of thousands of investable securities. But I no longer can.

That rather shortens the list of "things I know that you might not, that I can use to fill out an FT article". In fact, it only really leaves me with knowing how to type € symbols, where to embed a chart to take up a bit more space and what the US Financial Regulatory Authority Rule 2242 really means.

RESEARCH TREE'S FOUNDER SEES THE SERVICE AS 'LEVELLING THE PLAYING FIELD' FOR WEALTHY CLIENTS

It also changes the relationship between you and me, and the investment industry. Not least that rule. What Rule 2242 says is that providers of investment research may claim an exemption from more onerous regulations if they stop sending information to journalists and instead limit its distribution to institutional investors. It does not apply to notes on individual equities, but it does cover all research on companies' debt and creditworthiness, as well as views on foreign exchange and emerging markets.

A further regulatory wrinkle then puts you, as a "high net-worth individual", at an advantage. Under the UK Financial Conduct Authority's rules, it is possible for individuals to achieve "elective professional client" status — by affirming that they understand risk and can make their own investment decisions, showing that they have traded on a particular market 10 times a quarter for four consecutive quarters, or worked in the industry, or amassed a €500,000 portfolio (told you my € symbol know-how still has its uses), and agreeing to waive their rights to investor protection.

Meet these criteria and you are entitled to access institutional research. Entitled, but not necessarily encouraged to — until last month. That was when Research Tree started putting "high-quality, third-party investment research" from 227 analysts online, for private subscribers willing to pay £40 a month. Its founder, former analyst Rob Mundy, estimates that "a material number" of the 820,000 wealthy individuals in the UK would qualify for access and "make better informed investment decisions" as a result. He sees the service as "levelling the playing field" for wealthy clients, making them no longer reliant on financial journalists for investment commentary. Or, indeed, on wealth managers.

On paper, this would seem to curtail the role of that noble profession. And of wealth managers. Or even my role. So I thought I ought to double check.

It was a good job I did. It turns out we are all indispensable. "We think it's great that clients see research because it leads to better discussions and insights to challenge wealth managers, which we welcome," pre-ambled Arnaud Girardin, head of private client equity research at Lombard Odier, before warning: "This said, one or two sell-side reports isn't enough for a broad understanding of a stock."

"Institutional research may not be independent and it is important to recognise this," agrees Anthony Dalwood, chief executive of asset manager Gresham House.

Kevin Gardiner, managing director at Rothschild Wealth Management, says deciphering investment research requires a trained eye. "Institutional investors… are able to view the spurious precision in analysts' reports with a healthy scepticism," he explains. "They also know that research notes can be written to provoke, promote and even to entertain, as well as to inform. Private investors however… may take research too literally and may miss contextual subtleties."

Or as Alan Higgins, chief investment officer for Coutts, succinctly puts it: "We do the necessary reading for the client."

All of which suggests that we journalists can keep doing the writing, too — if only we could find another way to simply reproduce the words of highly paid men in suits.

The reams of analysts' assessments of investable securities are now available to wealthy private investors

PHOTO: PM/GETTY IMAGES

BY MARY CHILDS

YOUNG MONEY, OLD MASTERS

Years ago, Ben Ensminger-Law was wandering round New York's galleries one Saturday when he stopped inside Luhring Augustine to admire a set of photographs by Gregory Crewdson.

The pictures — each named "Untitled" with a parenthetical description such as "Dylan on the floor", "car and spooky garage" or "boy with hand in drain" — depicted household scenes, but with a creepy, sinister undertone. Ensminger-Law found them haunting.

Then an employee at insurance company Marsh, he was only a few years out of college and the photographs were well beyond what he could afford. But he set up alerts for Crewdson and the prices for his work with auction houses Christie's and Sotheby's, and Artnet, the online art market. And waited.

Some years later, he was living in Hong Kong and working for Citigroup, the bank, when one of those alerts pinged: some of Crewdson's work was up for auction on Artnet.

He won the piece and arranged with the seller in Paris to have it sent to his new home in Chicago. When he received it, he discovered a sticker on it — from the Museum of Contemporary Art in Chicago. Apparently it had once been in the museum's collection.

"So years after first seeing this artist that I loved, I ended up in Chicago with this art work that I bought, effectively on the internet, while I was in Asia, from a person in Europe, that was returning home to Chicago," he says.

Ensminger-Law's path is the direction young art collectors increasingly are taking: they want something unique and special that comes with a story; they're globally minded and nomadic; they expect constant access to information; and they're unafraid to buy work that they've never seen in real life.

Tapping into the tastemakers

Paddle8 targets prices between $1,000 and $100,000 — roughly the market between eBay and Christie's — focused on the "21st-century collector: somebody who is nomadic, digitally savvy, who wants 24/7 access to his or her passions", says Sarah Goulet, head of communications.

Yet the customer still wants some level of help. "These young collectors are really eager to be guided by tastemakers," Goulet says. "They do not want to be told exactly what to collect, but they want some insight into how notable people would mix or match their collection."

Paddle8 has added auctions curated by or drawn from the personal collections of leading fashion figures, such as US Vogue magazine's former creative director, Grace Coddington, and designer Tory Burch.

"Anything that really peels back the curtain on how people actually live with these works of art helps to remove the stigma of collecting, to make it feel much more accessible, much more liveable," Goulet says.

The millennial generation —those aged between 18 and 35 — may be well educated, but they graduated into a recession, and the sluggish recovery has not helped them recoup the wages lost during those years.

So they have delayed big-ticket purchases and commitments such as homes, cars and steady jobs with benefits, instead embracing the "gig economy" and the "sharing economy", which offer more flexibility but less reliable cash flows.

"Younger collectors are looking for value," says Saara Pritchard, the head of day sales in post-war and contemporary art at Christie's. "They are doing a great deal of research and really sticking to the mantra of buying the best that they can afford."

Like Ensminger-Law, they are seeking out undervalued artists and mediums, rather than "trophy" works. They search among second-generation abstract expressionist painters and younger figurative painters, or those who have been overlooked, such as female and African-American artists, and the "lesser-known corners of blue chip artists' bodies of work", such as Andy Warhol's Polaroids, Pritchard says.

"The younger generation, there's more opportunity for them; there are more choices, more artists, more places to go and see," says Matt Carey-Williams, deputy chairman for Europe at Phillips. Compared with their predecessors, collectors starting out now have a "much busier, frenetic lifestyle", he says.

The ease of apps satisfies the younger set's need for convenience. They want "the ability to browse the market from wherever they are, whenever they'd like from their mobile phones", says Michelle Finocchi, head of communications for Artsy, the art-buying website and app. Last year, Artsy says, its three biggest sales were connected through its mobile app,

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including a $1.4m deal done via an iPad between a London gallery and a US collector.

This all confirms a different generation of collectors is emerging, and their ranks are growing: new interest from design-oriented young professionals and interior designers has focused on works that cost between a few hundred and a few thousand

INVESTMENT | ENTREPRENEURS | PHILANTHROPY | CORRESPONDENT

2.

‘BUYERS ARE LOOKING FOR WORKS THEY CONNECT WITH EMOTIONALLY BUT THAT ALSO FIT A CERTAIN DESIGN AESTHETIC FOR THEIR HOME’

PHOTOS: CHARLIE BIBBY

1. and 2.
London's annual Frieze art fair

dollars, says Wright Harvey, chief executive of online art gallery Sugarlift, based in Bushwick, New York. He estimates there are 3m potential buyers of this kind in the US alone.

