FT wealth

PAYING IT BACK

ENTREPRENEUR ALEXANDRE MARS WANTS TO SHAKE UP PHILANTHROPY

BY HUGO GREENHALGH

AMBITIOUS WEALTH | NICOLAS BERGGRUEN | PRIVATE BANKS | MACAU | FAMILY OFFICES

SEPTEMBER 2015 | FT.COM/WEALTH

ISSUE 34

Screw-down pushers

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FT WEALTH
SEPTEMBER

THE NEXT GENERATION

Entrepreneur and philanthropist Alexandre Mars wants to change the way in which people give. Wendy Schmidt, businesswoman and philanthropist, is funding environmental challenges through XPrize. And former "homeless billionaire" Nicolas Berggruen is looking to foster debate around issues of governance as well as philosophy and culture.

The era of passive money is over. In this, our inaugural edition dedicated to what we have termed "Ambitious Wealth", we look at how the nature of wealth is evolving in the second decade of the 21st century. Gone are the days of simply writing a cheque or having a wing of a hospital named after you; rich people of the new generation want to see their money at work. They want to build the hospitals of the future.

Over the coming issues, we will look at the characters forming this band of new wealth. These are the entrepreneurs who are following in the footsteps of Larry Page and Sergey Brin who wrote in their original Google founders' initial public offering letter that their shareholders should not be surprised if they placed "smaller bets in areas that might seem very speculative or even strange when compared to our current businesses".

What are the global challenges that these ambitious individuals face — and where might they over-reach? Does the wealth management industry understand that money is getting younger and hungrier? And what are the drawbacks of making so much money at such a young age?

As ever, we value your views, particularly on the new direction, so please do drop me an email at the address below.

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

YOUR NEXT FT WEALTH
23 OCTOBER 2015

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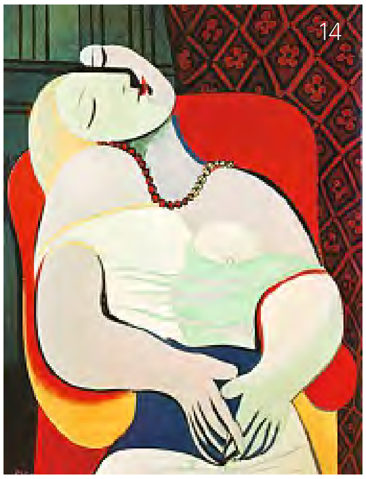

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PHOTO: AP; SCOT NOBLES; BRIDGEMAN IMAGES; JEAN-MARIE HEIDINGER; BLOOMBERG; CHARLIE BIBBY

CONTRIBUTORS

Dalya Alberge is a freelance arts writer
Daniel Ben-Ami is a freelance journalist and writer
Yuri Bender is editor of Professional Wealth Management, an FT publication
Emma Boyde is a commissioning editor for FT Special Reports
Stephen Foley is the FT's US investment correspondent
Henry Foy is the FT's central Europe correspondent
Manisha Jha is a freelance journalist
Jeremy Hazlehurst is founder of Business Family
Madison Marriage is deputy asset management editor
Patrick McGee is lead writer of *fast*FT Asia
Sarah Murray is a regular FT contributor
Feargus O'Sullivan is a freelance journalist
Andre Rhoden-Paul is an FT intern
Matthew Vincent is the FT's deputy companies editor
Lucy Warwick-Ching is the digital and communities editor of FT Money

COVER PHOTOGRAPH
PASCAL PERICH

INVESTMENT FOCUS
LUCY WARWICK-CHING

GRAPHIC BY RUSSELL BIRKETT

GOLD REGAINS ITS GLISTER

Investing in a dollar-denominated asset with no yield was never going to be an easy sell. But with equity markets in turmoil, interest in gold has been rising steadily once again.

Gold was seen as a safe haven after the 2008-09 financial crisis, rising to $1,900 an ounce in 2011 before falling back to a low of $1,077 in July. Research by BullionVault, a peer-to-peer gold exchange, reveals nearly half of gold and silver retail investors predict the gold price will end 2015 at least 10 per cent higher than it was at the start of the year. Whereas the 1970s bull market was driven by inflation, this year it has been uncertainty, particularly over the state of the Chinese economy, that has brought investors back to gold.

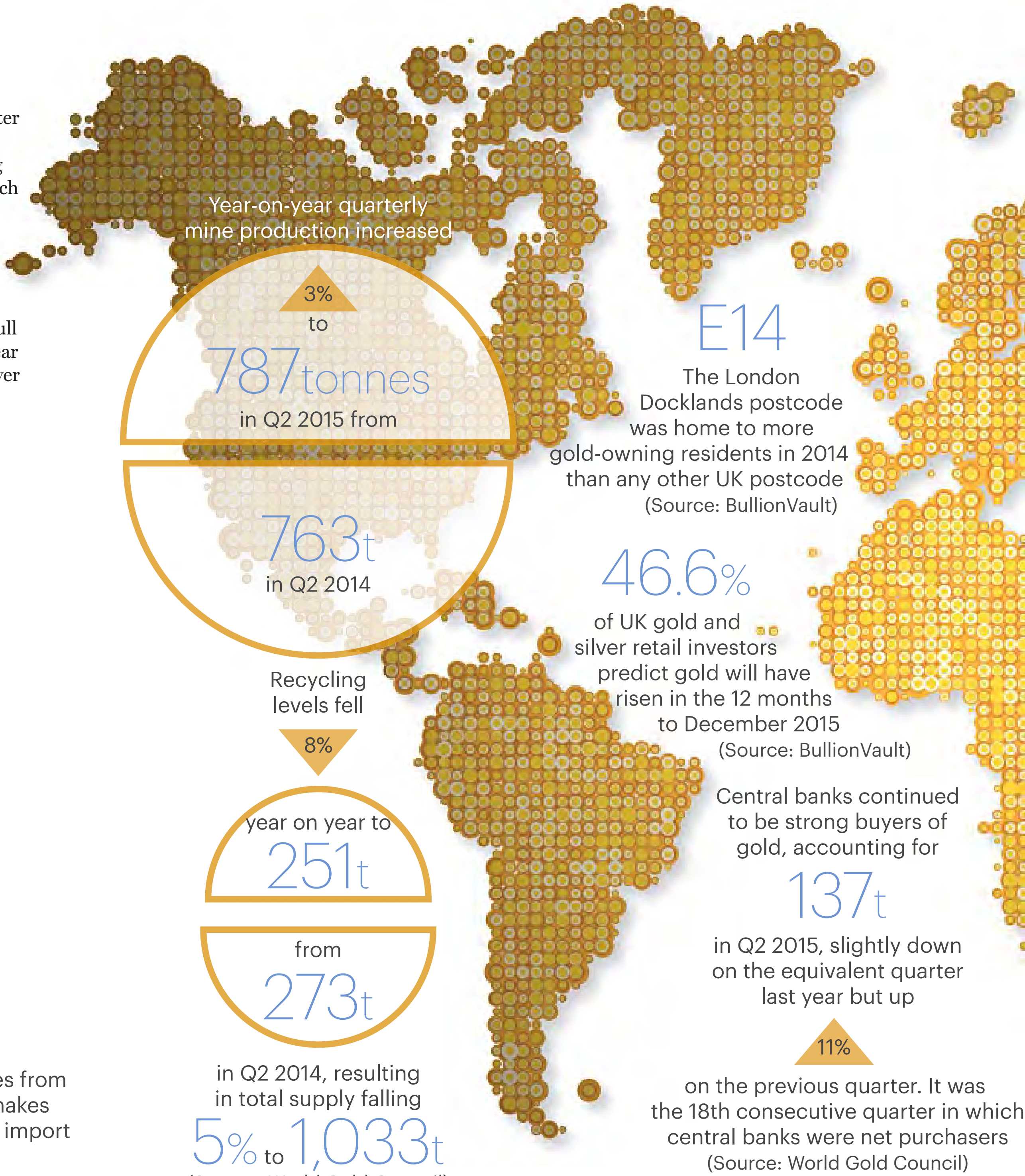
In the short term, however, recent events have shown gold to be volatile. As the US economy continues to recover, making a rise in interest rates more likely, pressure on the gold price could continue. Trying to predict its level is a fool's game, driven more by sentiment than fundamentals. Yet in times of turmoil, gold resurfaces as a potential safe haven, confirming its appeal to investors concerned about the strength and sustainability of the economic recovery.