“They are looking for artwork that they not only connect with emotionally but that also fits a certain design aesthetic for their home,” he says. “The options for finding art have proliferated, creating a market of hundreds of online galleries and tens of thousands of artists of varying quality and value. It's difficult for young collectors to navigate.”

There are a few ways to solve the information overload problem: learn everything, lean on someone else's expertise or start small and build.

Digital platforms and databases have sprung up to help with the first approach. Those that have already carved out a place include Artsy, which describes its mission as making “all the world's art accessible to anyone with an internet connection”, as well as the online auction houses and databases, including Artnet, Auctionata, 1stdibs and Paddle8.

“While our parents would go to museums or art fairs to discover new art, today's generation is turning to Instagram and Pinterest — and purchases are more often happening via iPhone or iPad than they are in person,” says Rob Weisberg, chief executive of Invaluable, an online marketplace for fine art, antiques and collectables.

Yet where older collectors might focus on a time period, medium or genre, the younger generation is less interested in classifications and more interested in the story.

“Our [younger] generation, for the most part, will not settle for something that other people have,” says Kristina Lopez, a collector and co-founder of Art Zealous, a media platform dedicated to the art world. “So if a piece of artwork is, say, one in 10 editions, the chances of me buying it are highly unlikely. I want to buy art no one has — it is uniquely mine.”

To that end, younger buyers more willing to take risks: “We're not the generation to buy the still life of an apple, but more likely to buy a piece depicting a naked girl eating a slice of pizza,” Lopez says.

“I do not think a 25-year-old in Silicon Valley who's thinking about putting some work together for his home is necessarily going to be looking at buying Old Master prints or Dutch still-life paintings,” adds Carey-Williams of Phillips. “They're young and modern, and want to buy something young and modern and fresh that signifies their own life in their very beautiful new and modern home. They start to create something that is of their time.”

BY KATE BURGESS

THE EASY WAY TO CHARITY

Last month, Sir Stelios Haji-Ioannou hosted a cocktail party, funded by his philanthropic foundation, at his London office, bringing together a few dozen wealthy and influential expatriates from both sides of the Cyprus divide. Attendees sipped expensive wine, nibbled canapés and talked about business.

"Not politics," says Sir Stelios, the Greek-Cypriot billionaire who founded easyJet in 1995 when he was 28.

But this was not a casual get-together. Sir Stelios is bent on promoting the reunification of Cyprus's Greek and Turkish halves and he believes that commerce offers the most effective route.

In total, Sir Stelios, who was born in Greece, educated in London and now lives in Monaco, believes he has committed about €2m to the bicommunal project, as it is known, over the past eight years. It is a central goal of his Stelios Philanthropic Foundation, which he set up about five years ago.

This is an entrepreneur who is known for his pugnacity, whether it is defending the garishly orange easyGroup brand (on the website is a prominent warning, labelled "brand thieves") or demanding that easyJet, of which he is no longer a director but still controls 38 per cent, raises its dividend.

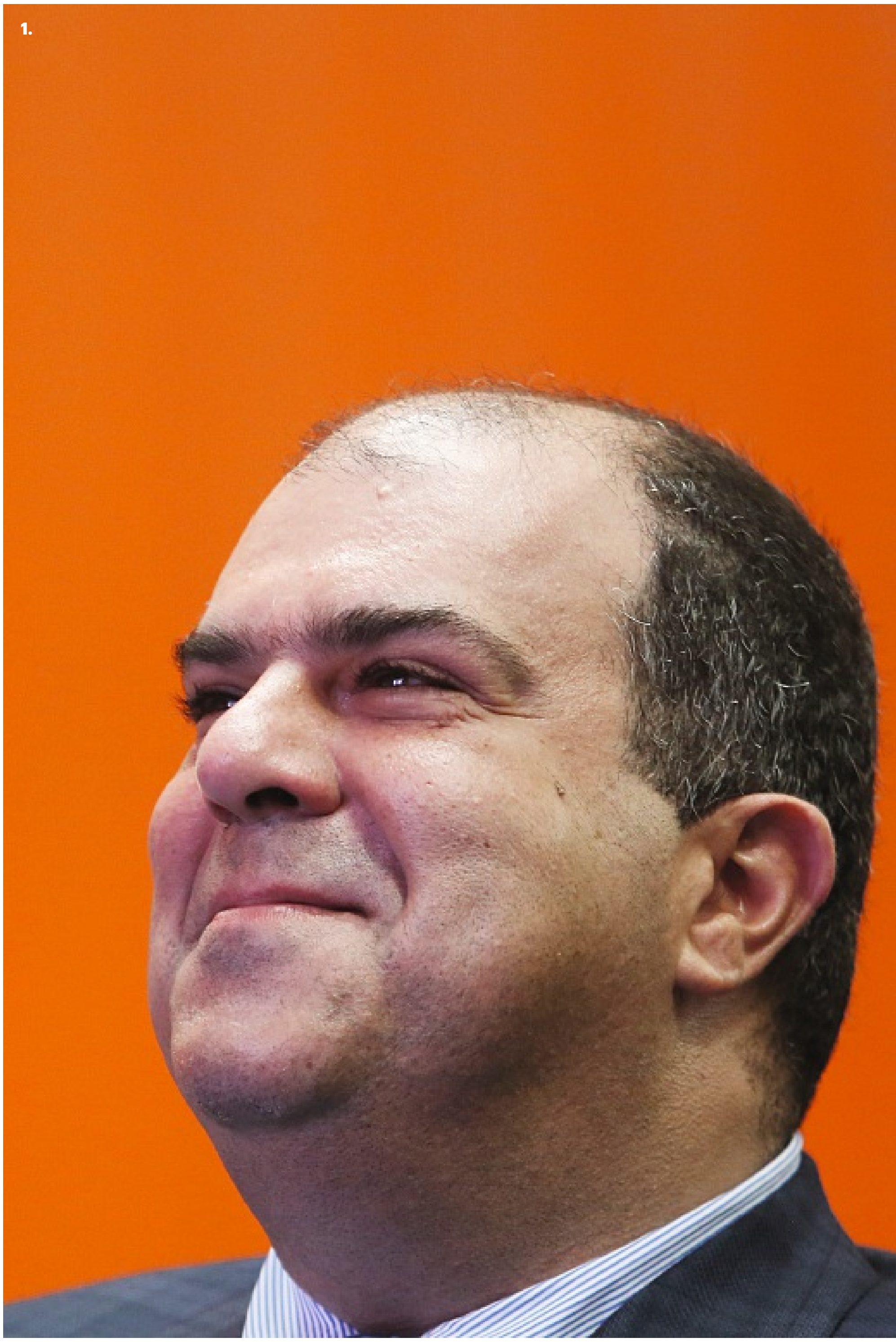
Less well known is how much of the money earned from licensing the easyGroup brand — such as the agreement with Fastjet Tanzania — has been spent philanthropically.

Last year, according to Companies House, the UK's registrar of companies, easyGroup made £7.65m in pre-tax profits and paid £2.5m into the Stelios Philanthropic Foundation.

SIR STELIOS BELIEVES THAT COMMERCE OFFERS THE MOST EFFECTIVE ROUTE FOR CYPRUS

1.
Sir Stelios Haji-Ioannou
2.
Migrants arriving in Greece are offered help from Food from the Heart
3.
Fastjet Tanzania, the low-cost African airline, which has a brand licence agreement with easyGroup
4.
The 'easyFoodstore' is a budget supermarket that aims to provide affordable groceries to Londoners

1.



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The previous year, pre-tax profits were £6.9m and it paid £1.4m to the foundation. Initially, says Sir Stelios, who by his own reckoning spends about a third of his time on charitable projects, the donations were random and "the money [for projects] came out of my back pocket".

But as easyGroup has become more profitable, the donations into the foundation have become more regular. Where the money goes is less easy to categorise.

The Foundations' priorities are loosely billed "Scholarships, Entrepreneurship, Environment and Food from the Heart", with a geographical focus on Greece, Cyprus and the UK. This encompasses a range of issues, with £68,000 going, for example, to the World Wildlife Fund last year.

"My family and I made money from transport businesses. There is an element of guilt. One of my father's ships had an accident [in 1991 during routine maintenance]. I learned we have to be careful of the environment," Sir Stelios explains.

His first project was in education. In 2006, he pledged to fund scholarships for 10 undergraduates a year at the London School of Economics and 10 postgraduates at Cass Business School, where the businessman studied. About 200 scholarships have been awarded so far.

PHOTOS: BLOOMBERG; AFP/GETTY IMAGES

SIR STELIOS'S FAVOURITE EFFORT HANDS OUT FREE SNACKS TO THE NEEDY

This year, Sir Stelios is hosting a celebration in Monaco at which he will ask the alumni to put their hands in their pockets and set up their own scholarship schemes. He will help, he says, by matching their donations.

Sir Stelios's father, a self-made shipping magnate, was a big believer in education and his son follows suit. But the themes of commerce and entrepreneurship pervade the younger Haji-Ioannou's charitable efforts.

A decade ago, in the year he was knighted for services to entrepreneurship, he started a £50,000 Leonard Cheshire award for disabled entrepreneurs in the UK.

"I was subliminally influenced by my father who was in a wheelchair for the last 10 years of his life. I could see how things became more complicated. It is inspiring if someone is disabled and can still start a business. And I have discovered how difficult it is [for disabled people] to get employment."

Entrepreneurs create jobs and help society by building economies, he says. But grants for business "are also uncontroversial".

The Stelios bicommunal Cyprus award, which promotes island-wide co-operation between Turkish-Cypriots and Greek-Cypriot entrepreneurs by awarding up to 30 prizes of €10,000 a year, opened conversations about crossing the divide in Cyprus at times when the issue was simply not talked about.

Now, Sir Stelios thinks the chances of reunification look better than for decades and he has broadened the remit of the grant. Prizes go to anything that promotes unity in the community through sports, science or the arts.

Sir Stelios's favourite effort at the moment, though, is Food from the Heart, which hands out free lunchtime snacks to the needy in Greece and Cyprus as well as the migrants arriving in the Aegean. "Food from the Heart is making the biggest difference," he says. It has been serving 16,000 people a day for three years. The Cypriot, who told a journalist 10 years ago that he could eat seven full English breakfasts a day, came up with idea following the economic crisis.

It was based on soup kitchens in the US and food banks in the UK but Sir Stelios injected a little extra business nous. The food is sealed into branded packages (not orange) so that it cannot be resold.

More recently the initiative has expanded out of Limassol, Athens and Nicosia to the Greek islands. "One kebab shop in Piraeus, the Greek port, [hands out food] to 1,200 people a day," Sir Stelios says.

The contrast is stark with last month's cocktail party, serving delicacies to titillate the richest members of the Cypriot diaspora. But Sir Stelios revels in the disparity between catering to thousands of the poorest on the one hand and to a few of the rich on the other. "I like serving different causes," he says. And if just one or two of the guests put their hands in their pockets to bring about unity in Cyprus, he believes it will be worth every penny the Stelios Foundation spent.

BY NAOMI ROVNICK

A HANDS-ON APPROACH

Emily Brooke, a 30-year-old designer based in east London, had her first taste of success with the Laserlight, an energy-efficient cycle light that is being fitted to Santander Cycles — the so-called Boris Bikes — that tourists and casual riders hire to get round London.

Flushed with success, Brooke now wants to give back. She has signed up with the Founders Pledge, an organisation that enables budding tycoons to donate a percentage of their future earnings to good causes, once they sell or list their businesses.

Brooke has set strict conditions about how her money will be used if or when she cashes in on Blaze, the business she founded. Philanthropy, for her, is far from the stereotype of charity auctions or sponsoring the arts to gain social status. "My priority is seeing where my money goes and how it is spent," she says. "My money needs to go to causes I choose, and I need to monitor its impact. I expect the sort of accountability I have shown my own investors."

Brooke is not alone in expecting to see results from her donation. Many young people of her generation are not satisfied with giving for its own sake — nor even interested in gaining tax breaks — but are asking for more accountability in terms of the impact of their philanthropy.

For wealthy millennials, this "venture philanthropy", as it has become known, has gained rapidly in appeal. By focusing on the impact of the donation, this form of giving involves the donor acting more like a venture capitalist, taking a seat on the board and seeking to cut costs and force organisations to run themselves more efficiently.

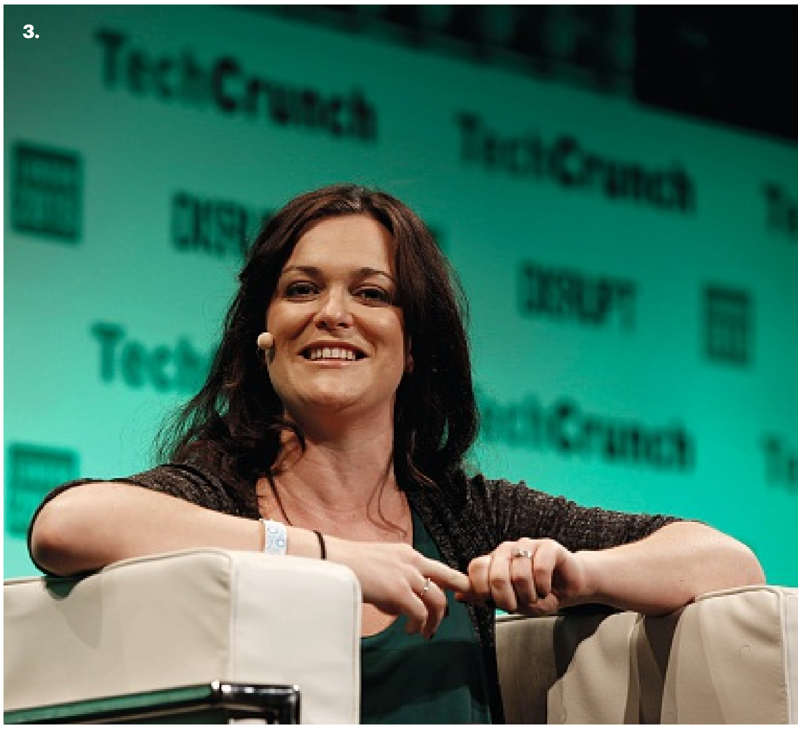
In 2013, the most recent year for which data are available, £166m of

1.
The success of the Laserlight could benefit good causes in the future
2.
Emily Brooke, founder of Blaze, maker of the Laserlight
3.
Alex Depledge, founder of Hassle

1.