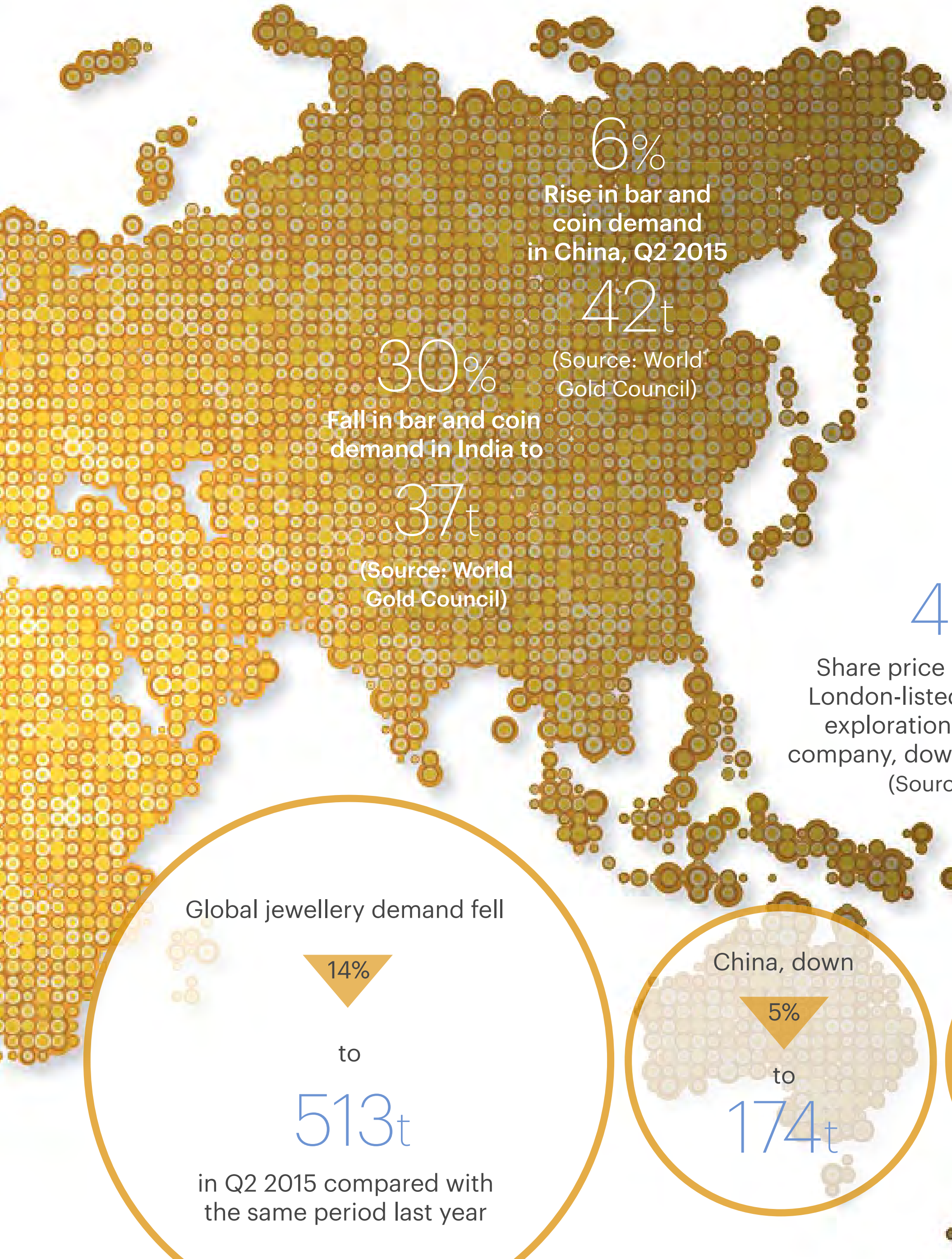
422oz

the largest ever gold bullion trade made via a smartphone. The sale, in Zurich in May 2013, used BullionVault's iPhone app (Source: BullionVault)

45%-50%

of global demand for gold comes from China, so a weaker renminbi makes commodities more expensive to import (Source: Sharps Pixley)





$1,087

Gold price per troy ounce on August 4 2015, a five-week high following yuan devaluation (Source: Sharps Pixley)

6%

Rise in bar and coin demand in China, Q2 2015

42t

(Source: World Gold Council)

30%

Fall in bar and coin demand in India to

37t

(Source: World Gold Council)

Performance over five years
(Gold, cumulative returns, % to May 21 2015)

Top 3 funds

Smith & Williamson Global Gold & Res A	-16.1%
BlackRock Gold and General A Inc	-16.4%
BlackRock International Gold & Gen	-16.4%

Bottom 3 funds

Junior Gold C Acc	-28.4%
WAY Charteris Gold & PrecMtls Elite I Acc	-25.4%
Amundi Fds Eq Global Gold Mines FU-C	-23.7%

Source: Morningstar

4.50p

Share price of Kibo Mining, the London-listed Tanzanian mining, exploration and development company, down 12% over six months (Source: Bloomberg)

Global jewellery demand fell

14%

to

513t

in Q2 2015 compared with the same period last year

China, down

5%

to

174t

and India, down

23%

to

118t

...while the US saw continued growth, rising

2%

to

26t

and Europe was up

1%

to

15t

(Source: World Gold Council)

THE RICH COLUMN
MATTHEW VINCENT

@MPJVincent

PRINCIPLE OF GOOD WORKS

People in high places are generally expected to remain resident (if not tax domiciled) on the moral high ground.

They do not lie or cheat; they are only ever, as British politician and diarist Alan Clark infamously put it, "economical with the actualité". And even then, if their economy becomes apparent, they are typically so mortified that they immediately seek to atone through tireless good works.

John Profumo, like Clark, a junior minister, having misled parliament about his familiarity with a Soviet attaché's female companion, felt compelled to resign and spend his next 40 years cleaning the lavatories at a charity in London's East End. That he also, unlike Clark, devoted his remaining energies to the alleviation of poverty and, unlike Clark, bequeathed the world a genuinely funny political epigram (Nil combustibus pro fumo — There's no smoke without fire) is less well remembered.

Jonathan Aitken, another junior minister, used his imprisonment for perverting the course of justice to find God and his ensuing freedom to disseminate Psalms, and alms, to the needy. More recent ex-minister and justice perverter Chris Huhne, on finding that Aitken had sent him several verses, deemed them "marvellous". What God remarked on being found by Aitken is not recorded.

Even politician and fictionalist Jeffrey Archer dedicated his own gaol term for perjury to enriching the literary canon and the lives of airport book purchasers with… OK, so it doesn't always follow.

But the principle is not unknown in high finance, either. Remember Michael Milken, Wall Street's "junk bond king"? After earning $1bn in four years, he was indicted on 98 charges of securities fraud, insider trading and racketeering, served 22 months of a 10-year prison sentence, paid a

Reformed: Ivan Boesky, Wall Street's real Gordon Gekko, spent time helping the homeless after his jail sentence

PHOTO: JOHN MARMARAS/WOODFIN CAMP/THE LIFE IMAGES COLLECTION/GETTY IMAGES

> IT IS TEMPTING TO VIEW UBS'S LAUNCH OF A POVERTY FUND AS ATONEMENT FOR… SINS

$600m fine, beat prostate cancer and became a healthcare philanthropist. He funded so much research that Fortune magazine gave him a new title: "The man who changed medicine."

Similarly, Ivan Boesky, Wall Street's actual Gordon Gekko and convicted insider trader, emerged from his own 22-month sentence to spend time helping the homeless.