2.

‘THIS TREND OF GIVING TO SMALL PROJECTS WHERE YOUR MONEY MAKES A DIFFERENCE AND WHERE ITS IMPACT CAN BE MEASURED IS GROWING FAST’



3.

PHOTOS: BLOOMBERG; GETTY IMAGES

venture philanthropy grants, loans and investments were made in the UK, according to a report by Factary, a consultancy. This might have only represented 1 per cent of charitable giving in the country but was double the previous year’s total.

Yet while the “vast majority of philanthropy” still revolves around charity auctions and gala dinners, according to Tris Lumley, director of development at think-tank New Philanthropy Capital, “this trend of wanting to give to small projects where your money truly makes a difference and where its impact can be measured is growing fast”.

Among donors who earn £150,000 a year or more, according to NPC’s research, those aged 18-34 give the highest absolute amounts each year. But the notion of what it means to give has itself changed.

Wealthy millennial philanthropists “see previous generations as more motivated by a desire for recognition or social requirements, while they see themselves as focused on impact, first and foremost”, noted a 2013 report from the US-based Dorothy A Johnson Center for Philanthropy, an academic research unit. “They want impact they can see, and they want to know that their own involvement has contributed to that impact.”

Grégoire Imfeld advises wealthy families at Pictet, the Swiss bank. He has also seen how younger members of the dynasties he works with are more motivated by the impact of their giving than by any sense of social cachet.

“The trend of giving back has always been there, but it is how you give back which has evolved recently,” he says. “The next generation [of family leaders] is becoming a key driver of the ‘how’, and they are pushing us to really explore strategies that assist these clients with measuring the impact of their giving.”

Alex Depledge, who co-founded and has just sold Hassle, an online marketplace that matches householders with cleaners in their area, is an example of a budding philanthropist. She has supported various charities, including the Founders Pledge, since exiting her business but says she is working on a philanthropic project that she will run herself.

“I am trying to start an initiative to get children from underprivileged backgrounds into coding,” the 35-year-old says.

“We have a great dearth of digital literacy in this country; start-ups desperately need engineering talent, and at the same time there are talented kids from challenging backgrounds who don’t have prospects.”

Depledge, along with Blaze’s Brooke, also displays another characteristic of millennial givers in that she does not view philanthropy as a route to tax breaks. “It is just not an issue,” adds Brooke. “I would never be the sort of person who has an offshore account.”

BY SARAH MURRAY

FUNDING WITHOUT STRINGS

After raising large sums of money for his non-profit and speaking at high-profile events such as the World Economic Forum's annual gathering in Davos, Jacob Lief came to a sudden realisation. "It was nonsense," he says. "The money was flowing in but we weren't changing people's lives."

Lief, who is founder and chief executive of the Ubuntu Education Fund, which helps vulnerable children in Port Elizabeth's townships in South Africa's Eastern Cape province, shifted his strategy. He started saying no to donors whose grants came with restrictions on how the money would be spent and focused instead on finding the best ways to support the children for whom he set up the charity.

"We now go for high net-worth individuals or family foundations who understand that highly restricted funding isn't worth our time," he says, adding that while his organisation's budget is now much smaller, it is able to achieve more.

The organisation, through what it calls the "Ubuntu model", works closely with families and communities to create individual plans for each child to provide the stability, health and education they need to escape poverty.

For non-profits, finding donors who are prepared to give their money with no strings attached is not easy. When it comes to influencing how their funds are spent, donors flex their muscles in a number of ways. Some specify that their donation must be spent on a particular programme. Others want to have input on an organisation's overall strategy and the management of its operations.

The late Peter Lewis, who made his fortune selling car insurance in Cleveland, Ohio, was a particularly demanding benefactor. He once imposed a year-long boycott of local charities, claiming the trustees of Case Western Reserve University were mismanaging construction of a Frank Gehry building he had helped fund.

2.

Others have imposed their will on charities from the grave. It was, for example, only after a lengthy legal battle that the art collection of Albert Barnes, who died in 1951 and whose will stated that the collection should not be changed in any way, could be moved to a new location in Philadelphia.

Serving on a non-profit's board also allows donors to have a say on a non-profit's operations. This, of course, can often be beneficial, particularly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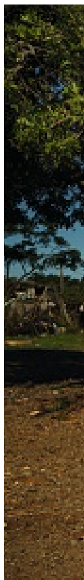


1.

CHARITIES NEED AN ONGOING SOURCE OF MONEY THAT CAN BE SPENT ON ANYTHING

1. and 4. The Ubuntu Education Fund helps vulnerable children in Port Elizabeth's townships
2. The Lusaka township near Port Elizabeth. The shack is made of wooden packaging from a nearby Volkswagen plant
3. Port Elizabeth's New Brighton township


4.

if a donor has relevant professional experience.

"It works for both the charity and the donor," says Patrick Boggon, director of Tarnside Consulting, a UK-based fundraising consultancy. "The charity gets to harness the expertise of the donor and by that process the donor feels more engaged in that cause."

But it can create pressures, too. "It's a double-edged sword because you spend so much time cultivating wealthy donors to be engaged beyond cheque writing," says Doug Wingo, whose consultancy, Wingo NYC, helps non-profits develop relationships with donors. "But often they have slightly different priorities from the executive director, which is where the tension in this relationship plays out."

Even if donors do not join the board or become personally involved in shaping an organisation's strategy, the terms of the grant can create restrictions on how non-profits use the money. Wealthy donors often like supporting a specific project, making gifts for buildings or setting up scholarship funds that carry their names. And many make grants that are for one year only, with non-profits required to reapply for funding at the end of the grant period.

Yet often what charities need is an ongoing source of money that can be spent on anything from IT systems to training for staff, allowing them to become more efficient or expand their programmes. For Lief, when donations are earmarked for certain projects or come with time limitations, it leaves non-profits without the flexibility needed to innovate.

The amount of funding being made available for general operating costs is creeping up — from an average of 20 per cent in 2008 to 25 per cent in 2014, according to the US-based Grantmakers for Effective Organizations.

Nevertheless, it remains a small proportion of overall giving.

To set expectations and avoid clashes, those advising both charities and donors stress the importance of upfront discussions between grant-makers and grantees.

Eric Kessler, founder, principal and senior managing director of Arabella Advisors, whose clients are donors and investors, believes that if the discussions are held early enough, potential conflicts can be avoided.

"My firm influences $3bn a year in charitable giving and impact investments," he says. "And I can count on one hand the number of times where there was significant misalignment between donor and recipient."

Boggon agrees. "It's a bit like matchmaking," he says. "If someone wants to throw their weight around inappropriately, the match doesn't work and then usually that gets sorted out fairly quickly."

Kessler argues that while high-profile disputes hit the headlines, relationships between donors and grantees are generally improving. "This is getting much better, even though it appears to the world that it's getting worse," he says.

Moreover, he adds, while it is often assumed that donors are the decision-makers in the philanthropic power dynamic, this is not necessarily the case.

"People aren't chasing dollars as much as they used to," he says. "We increasingly see organisations saying, 'Thank you, but that's not what we're trying to do right now.' And that's good for everybody."

PHOTOS: JAMES OATWAY/PANOS; GETTY IMAGES; TIM HANS

PHILANTHROPY

PRIVATE FOUNDATIONS

PART TWO of a five-part series on foundations

BY SARAH MURRAY

MISSIONS MADE POSSIBLE

When it comes to their endowments, foundations have traditionally kept the management of those funds separate from their grant-making activities. But things are changing. The walls between the "two sides of the house" are starting to break down, with some using their endowments to make "mission investments" that help fulfil their charitable goals.

Of course, the primary concern for most foundations is to generate sufficient returns on the endowment to make grants, to cover operational costs, to account for inflation and to secure the institution's future. And in the US, to be eligible for tax relief, foundations must pay out at least 5 per cent of the value of their endowment annually.

Maintaining their giving power is not easy. For a start, unless they conduct fundraising activities, foundations have no source of income. And, like all investors, they are exposed to market volatility. "Earning 5 per cent plus inflation is no small feat," says Bradford Smith, president of the US-based Foundation Center, a philanthropy information service.

"The starting target for all [US] foundations is about a 7.5 per cent return," says Rob Manilla, chief investment officer at the Kresge Foundation, created in 1924 by Detroit retail entrepreneur Sebastian Spering Kresge. "If we do that, we can live into perpetuity and have the same purchasing power in the future as we have today."

For the William and Flora Hewlett Foundation — which has assets of about $9bn and long-term grant commitments, many of which support the operations of non-profits — the strategy is to maximise the returns on the endowment with the help of mainstream fund managers.

1. The Seashore Mission to help homeless people in Biloxi, Mississippi
2. Advocacy group Picture the Homeless is acting on behalf of New York's homeless
3. Foundations are joining Divest-Invest, which promotes solar and other clean energy

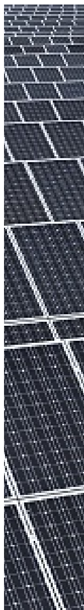
"The alternatives would mean taking lower returns, and the [social] impact we get by getting the higher returns greatly exceeds the return we could get by shifting fund managers," says Larry Kramer, the foundation's president.

However, some foundations are starting to look at their endowment as an additional tool with which to pursue their philanthropic goals and align their investments with their mission.

One option is to exclude from the portfolio investments that might be regarded as unethical, such as arms manufacturers, tobacco companies or fossil fuel-based energy providers.

Some foundations, for example, are joining the global Divest-Invest movement, whose purpose is to divest from fossil fuels and invest in clean energy. More than 125 foundations are now part of the movement.

Others argue that divestment may have more symbolic than material value. The Wellcome Trust, the UK's biggest charitable foundation, did not sign up to the campaign, saying it has more influence over companies as an investor and that those buying the shares it sells might not care as much.



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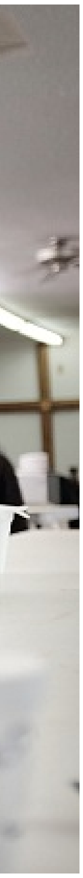


"Even if a foundation is investing tens of millions or even hundreds million of dollars, there are other much bigger investors who will come in and take their place," says Smith at the Foundation Center.

Rather than focusing on divestment, some foundations are introducing into their portfolio impact investments, which generate social as well as financial returns. For a foundation combating poverty, this might mean investing in companies that are creating jobs, building affordable housing or providing financial services to low-income communities. For an environmental conservation foundation, it might mean investing in clean energy or recycling companies.

'WE'VE BROKEN DOWN THE WALL BETWEEN THE INVESTMENT SIDE AND THE GIVING SIDE'

3.

In 2015, for example, the Kresge Foundation announced that it would put $350m, or about 10 per cent of its endowment, into impact investments.

Manilla likens the approach to a target with a bullseye. In the bullseye are investments directly related to improving life for underprivileged urban communities, the foundation's mission. Around that are investments in areas in which Kresge is active. Investments in the outer ring have a positive social impact but are not central to the foundation's activities.

The FB Heron Foundation, meanwhile, is working towards aligning all its investments with its charitable purpose, which is to combat poverty. "We've broken down the traditional wall that separates the investment side from the giving side," explains Clara Miller, the foundation's president.

When Miller joined the foundation five years ago, about 40 per cent of its endowment was aligned with its mission. "We are in the process of deliberately going out and finding out what we own and what underlies those assets," says Miller. "Now, about 70 per cent has been both examined and aligned for mission."

Of course, while issues such as conservation, economic development, housing and healthcare lend themselves to this approach, it is not the case for every cause. "Where it's less clear how impact investing can be relevant is in things like human rights or violence against women," says Smith.

For now, foundations using a large proportion of their endowments to pursue impact investing remain a minority. When the Foundation Center recently asked almost 700 US foundations if they had any mission investments, more than half said they did not and had no plans to engage in mission investing.

Hirtle Callaghan, a US advisory firm that designs and supervises investment programmes, sees many of its foundation clients taking this approach. "Mostly they advocate following a social mission in their programme activities and keeping the endowment focused on returns only," says Brad Conger, a director at the firm.

Smith, however, believes the balance will shift as impact investing becomes mainstream. "It's gaining credence," he says. "The argument against this was always that there weren't reliable investment vehicles out there that would give you competitive market rate returns. That's starting to change."

PHOTOS: GETTY IMAGES, REUTERS

CORRESPONDENT
MEXICO'S BILLIONAIRES

BY JUDE WEBBER IN MEXICO CITY

DOWN BUT NOT OUT

It has been a terrible time to be a billionaire in Mexico lately.

The peso's plunge to historic lows against the dollar this year did not, for once, translate into rampant inflation and economic turmoil for the people of Latin America's second-biggest economy — a turbulent scenario so often seen in the past.

But it did inflict plenty of damage on the country's uber-wealthy already facing challenges in their industries from regulation, competition or falls in the price of commodities.

Telecoms titan Carlos Slim, the country's richest man and for 2010-14 the wealthiest person in the world, lost a fifth of his fortune in the year to March, according to the annual billionaires' list compiled by Forbes.

Ricardo Salinas, a media, retail and banking mogul, had it worse: he saw his net worth nearly halved. Germán Larrea, a mining billionaire and Mexico's second-richest man, and Alberto Baillères, another mining and retail billionaire, both lost a third of their fortunes.

For Slim, 76, it was a sharp about-turn: his wealth had grown \$5.1bn in the 2015 list, compared with his 2014 ranking, and he was the fifth biggest gainer among the world's wealthiest top 10 that year. But that all changed as 2015 wore on: he became the biggest billionaire loser by a mile, with a drop of \$22bn wiped off his net worth by the year's end.

Just as well Slim has a reputation for simplicity and for caring less about money than about leaving his children investments in his companies for them to manage prudently.

The drop in his wealth reflected the tough times faced by Slim's telecoms empire, América Móvil. The company has been pummelled by the peso's losses against the dollar; a collapsing economy in Brazil, which has traditionally been its fastest-growing market; tough competition rules in Mexico and an aggressive new domestic player in the shape of AT&T. Last year, América Móvil posted a near 25 per cent drop in net profit.

However, since this year's ranking was published by Forbes in March, Slim's fortunes have actually clawed back some ground — nearly \$10bn, to be precise.