It is tempting, therefore, to view UBS's launch of a fund to tackle poverty as atonement for an ex-employee's sins (just like Profumo and Aitken's charity work or Milken's philanthropy) given the 14-year prison sentence recently handed down to a former star derivatives trader.

Tempting, perhaps, but entirely wrong. Because the Resonance Bristol Social Investment Tax Relief fund, sponsored by UBS Wealth Management, is an example of financiers doing good for their own sake, abetted by a very different type of "conviction politician".

UBS's wealth management division had been directing billions into philanthropic projects long before its investment bank briefly allowed Tom Hayes to earn himself a few million and the nickname "The Machiavelli of Libor". However, its new fund, managed by social investment specialist Resonance, is instead designed to attract "profit-seeking capital" to projects that tackle poverty by offering clients both a financial return and evidence of a measurable, positive impact on people's lives.

Jamie Broderick, chief executive of the UK wealth management business for UBS, says this matters because the available pool of profit seeking capital is so much larger than the pool of "old philanthropy" capital.

He views the fund, which will mainly advance low-cost loans to projects providing access to employment and affordable housing in the city of Bristol, as one of the most efficient ways of putting profit-seeking capital to work on social problems. Investors are offered a potential post-tax internal rate of return of about 8 per cent, and, under the applicable UK tax rules, proof that their money has done good.

And it is the politicians who brought in the tax rules that have made both the returns and the impact possible. Under UK social investment tax relief, investors are granted 30 per cent upfront relief on sums they invest, meaning the social enterprises they back do not have to meet a high cost of capital to produce the return.

At present, the tax relief is limited to investments of up to £275,000 in any one organisation. Still, as they probably said to Profumo when he arrived at the Toynbee Hall charity with his mop and plunger: it might not be much, but it is a start.

Homeless no more: after 14 years of living in five-star hotels, Nicolas Berggruen now has apartments to call his own

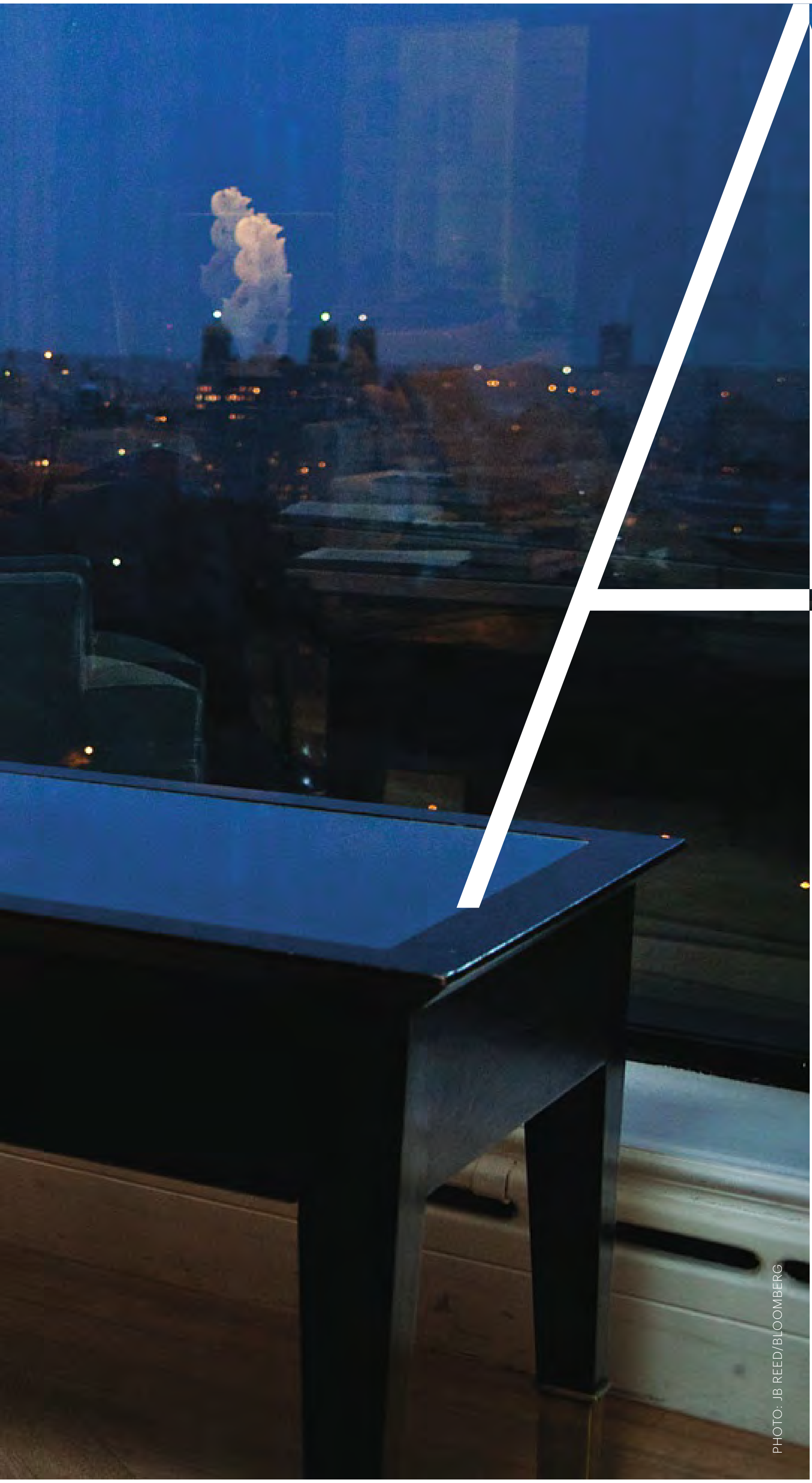


PHOTO: JB REED/BLOOMBERG

POSITIVE THINKER

NICOLAS BERGGRUEN IS ON A CRUSADE FOR IDEAS

BY STEPHEN FOLEY

Atop the ramparts of the old fortress city of Aigues-Mortes, gazing in the direction of the Mediterranean, Nicolas Berggruen is contemplating the Crusades.

Aigues-Mortes, 17 miles from Montpellier in southern France, is from where the sainted Louis IX twice set sail with the aim of capturing Jerusalem and glorifying Christianity in the 13th century. Berggruen, the French-born German-American dual citizen who for a decade was known as “the homeless billionaire”, drifted into town last month to walk its impressive walls, to see the sturdy towers that protect its perimeter and to soak up its history.

Berggruen’s contemplation is not so much of the dates and the deeds of the crusaders, he recalls in conversation later, but of the ideas that motivated them, habits of mind that are at once alien to us in the modern world and yet can appear to have echoes in modern conflicts.

Ideas, it is clear to him, have the power to move kings, the power to raise armies and to shape history. Ideas are going to be Berggruen’s next big investment.

The son of Heinz Berggruen, an art collector who fled Nazi persecution in Germany and befriended Pablo Picasso in Paris after the second world war, Nicolas Berggruen parlayed his father’s fortune into a much larger one, now estimated at about $1.5bn, through ➤

financing leveraged buyouts, property development and stock investing across the world.

His new Institute of Philosophy and Culture is launching with some ambitious talk: it wants to be "midwife" to new conceptual frameworks that can rank alongside the Reformation, the Enlightenment, Marxism or the Washington Consensus. Berggruen is planning a "secular monastery" for debate and contemplation alongside a Nobel-sized prize for new ideas. Rock star philosophers Bernard-Henri Lévy and Slavoj Zizek already command huge audiences, and fees, so can one man's millions make a difference?

"One potential advantage of private wealth is that it can take on things that are not immediately measurable," Berggruen says. "If you are a charitable organisation or government organisation or a business you have to deliver reasonably tangible results for your constituency and on a relatively short-term horizon. We can take the risk of investment in something that is valuable — and the world of ideas is a world that's risky."

Berggruen earned the "homeless billionaire" moniker in 2000 when, at the age of 39, he sold his properties in New York and Florida and decided to live only in five-star hotels, zipping between them on his Gulfstream jet. As such, he has been tagged as a personification of the rootless global elite, with a playboy lifestyle to match, thanks to his regular appearance at lavish parties and (until recently) his own annual bash in Los Angeles for the Oscars.