That follows an unexpected Bank of Mexico rate increase to stem the peso's freefall against the dollar and inject some confidence into Mexicans feeling familiar pangs of fear that recent, albeit tepid, economic growth was on the verge of unravelling.

Most of Slim's domestic cohort have also enjoyed a recovery: Larrea, of Grupo México, has seen his worth rise 27 per cent and Baillères, who heads Industrias Peñoles and owns the swank Palacio de Hierro department stores, witnessed a 19 per cent improvement since the 2016 ranking was published.

The odd one out among the country's big-name billionaires, is Salinas. He owns television empire TV Azteca, where advertising revenues are under pressure, as well as the Elektra retail chain and Banco Azteca. Elektra shares are 39 per cent lower than at the start of 2015, and Salinas' wealth, which clocked in at \$4.3bn in the 2016 ranking, has only inched up since to \$4.7bn.

Many Mexicans have scant sympathy for a class that appears to live on a different planet from them. A study for Oxfam last year by Gerardo Esquivel reported that the number of Mexican millionaires grew by a third between 2007 and 2012, while in the rest of the world, their number fell 0.3 per cent.

Ten per cent of Mexicans, the report continued, held nearly two-thirds of the entire country's wealth — a dire and seemingly unbridgeable inequality gap. But middle-class Mexicans are experiencing a breather: mobile phone charges have fallen dramatically in recent months after the government opened the telecoms sector long dominated by Slim. That has put more pesos in their pockets and powered a gathering consumption boom that is driving the economy.

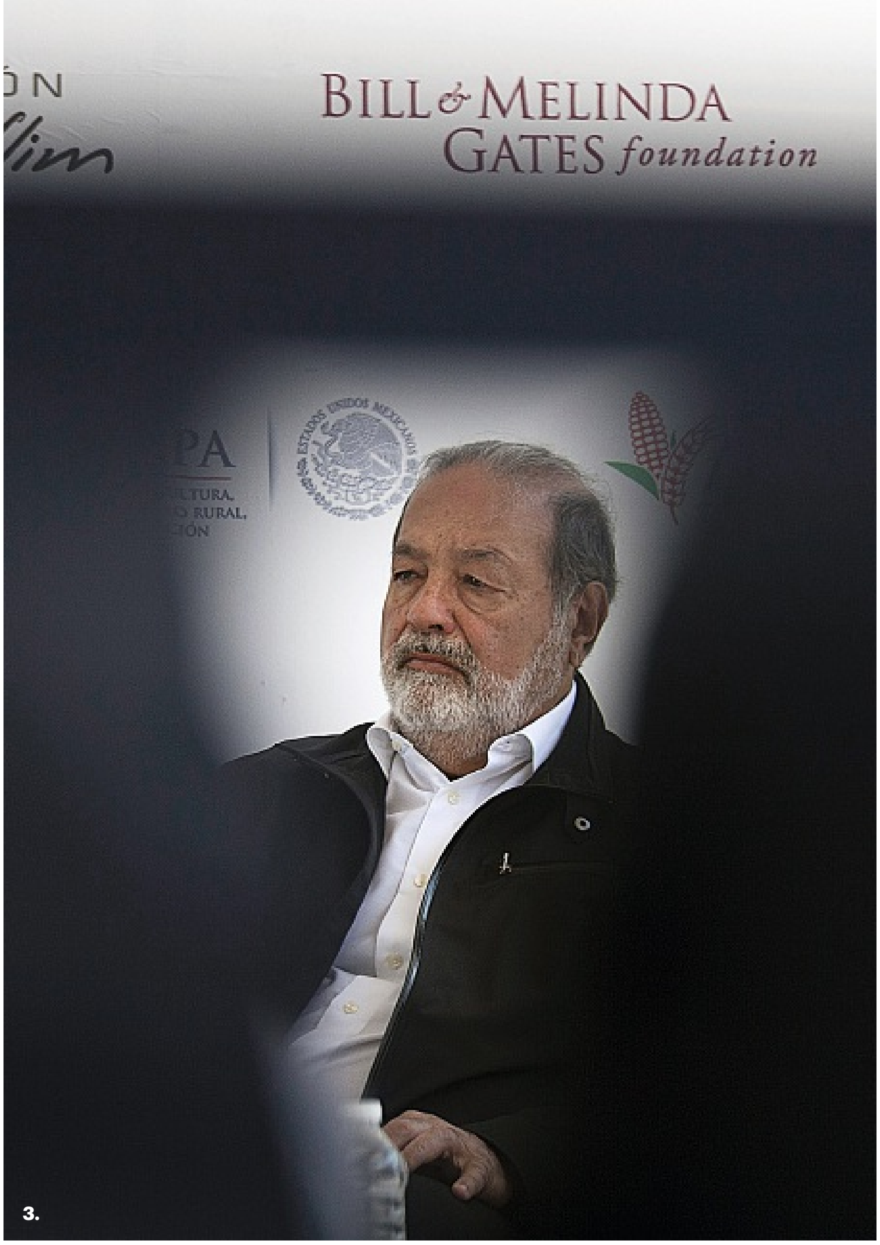
So whether it is down to schadenfreude or just curiosity of a man whose wealth could, according to one estimate, maintain 10 per cent of Mexico's poorest families for 14 years, a new biography of the publicity-shy Slim has been selling well. *Slim*, by journalist Diego Enrique Osorno, fills in colour and context, but despite seven hours of interviews, has no big new revelations about what makes the avid number cruncher and calculator enthusiast, known as "The Engineer", tick.

At one point, Osorno visits New York City. "It's an anti-climax for any admirer of profligacy that Slim's first purchase in the Big Apple should be such a boring building," he writes, after observing a nondescript 11-storey block on the corner of Fifth Avenue

1.
Trade is brisk at the Atarazanas beauty parlour in Mexico City
2.
A newlywed couple finds a cheaper way to travel
3.
Telecoms titan Carlos Slim
4.
Media, retail and banking mogul, Ricardo Salinas
5.
Mexico City has large neighbourhoods of lower income residences
6.
In February this year, Mexicans in the city of Morelia welcomed Pope Francis

MOBILE PHONE CHARGES HAVE FALLEN AFTER THE TELECOMS SECTOR OPENED UP

PHOTOS: AFP/GETTY IMAGES; BLOOMBERG; REUTERS



and 38th Street. Anyone hoping for frank confessions or to hear mentoring advice from the lips of Mexico's most prosperous and probably least flamboyant businessman, is in for the same sense of disappointment.

More telling than anything in the book, perhaps, is Slim's most recent display of the cool-headed business acumen that made him so successful in the first place.

Whatever he felt at seeing América Móvil's share price crash to six-year lows in January, or his own wealth tumble so sharply, Slim did not say. Instead, he spent the six months to February quietly spending half a billion dollars to take advantage of the cheap share price and snap up América Móvil stock.

Perhaps his biggest lesson, then, is confidence.

Despite the painful regulations imposed by Mexican regulators to level the playing field in a telecoms industry Slim has dominated for quarter of a century, his is still the Mexican mobile operator that has been luring the most subscribers.

BY JOHN REED IN RAMALLAH

ROCKY SOIL FOR START-UPS

When Faris Zaher, a Palestinian Jerusalemite, graduated in Hong Kong with a masters degree and returned home at the peak of the financial crisis, he drifted for a bit, working in consulting and property, and starting a website for classified ads.