Except that, last year, he purchased apartments in Los Angeles and New York — "comfortable places, with nice views" — so it is time for the press to come up with a new nickname. This is assuming he sticks with his purchases, about which he does not seem enthusiastic. In fact, he sounds positively exasperated.

"If you have a place, you have to think about what it looks like. If you want to wash up you have to have a towel. You have to think about all types of physical things. Lights, for example. If you care about aesthetics you can't help yourself but spend time on it. I've found it very time consuming. The question is, is it a good use of time? Hotels are still the best formula if you can afford it because you don't have to worry about your physical needs as much."

We are having our conversation about the Crusades, about ideas, about settling down, over a ropey FaceTime connection where his backdrop today is the generic wood panelling of a hotel suite in Los Angeles. It will be many months before his West Hollywood apartment is ready. This is the first time he has used FaceTime and he is doing so on his phone. He asks if he can put it down, rather than having to hold it, but I tell him this would rather defeat the purpose. None the less, I am staring at his hotel ceiling when I ask him about the "homeless billionaire" nickname, so I can only hear his face screwing up with displeasure.

"I'm very happy to lose that moniker by spending time a little bit more rooted, even though I still don't feel very rooted. I find so many places interesting and therefore I am less attached to one place. The instinct to want to have a nest is quite healthy and normal. There must be something unhealthy about me, but there we are."

"TO HAVE A NEST IS HEALTHY. THERE MUST BE SOMETHING UNHEALTHY ABOUT ME"

1.

1.
Art collector Heinz Berggruen, Nicolas's father
2.
Joseph Stiglitz, Nobel prize-winning economist
3.
Historian Timothy Garton Ash
4.
Author Francis Fukuyama
5.
The medieval walled city of Aigues-Mortes in southern France

The other question is, of all the cities in all the world, why did he pick those two to put down his experimental roots? Is he playing local property markets?

"No, personal preference. New York is one of the world's great metropolises. LA is a city in the making; it doesn't have an urban centre the way most cities do, so it allows a physical and mental space that is very unique. California is a place of invention, it is Pacific-facing, which I like, while New York is Atlantic-facing, Old World, and Europe-facing. I find America so willing to experiment and allow ideas. You have a sense of freedom and a sense of a future that is unique and that is very energising."

It is tempting to think of Berggruen's progression from rootless playboy as a kind of reverse mid-life crisis. Where other men reach for adolescent toys and inappropriate flings, Berggruen rekindled a much more serious teenage passion, one for political debate and philosophy.

He recalled his young left-wingery in a Lunch with the FT a few years ago, telling us he "wouldn't learn a word of English [at school] because that's the language

"THE ANCIENT GREEKS FELT THAT ENQUIRY IS EXCITING AND I THINK SO, TOO"

of imperialism" — his family's first language is German — and claiming to have been expelled from a Swiss boarding school for sedition.

Now, he calls his investing career "a long detour" from that passion for philosophy. Reignited with discussion sessions and salon-style evenings with University of California professors, the passion turned, amid the panic of the financial crisis, into the idea for the Berggruen Institute on Governance. Its founding principle is that governmental institutions are not fit for purpose in the globalised 21st century and it has been pressing for stronger powers for the G20, greater European integration and reform of California's broken budget system. Berggruen has peopled his institute with statesmen, economists and business leaders ranging from Tony Blair and Joseph Stiglitz to Elon Musk.

The Institute of Philosophy and Culture, meanwhile, has advisory and academic boards totalling 60 thinkers, including Francis Fukuyama, the political scientist, Wang Hui, an intellectual historian of Tsinghua University, Beijing, and Timothy Garton Ash, the historian.

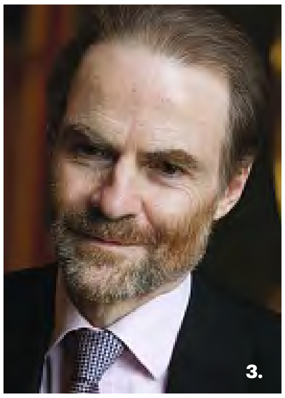
"I am not going to be apologetic about it, there is a selfish element here," Berggruen says. "The ancient Greeks felt that enquiry is incredibly exciting and I think so, too. One of the amazing things that makes us humans is that we can think and speculate and invent and imagine, and what greater intellectual pleasure than being able to think about these things and have access to unbelievable minds, creative minds, minds that transform who we are?"

Whereas Berggruen's governance institute styled itself cutely as a "think and action tank", the philosophy institute can be called a think-tank unselfconsciously. It has set deeper questions, from the contradictions between harmony and freedom to the nature of mankind's relationship with technology, with the particular hope of sparking new ideas by joining the philosophical traditions of east and west — a passion of Berggruen's and the inspiration for a book he co-wrote in 2013 called *Intelligent Governance for the 21st Century: A Middle Way Between West and East*.

The aim is to go far beyond personal indulgence and to have real impact in the world of ideas. The $1m Berggruen Philosophy and Culture Prize for a living thinker whose ideas have deeply influenced our world is meant to rank alongside the most famous prizes for science and the arts. The institute will organise symposiums, promote books, produce documentaries and run a public competition celebrating new philosophical thinking. It has signed up seven elite universities, including Stanford in the US, Cambridge in the UK and Peking University in China, to a fellowship programme.

But perhaps the most intriguing piece of its work, plans for which are still only on the drawing board, is the creation of a secular monastery, "an updated version of an old idea" common in western and eastern cultures.


2.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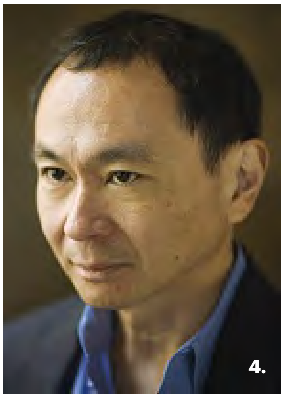

4.

PHOTO: AFP/GETTY IMAGES; BLOOMBERG

Berggruen says up to 50 thinkers could live for weeks, months or even years at a stretch in what will be "a physical place, but also a mental place, where we give the body and the soul some freedom to explore and invent and communicate".

He goes on: "Today there are lots of ideas generated everywhere and published everywhere. Short-term conversations, they are many. Ideological conversations, they are many. But is there a longer term, thoughtful review of these ideas? If you step back a little bit from the daily pressure of winning arguments that is the place where we can maybe be helpful."

After wrapping up our video call, I realise that I have learned very little about Berggruen's own personal philosophy. He has given no impression that he believes his wealth has accorded his views any additional profundity. The only clue was in his recollection of that day in Aigues-Mortes last month.

"Monotheist religions are very interested in conquering other hearts and souls," he had said. "Louis was a king who became very religious. He was incredibly dedicated and I was thinking, 'How different is that from what we did in Iraq and what is happening in the Middle East today?' It really isn't very different."

I follow up later in a phone call: does he believe in God? He pauses, as if to decide if the question is too personal.

"I am not religious is the bottom line," he says eventually. "Religion as a dogma can be dangerous. It can inspire, yes, but it enslaves the mind at worst."

But on God? Another pause. "I wish I could be convinced, but I can't be." I suggest, maybe it is a challenge that the philosophers he is gathering together will take up? "Well, I guess we are open to ideas."


5.

PHOTO OF PICASSO'S "LE REVE": BRIDGEMAN IMAGES; SUCCESSION PICASSO/DACS, LONDON 2015

HANDLE WITH CARE

STATISTICS PAINT A WORRYING PICTURE OF THE NUMBER OF ART PIECES DAMAGED WHILE BEING MOVED

BY DALYA ALBERGE

Art in transit is fraught with dangers. With so many exhibitions, auctions and fairs being staged worldwide, the movement of art is constant. Forklift trucks have rammed crates holding paintings, bubble-wrap has left its distinctive pattern on picture surfaces and lorries have broken sculptures beyond repair.

Insurance statistics paint a worrying picture. "Sixty per cent of all art claims are works in transit, in some size, shape or form," says Rupert Onslow, an art underwriter at The Channel Syndicate, a specialist insurer at Lloyd's. "That's without doubt. Everyone says 'what about theft?' But theft is really quite rare. Losses occur when the pieces are at their most vulnerable — when they're moving. If a work is hanging on the wall or sitting on a plinth, minding its own business, it's pretty sound and secure."

He adds: "The moment you touch a piece, you can slip and fall; you can drop it. It's rarely done through carelessness. Accidents range from a forklift going through a crate to the simple 'oops, dropped it'."

Michael Daley, director of ArtWatch UK, the art world watchdog, warns that treasures are being put at risk by "exhibition mania", with major institutions "tapping into this harvestable market of people who will pay to see great art. So there's more and more traffic."

He despairs at the number of works that have come to harm on being moved. The most serious cases include Picasso's "The Painter", which was lost, along with 229 lives, when Swissair Flight 111 crashed in Canada in 1998; Rembrandt's "Portrait of an Elderly Woman", which suffered a large gash after being sent from the Pushkin Museum of Fine Arts in Moscow to the Museum of Fine Arts in Houston, in 2001; and the 9th-century Book of Kells, reportedly affected by vibration after it was flown from Ireland to Australia in 2000.

But moving artwork even within a gallery is risky, Daley says, recalling a 2008 accident at the National Gallery when a 16th-century painting, Domenico Beccafumi's "Marcia", was damaged after being dropped during the dismantling of a temporary exhibition on ➤

1.
Amina Wright, curator of fine art, inspects paintings stored in the vaults at the Holburne Museum in Bath
2.
Domenico Beccafumi's "Marcia" was damaged after being dropped
3.
Rembrandt's "Portrait of an Elderly Woman" had a gash in it after being transported

Renaissance Siena. "After the accident, it was said by the gallery, in its report of March 2008, that the panel is 'fragile' and will 'never be allowed to go out on loan'. But that doesn't stop them from loaning other things, even more fragile, like Leonardo da Vinci's 'Burlington House Cartoon' to Paris. The circus just goes on."

Daley also questions the British Museum's decision to lend hundreds of antiquities to the Zayed National Museum in Abu Dhabi for up to five years. "This includes prime works from the Assyrian reliefs from the Nimrud Palace, the site that's now under the control of Isis. Before they agreed to do that, they'd sent the carvings to Shanghai. The jets had to stop overnight in Azerbaijan, which is hardly the safest place in the world, I would have thought."

A British Museum representative challenges the criticism. "As the most generous lender in the world, the museum is well practiced at ensuring our loans are safe and secure during transit, travelling along only established flight routes."

Other experts acknowledge risks, but argue that paintings and sculptures are safe as long as owners do not skimp on packing and transportation.

Julia Nagle, an independent restorer and conservator who has worked extensively with the Tate galleries, praises the care and professionalism of museums, but is regularly shocked by the sorry state of privately owned works brought to her following unfortunate transportation.

She sees an average of one torn canvas every month. "We've got a piece that was painted on hardboard with a big hole in it. It was rammed by a forklift truck."

Bubble wrap is the particular enemy of contemporary paintings, she says: "People think bubble wrap is the right thing to use — something soft. But oil paintings take several years to harden properly."

British artist Linda Alexander had used it to wrap one of her floral paintings before delivering it to a client, only to discover that it had left its pattern across the surface. Nagle managed to save the painting by removing the varnish. She also restored a £100,000 painting that had been severely damaged after rubbing against its makeshift packing, sticking to its surface.

Her "patients" have included a painting pierced by a table leg in a transportation lorry and a picture severely harmed at an art fair after falling on to another object when a forklift truck went into a nearby flimsy wall. "It's all about knowing how fragile things are," she says.

Mari-Claudia Jiménez, a partner in Herrick, Feinstein's international art law group in New York, warns of other pitfalls facing art in transit. She recalls handling a legal dispute involving a $300,000 sculpture that was ruined after a British gallery sent it to a US art fair. "The shipping crate was made of a certain type of wood that the US requires be fumigated before shipment. As a result, they had to take it out of the crate to transport it. A sculpture with no crate rolling around in the truck got completely destroyed." ➤

"PEOPLE THINK BUBBLE WRAP IS THE RIGHT THING TO USE. — SOMETHING SOFT"

PHOTO: GETTY IMAGES; HERITAGE IMAGE PARTNERSHIP LTD/ALAMY; BRIDGEMAN IMAGES

3.

PHOTO: HUBERT FANTHOMME/PARIS MATCH/GETTY IMAGES; TIMEWATCH IMAGES/ALAMY

"A FUNDAMENTAL PROBLEM IS THAT THE ART WORLD AS AN INDUSTRY IS COMPLETELY UNREGULATED"

5.

The gallery wanted to show off the work at the fair, even though it had already presold it. The shipper insisted that it could be repaired, but Jiménez argued that it was "a total loss" and therefore its buyer no longer wanted it because "it's not an original perfect piece". Litigation followed, but the case was settled.

Howard Spiegler, co-chairman of Herrick, says: "We try to tell galleries that we could be very helpful before litigation starts in trying to prevent problems. But people are not looking for new ways to spend money." They contact their lawyer after they have been burned, he says.

Galleries will often send artworks to collectors "on approval" and Jiménez recalls one New York gallery sending a crate of paintings worth many millions of dollars to an extremely wealthy collector on an approval basis. The collector decided against buying them but "didn't do a good job of packing them back up to ship back to the gallery", she says. "When they arrived, they were destroyed as they didn't hire a professional shipper to have them sent back. The gallery had to sue an important collector, which would obviously sever the relationship forever."

Private collectors enjoy lending, particularly as exhibitions in major institutions can increase values. Adam Prideaux of Hallett Independent Art Insurance, a specialist broker, warns: "That's all very well until something goes wrong."

There is a general ignorance of the complexities involved in lending, he says, urging collectors to check insurance and loan agreements: "When it goes wrong, it goes catastrophically wrong. It's only afterwards you realise the insurers are trying to wriggle out of a claim."

Even minor damage can affect values. Prideaux has recently been dealing with a collector who lent an installation by Ai Weiwei, the Chinese artist, to a Spanish museum, only to discover that two of the many component pieces had been broken, cannot be replaced and the insurer will not cover the loss.

An installation once worth "hundreds of thousands of euros" has been made "valueless", he says. "I find it absolutely astonishing and I really question whether anyone would ever lend if people knew that these are the kind of things going on."

Louise Hallett, his business partner, says: "A fundamental problem is that the art world as an industry is completely unregulated. There aren't any formal procedures to follow.

The lenders, particularly when they're private collectors, have huge faith in the museums that they're lending to because they believe that the museums absolutely know what they're doing.

"They accept their loan contract without even really reading it and they accept their insurance without knowing what's in it. They get one piece of paper saying 'we confirm that this work is insured as per the original policy'. But they never see the original policy so they don't know what the exclusions are, they don't know whether there are specific conditions to it. Then they have a damage and are told after the event 'our policy doesn't cover this or that'."

4.
Restoration of paintings in the Gallery of Battles at Versailles, France
5.
The 9th-century Book of Kells was affected by the vibration of a flight

Collectors are now increasingly insisting that museums cover the lender's own commercial insurance. At this year's Art Basel fair, the Axa Art group staged a presentation offering advice to collectors on the fragile nature of art.