Then he hit on his big idea: a start-up travel portal catering to the $50bn market for hotel bookings in the Middle East. There was no regional competitor back then and with the web opening up the prospect of borderless business, the West Bank city of Ramallah was as good a place as any to set up.

Less than five years later, Yamsafer is one of the region's largest hotel booking sites, according to its founder. It recently closed a $3.5m funding round in one of the biggest venture capital deals the Israeli-occupied Palestinian territories have seen.

Yamsafer employs 70 people in Ramallah, a place where too many young university graduates are chasing too few jobs. "The people we hire are more hungry than people you would have hired in Dubai, Jordan or elsewhere," Zahar, who is 29, told me recently.

The problem is, Yamsafer is the exception. When I went to Ramallah recently to interview businesspeople about young entrepreneurs — and expressly asked them to exclude the West Bank's older billionaire tycoons — its name kept coming up.

There were a few others, including WebTeb, a health and medical information website; Batuta, a travel portal. But Palestinian high tech has no equivalent of blockbuster Israeli start-ups such as MobilEye, the disruptive "assisted driving" company, or Waze, the Google-owned navigation app.

What the Palestinians do have are a lot of business accelerators and incubators, some funded by aid money,

1.

others by the private sector. Bank of Palestine and Zahi Khouri, the Palestinian-American businessman who runs the local Coca-Cola franchise, are backing Ibtikar ("Innovation") a fund raising $12m to invest in everything related to the internet, software or apps.

In the Gaza Strip, there is an accelerator with the wonderful name of Gaza Sky Geeks.

Foreign donors, led by the American USAID, see the online world as a boundless new domain that will allow enterprising Palestinians to metaphorically vault over the checkpoints, planning hurdles and other economic roadblocks and gainfully employ the region's legions of university graduates. If Israel can conquer the world with its high-tech companies, the thinking goes, there is no reason to prevent the Palestinians from following suit.

Much of the Arab world's current innovation in technology is indeed coming from the Levant. Jordan has a strong start-up scene that marries the kingdom's cheap programming skills to the marketing expertise and rich consumer markets of the Gulf. "This area is providing a lot of the talent in technology," Habib Hazzan, Ibtikar's general manager, says. "We can see the

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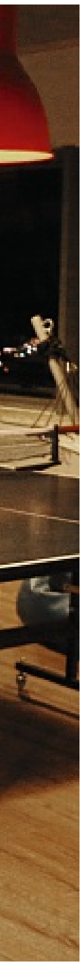
IN THE WEST BANK, BUSINESS PEOPLE SAY THE MAIN PROBLEM LIES IN EDUCATION, WITH ROTE LEARNING EMPHASISED OVER ENTREPRENEURSHIP



1.
Employees at the Yamsafer offices in Ramallah
2.
Tension rises between a Palestinian man and an Israeli soldier
3.
A buzzing bazaar in Ramallah

3.

PHOTOS: GIULIANO CAMARDA/REDUX/EYEVINE; AFP/GETTY IMAGES

innovative hunger; people have a drive to create new things and change."

There is certainly enough goodwill from donors: not one but two economic plans for the Palestinians have been drafted, one of them using the conservative (and safe) assumption that the political status quo will not change. But stripping away the hype, Palestinian businesspeople and foreign advisers privately say the conditions for a serious start-up hub in the Occupied Territories are just not there.

In fact, the backing for incubators and accelerators, they tell me — though none will say this on the record — is producing an artificial bubble of demand. The problem is that there are simply not enough entrepreneurs giving their all, or burning the midnight oil. "Nobody is working as hard as if the company were their lifeline," one seasoned observer of the Ramallah business scene told me.

Too few of the companies are able to execute on their business plans, much less scale up to the point of attracting private financing.

Is culture to blame? I doubt it. Consider Jordan and its scrappy tech companies: more than half of the kingdom's population, after all, are Palestinians. In the West Bank, business people say, one of the main problems lies in education: the computer science and programming courses that do exist at schools and universities, emphasise rote learning over entrepreneurship and critical thinking. Institutions have been less enterprising than their world-class Israeli counterparts in forging foreign research architects.

Then there is also the West Bank's weak legal framework. Companies take a long time to get registered and parts of the corporate code date back to the days of British-ruled Mandate Palestine. Zaher says that Yamsafer registered in Delaware rather than Ramallah because local law does not define employee stock options or offer preferred shareholder rights. Investor protection guarantees, he says, are "flawed".

But a bigger, perhaps decisive problem, is what economists call a "crowding out" effect, when government spending is so high that it stifles private initiative and investment.

The Palestinian Authority, the perennial interim government that has tens of thousands on its payroll, is by far the largest employer. With safe government jobs on offer, and no chance of peace with Israel anytime soon, why would anyone trade a paycheck for the risk and hard graft of a new venture?

I witnessed a similar phenomenon when I reported for the FT in South Africa a decade ago: there, the start-up scene was stunted because the post-apartheid transition pulled the most talented black businesspeople into government departments or listed companies seeking to fill racial quotas.

If the Palestinians and foreign donors want to create their own Start-Up Nation, they need to dispense with magical thinking around incubators and focus their minds instead on creating the political and regulatory conditions that will let smart businesspeople help themselves.

BOOK REVIEW
THE DEVIL'S RICHES

BY DANIEL BEN-AMI

HAS GREED EVER BEEN GOOD?

"Greed is good," must be one of the most notorious lines in any Hollywood film. It has come to epitomise what are widely seen as the excesses of the super-rich in general and financiers in particular. The obsession with acquiring wealth is routinely blamed for many of the problems plaguing western societies.

Ironically, many remember *Wall Street*, the 1987 film from which the line came, as a celebration of excess. In fact, the goal of the director, Oliver Stone, was to do the opposite. The film was essentially a morality tale in which Gordon Gekko, the corporate raider who uttered the line, got his comeuppance.

The Devil's Riches is an erudite attempt to put the idea of greed into its proper context. Jared Poley, an associate professor of history at Georgia State University, argues against the idea that greed has gradually become acceptable over time. The thrust of his argument is that the story is much more complicated.

More importantly, he makes a strong case that attitudes towards greed have played a central role in defining both the operation of capitalism and the views of its critics. What is considered a balanced view on the acquisition of wealth has varied considerably over time. Different outlooks — including liberalism, socialism and environmentalism — are also partly defined by their particular take on this question.

Poley is also insistent the meaning of greed — or near-synonyms such as avarice and covetousness — has changed substantially over the centuries. Those living in different eras have understood the concept in different ways.

Nevertheless, the first example given in Poley's introduction has a contemporary resonance, despite dating from the 1420s. *On Avarice* by Poggio Bracciolini, a Renaissance humanist, tells the story of a conversation between three men at a dinner party. One of them, the host, argues that avarice is worse even than lust. Another claims that there are "collateral benefits of greed". The final guest reaffirms the initial attack by arguing that greed is unnatural, "effeminising" and a form of self-enslavement.

So in the abstract it seems that the views expressed are not that different from contemporary ones. On the one hand, there are the critics of greed and, on the other, supporters claim that avarice can produce benefits.