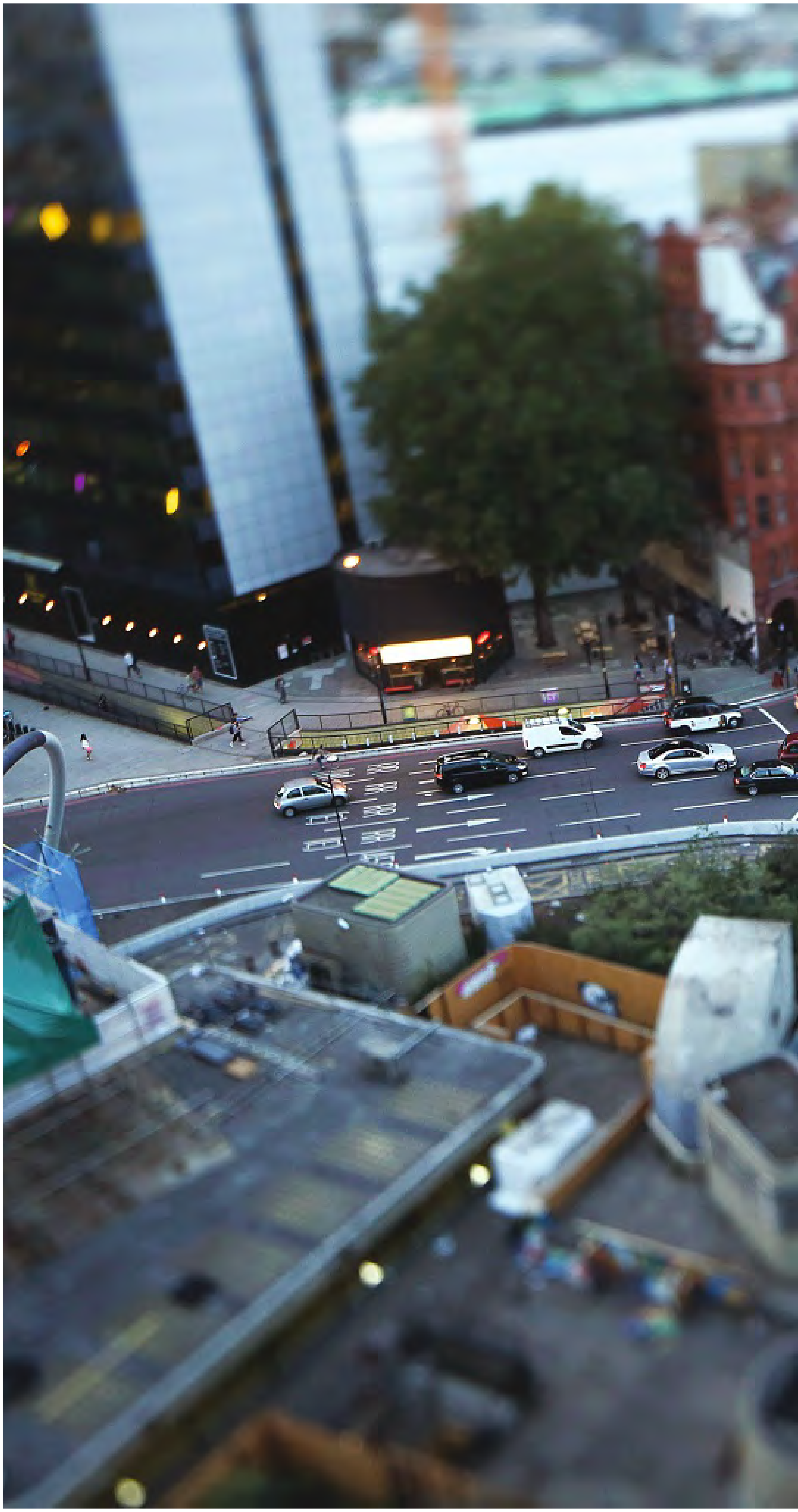
Martin Bijl, a leading Dutch Old Masters conservator and a former head of restoration at the Rijksmuseum in Amsterdam, says that works damaged in transit have "almost always" suffered due to "a human mistake".

He adds: "I am working on a large 17th-century canvas that's unlined, which is very rare. It had been sent to an exhibition and came back with a small tear. It had been wrapped in a good case, so the only possibility is that it happened during transportation. That happens with a large painting because you have to go around corners." But he says: "I consider these accidents still as exceptions."

Sometimes, though, works can be damaged when just hanging on a wall. In 2006, Steve Wynn, a millionaire casino owner, put his elbow through Picasso's masterpiece, "Le Rêve".

LONDON CALLING
UK BANKS NEED A DIFFERENT MINDSET TO WORK WITH ENTREPRENEURS

BY YURI BENDER



"We have a saying in India," reflects Rajesh Agrawal, founder of RationalFX, a foreign exchange company offering online transfers. "When you are young, spend time with older people to become wise; when you are old, spend time with youngsters to learn new concepts.

"I am getting older."

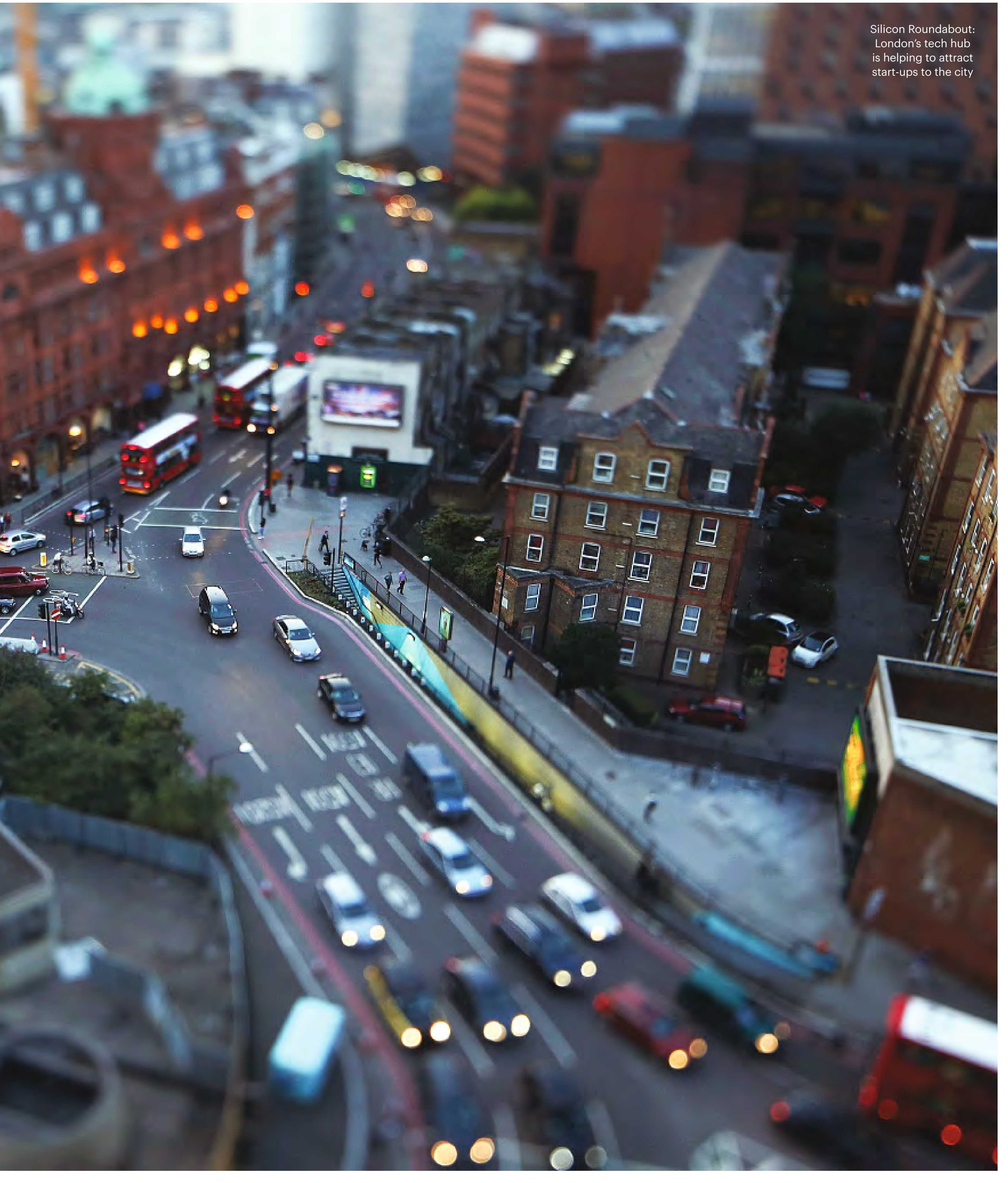
At just 38, Agrawal is already worth £90m, according to the Sunday Times Rich List and has been running his payments company since 2005.

Dressed in a bright pink striped shirt, grey jacket and canvas jeans, not so long ago he was at the same stage in life as some of the young people frantically trading currencies on phone lines outside his office.

But Agrawal developed his entrepreneurial mindset in the sleepy Indian hinterland, rather than London's high-rise Canary Wharf.

From the age of 10, his parents sent him from his home city of Indore each summer to help his cousins in their family restaurant 60km away.

The young Agrawal refreshed the old-fashioned menus and designed an intercom system for waiters to relay orders to kitchen staff. After graduating in business administration from his local university, he moved to the northern city of Chandigarh, "the Milton Keynes



Silicon Roundabout: London's tech hub is helping to attract start-ups to the city

PHOTO: CHRIS RATCLIFFE/BLOOMBERG

of India, full of roundabouts", to sell the services of a web design company to local clients.

"This was 1999. First I had to explain to people what the internet was — that was the hardest part — and then how a website would benefit them," he remembers.

Agrawal's pitches earned him a prized transfer to Mumbai and paved the way to a risk management role in a forex company, offering the rare privilege of free internet access and contact with international clients, one of whom offered him a job in London, in 2001, where he found accommodation in Harrow, a suburb in the north-west of the capital.

"It was surreal. I was looking for high-tech hubs and skyscrapers, but found people speaking Gujarati, eating Indian foods and watching Bollywood films," Agrawal recalls.

"Here I was in a company with 20 people, only two of whom had computers. This was the 21st century and one lady had the job of printing off all the emails and distributing copies to staff," he says, still struggling to hide his incredulity.

"In Mumbai we all had laptops, the latest software and could work from home when necessary. London didn't even have fast broadband or dial-up connections."

But it was the UK financial system he found most primitive, especially compared with Indian institutions. "Banking was very expensive and service levels poor," Agrawal says. Transfers between accounts in the same bank cost £30 and took three days. "I could never understand why this was."

This lack of cutting-edge services led him to set up his own electronic transfer business in 2005 with a fellow Indian expatriate, stealing a march on UK banks plagued by a poor reputation from overcharging.

"The whole reason that businesses like ours exist is because the banks are not doing their job properly," says Agrawal, looking out across a rainy Canary Wharf from his 32nd-floor office.

Small and medium-sized enterprises have been hard hit by the mis-selling of derivatives and structured products, he says. "Banks need a different mindset to work with entrepreneurs, who want a bank to help them grow. But unfortunately, they see money as money, wherever it comes from."

Agrawal started his business with a £20,000 car loan, despite never having held a driving licence, and pumped the cash straight into his start-up. Just days earlier, his bank had refused a £10,000 request to fund his business.

"I know plenty of successful entrepreneurs who only survived by maxing out credit cards for finance, after their ideas were turned down by banks," he says.

He is much more complimentary about the UK's infrastructure, business climate and — sometimes — positive approach to immigration, which has turned London into an "entrepreneurial hotspot".

Agrawal, who is been backing Labour politician Sadiq Khan in his mayoral candidacy, employs 70 staff of 22 different nationalities.

"If you turn immigration off, you will have a huge skills shortage in this city," he says. "You can't get skilled people in Paris as the immigration system in France is so poor. In London, you have Indians and east Europeans working side-by-side in fintech start-ups. You don't get this anywhere else."

1.

"I DON'T BELIEVE THERE IS ANY PLACE TO START UP AN ENTERTAINMENT BUSINESS APART FROM LONDON"

According to the Tech City initiative and Oxford Economics, London is awash with digital entrepreneurs. By 2025, they estimate there will be 45,000 digital technology companies in London, generating more than £12bn for the city's economy.

London wins hands down as a business, technology and financial hub to attract start-ups, says Mads Munk, a Danish media entrepreneur and chief executive of the M2 group, who has chosen the UK's financial centre for the expected flotation of an entertainment unit.

"I don't believe there is any place to start up an entertainment business apart from London," says 47-year-old Munk, who worked in a betting shop in London's Highgate for two years in his teens, living in a YMCA hostel, before returning home.

His first business was selling popcorn, before he eventually formed his M2Film venture, which has achieved success in producing animations for several high-profile companies.

He employs 230 people in London, Mumbai and Bangkok, posting a pre-tax profit of £2.9m in 2014.

"Currently there is no city, apart from London, really biting at our ankles," he says, recovering with a beer and cheeseburger at the Groucho Club, a private members' club in central London, after an overnight flight from Los Angeles.

PHOTOS: CHARLIE BIBBY; SIMON FOWLER

Munk claims London offers a favourable tax environment for the film industry, top-quality staff and access to investors and financial services.

The most valuable of these to his global business is currency expertise. “We have a lot of activities in Thailand and the baht can easily lose 20 per cent. That is a lot of money with the margins we are working on and we need insurance against this.”

Most banks as yet fail to meet the needs of entrepreneurs, particularly in the digital sphere, claims 31-year-old James Haycock, a serial entrepreneur and founder of Adaptive Lab, which develops technology solutions and innovations for major companies.

“As an entrepreneur, my expectations are set by my daily digital experiences,” says Haycock, in his office above a café in the shadow of Old Street’s Silicon Roundabout, on the edge of London’s trendy Hoxton.

“I don’t see that quality offered by either my personal bank or the company’s banks,” he complains. “I have

“THERE SHOULD BE BANKS DEDICATED TO ENTREPRENEURS”

banked with them for 15 years and they have not built up a good picture of me, nor are they able to offer a tailored personal experience.”

While entrepreneurs are clearly disappointed with the services banks are providing them, many leading wealth managers are stepping up their efforts to service this growing sector.

An HSBC Private Bank representative says, “all of our clients are entrepreneurial” and it provides “critical” regular networking events.

“There are certainly more clients who fit this description than ever before and they are younger, coming from all over the world,” says Dina de Angelo, director of Pictet Wealth Management. “London is increasingly important. Geographically it is in the best possible position.”

Despite criticism of banks from the business community, she says, “the pace of change within the industry is improving on every level, most notably in the digital space”.

Banks are increasingly targeting entrepreneurs according to their business sector, such as financial services, new media, energy or healthcare.

“We aim to create an exclusive, discreet and relaxed atmosphere, where wealthy families are able to grow their knowledge and share strategies confidentially,” says Luigi Pigorini, regional head for Emea of Citi Private Bank.

However, he applies an element of caution about potential customers. “Like all client segments, we are selective in which start-ups we take on as clients,” he says.

Berenberg, a German bank increasing its presence in London, is also aware of the need of many start-ups for additional finance and aims to facilitate these deals where possible. “We try to support start-ups by introducing possible business partners from our network, or private equity investors or financing partners,” says Dominik Helberger, head of the entrepreneurs desk at Berenberg.

It is this networking that growing businesses find invaluable.

“There should be banks dedicated to entrepreneurs, who can put them in touch with one another, organise classes, mini-courses and networking events,” says Agrawal, complaining that these facilities are scarce for smaller, more innovative entrepreneurs. European banks should learn from “more pro-active” US peers in Silicon Valley, he adds.

But lessons from Silicon Roundabout can be just as valuable for the banks. “A lot of people make jokes about nerdy Hoxton types and our own Tech City,” says Adaptive Lab’s Haycock, who was actually born in Silicon Valley before returning home. “But we are on the map globally and punching above our weight. There are events in the evening, it is vibrant and you bump into people with ideas in the coffee shops. We have created a cluster that attracts talent.”