But Poley is insistent the meaning of the term has to be understood in relation to its specific historical context. For example, in the Reformation of the 16th century, with the emergence of the Protestant church, the attack on greed was largely aimed at the existing church hierarchy.

Another important though subtle shift came in the Enlightenment of the 18th century. Bernard Mandeville, an Anglo-Dutch thinker, wrote about the topic in the 1720s in his famous *The Fable of the Bees*. In his view, avarice had a positive side as it provided the

POLEY MAKES A STRONG CASE THAT ATTITUDES TOWARDS GREED HAVE PLAYED A CENTRAL ROLE IN DEFINING THE OPERATION OF CAPITALISM AND THE VIEWS OF ITS CRITICS

PHOTOS: HERITAGE IMAGES, AARON MCCOY, AFP/GETTY IMAGES

1.
Jared Poley argues against the idea that greed has gradually become acceptable over time
2.
'The Tax Collectors' (1520s) by Quentin Massys
3.
US dollars and Chinese renminbi

foundation for economic change. In 1726, Jonathan Swift voiced a similar view in *Gulliver's Travels*. In a passage on the origin of money, Gulliver is quoted as arguing that spending can be a virtue.

Adam Smith, the most famous economic thinker of the 18th century, built on these ideas. Although Smith maintained the language of morality — he was, after all, the author of *The Theory of Moral Sentiments* — his argument was that economic motivation can play a positive role if it is conducted assiduously. In *The Wealth of Nations* there is, he says, a clear line between self-interest and avarice.

From the 19th century onwards, the idea of greed went in many different directions. Not only did it inform several political outlooks but it was viewed in different ways by disciplines such as anthropology and sociology. Mainstream economics was unusual in that it often eschewed a moral stance towards greed. Contemporary economists tend to see themselves as focusing on understanding reality, rather than tackling morals.

The main weakness of *The Devil's Riches* is its sketchy character. In about 200 pages it covers almost six centuries of intellectual history. As a result, its arguments are underdeveloped at times. Nevertheless, it is a thought-provoking study of a subject that is too often taken for granted, rather than subjected to critical examination.

The Devil's Riches: A Modern History of Greed by Jared Poley (Berghahn); $110.00/£68.00

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

STEPHEN FOLEY

@StephenFoley

HEIRS WILL BE HEIRS

Frank Luntz, the Republican political consultant who persuaded his party to rebrand inheritance tax as a "death tax" and Obamacare as a "government takeover of healthcare", worries that no amount of clever linguistic tinkering can prevent a millennial tide of liberalism from washing through the US.

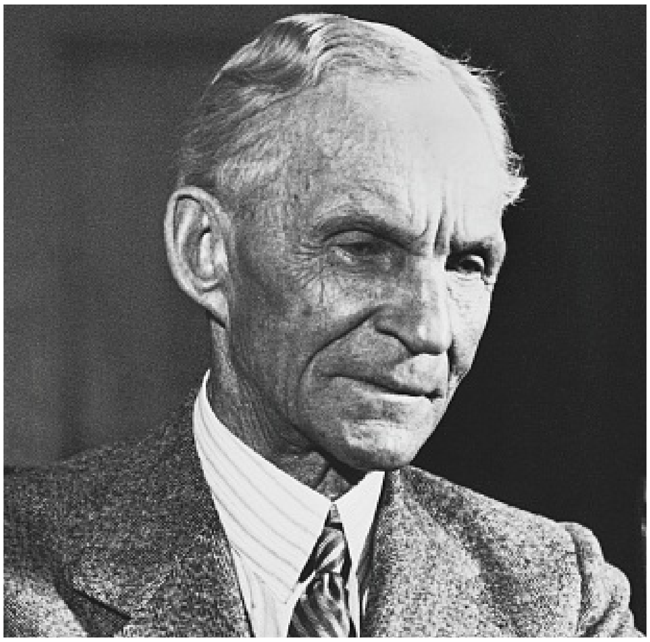
His recent poll of Americans aged 18-26 found them less enamoured of entrepreneurs than he expected, outright hostile to big business and twice as likely to express anger at inequality than they were to complain about taxes. "The hostility of young Americans to the underpinnings of the American economy and the American government ought to frighten every business and political leader as much as they excite activists for [Bernie] Sanders," Luntz wrote at the time.

It frightens conservative donors, too, which is why preserving "donor intent" has moved up the philanthropic agenda.

Darrell West, a vice-president at the Brookings Institution think-tank, says a "massive intergenerational transfer of wealth" is coming over the next 15 years from the ageing millionaires and billionaires who fund the conservative movement's think-tanks and educational programmes. They "cannot guarantee that their children will see the world as they do", he says. "In fact, I can guarantee the children will not."

The philanthropist's natural desire to see their wishes carried out is hardly unique to one side of the political spectrum. But conservatives are more likely to believe there are enduring values that must be protected and less likely to agree with Andrew Carnegie that "conditions upon erth [sic] inevitably change; hence, no wise man will bind trustees forever to certain paths, causes or institutions".

One does not need a conspiratorial mind to see that when charitable institutions drift from their original lane, they are more likely to veer leftwards than right. Henry Ford was — how shall we put this? — no friend of liberal causes in his lifetime; the same cannot be said of the professional staffers who dispense money from his foundation these days.



Henry Ford's foundation veers more to the left than he might have done himself in his lifetime

And if one cannot rely on one's children or (especially) grandchildren, how best to ensure that fortunes, which today fund conservative causes, are not later diverted into something a little more liberal or, heaven forbid, socialist?

An obvious first step is giving more detailed instructions and information about your own philosophy. Jeffrey Cain, author of *Protecting Donor Intent*, tells the story of the Daniels Fund, founded by cable industry pioneer Bill Daniels, which has an interactive archive of its founder's videos and writings to keep his values in view.

There are also tricks to be learnt from philanthropists of the last century. When James Duke, the tobacco and electrical power magnate, set up the endowment that funds the university that now bears his name, in 1924, he made it a requirement that trustees read out the entire indenture, a 45-minute exercise that is still done at a board meeting annually.

The Roe Foundation, built on a fortune made in lumber by Thomas Roe, has two external watchdogs — the Mont Pelerin Society and the Philadelphia Society, both conservative think-tanks — with a brief to sue trustees if they stray from Roe's philosophy.

A conservative-minded donor-advised fund (Daf) might be an even safer option. While Dafs generally allow philanthropists and their heirs to decide how donated monies are distributed, legally the money belongs to the Daf itself and the fund's administrators can shut out heirs who stray from conservative orthodoxy.

This is the promise of DonorsTrust, which has distributed $740m to more than 1,500 "liberty-minded charities". Donors are free to pass on influence over the fund to their heirs, its marketing says, but "rest assured that their involvement would never compromise your original charitable intent". Most wealthy philanthropists are keen to involve their children and grandchildren in their charitable work and hand over the reins in due course. But for those who worry about the leftward drift of what Luntz calls "the Snapchat Generation", there are ways of keeping them on the right track.

Stephen Foley is the FT's US investment correspondent

Stephen is reading... Dear Chairman: Boardroom Battles and the Rise of Shareholder Activism, *by Jeff Gramm, in which Warren Buffett appears as a "friendly" activist supporting the management of American Express amid a scandal in 1964. The picture is a partial one. He was just as likely to be hostile to management in his early activist days, making him the Daniel Loeb or Carl Icahn of his day.*

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