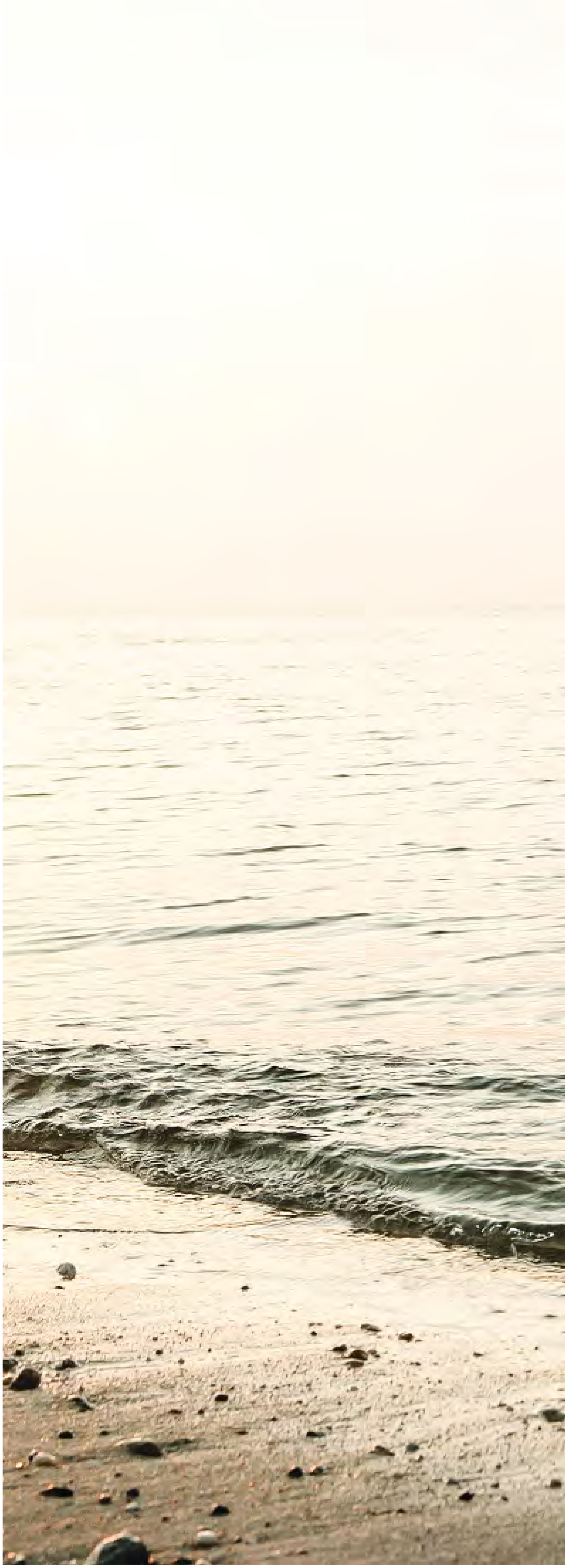

2.


3.

1.
James Haycock
2.
Mads Munk
3.
Rajesh Agrawal

TO BOLDLY GO
THE POWER OF PRIZE MONEY IS REDISCOVERED TO SPUR INNOVATION

BY STEPHEN FOLEY
PHOTOGRAPH BY SCOTT NOBLES



n 1906, Lord Northcliffe, the proprietor of Britain's Daily Mail newspaper, offered a £10,000 prize to the first aviators to cross the Atlantic Ocean, just three years after the Wright Brothers ascended into the sky at Kitty Hawk. The notion that anyone could get across a 2,000-mile stretch of water was so preposterous that it prompted the satirical magazine Punch to offer prizes of its own: £10,000 apiece to anyone who could swim the Atlantic, travel to Mars and back, or journey to the centre of the earth.

Lord Northcliffe got the last laugh, of course. With his money and his mouthpiece at the Daily Mail, and his political connections, few people were able to champion the possibilities of air travel — for scientific progress, for business and for warfare — so effectively. His newspaper offered a string of smaller prizes for smaller aeronautical feats before the big one was finally won on June 15, 1919, when John Alcock and Arthur Brown inelegantly landed their modified Vickers Vimy nose first in an Irish bog after a 16-hour flight from Newfoundland.

A century later, the power of prizes to spur innovation has been rediscovered by a new generation of wealthy individuals. Exploring space or finding extraterrestrial life? Cleaning the oceans or clearing the atmosphere? Curing disease or looking for the key to immortality? For anyone with ambitious goals, offering a prize can get you a bigger bang for your buck than traditional giving. Think of it like leveraging your investment portfolio: a carefully crafted challenge spurs spending by competing teams that can add up to many times the value of the prize purse.

"It is something like the opposite of the traditional model of philanthropy," says Paul Jacobs, who is executive chairman of Qualcomm, the microchip manufacturing giant founded by his father in 1985, and whose charitable arm is going to give $10m to anyone who can make the Tricorder from Star Trek a reality (of which more in a moment).

"People are always sceptical about charitable organisations and about how many of their dollars ➤

Fresh waters: Wendy Schmidt is funding environmental projects through XPrize

1.
A tricorder prop from the 1998 Star Trek film *Insurrection*
2.
A worker uses a vacuum hose to capture oil from the Deepwater Horizon spill in 2010
3.
Charles Lindbergh alongside his plane 'The Spirit of St Louis', in 1927

actually get to the cause that needs funding," Jacobs says. "In the traditional model, you put in money and somewhat less of it than you put in gets there. In prizes, somehow more money gets there than gets put in."

Today's prizologists take their inspiration from another figure in aviation history, Raymond Orteig, a Franco-American hotelier who, just weeks before Alcock and Brown's voyage, offered $25,000 for the first person from any Allied country to fly between New York and Paris. By the time an obscure air mail pilot from St Louis, Missouri, called Charles Lindbergh pipped better-funded and better-known teams to the prize in 1927, the nation had become obsessed with the feats of engineering and design, and daring, of the competitors.

Peter Diamandis, a young scientist and entrepreneur who had been trying to build companies launching satellites into space, read Lindbergh's account of his transatlantic flight in 1994 and resolved to bring the spirit of the Orteig prize to the commercial space race. Two years later, he travelled to St Louis to launch a competition to build a reusable craft for suborbital space travel. The XPrize was born.

"STAR TREK WASN'T A TV SERIES; IT WAS A BUSINESS PLAN"

The ship that won that first prize, a $10m cheque from the Ansari family, whose wealth was built in the telecoms equipment industry, is now part of Sir Richard Branson's Virgin Galactic venture.

XPrize is the biggest and best known of the private organisations running such challenges, with some $100m of prizes either awarded or still up for grabs, seeking a dizzyingly diverse range of breakthroughs including stamping out adult illiteracy, radically improving the clean-up of oil spills and landing robots on the moon. The organisation is closely allied with Google — or Alphabet as we shall soon have to start calling it — to reflect its ambitions to move beyond search engines into technologies such as drones, self-driving cars and internet-enabled thermostats.

A $30m lunar lander prize is sponsored by Google. Larry Page, the company's founder, is a trustee and Wendy Schmidt, wife of Google chairman Eric Schmidt, has twice dipped into her family's fortune to fund environmental challenges through XPrize — something she says she would love to do again.

"When Eric and I do anything, we are trying to look at transformational change and trying to look at systems change," Schmidt says.

"This is an urgent problem. We are looking at the outcome of a century of maladaptive behaviour, when it comes to the human interface with the natural world. We're depleting things, we're using reckless technologies in the oceans, we're doing things that maybe create a better standard of living for people in the short term, but in the long term they're simply not sustainable."

Schmidt's first foray into prizology came after the Deepwater Horizon oil spill in the Gulf of Mexico in 2010, when it became painfully clear that clean-up technology had not advanced in the two decades since the Exxon Valdez tanker spilled gallons of crude oil in the Gulf of Alaska in 1989. The winning design, using spinning plastic disks that attract the oil, proved it could skim oil from the surface of the water at more than four times the industry standard rate.

In July, Schmidt awarded her second XPrize to a company called Sunburst Sensors, which won a competition to develop a device to accurately track the acidification of the world's oceans, a problem with potential dire consequences for marine life.

Prizes allow for the possibility that innovation could spring from somewhere unexpected, anywhere in the world, she says, citing the Las Vegas tattoo artist who sketched his oil clean-up idea on the back of a casino napkin and ended up among the semi-finalists.

The list of illustrious prizologists grows longer seemingly by the week. Elon Musk, the PayPal co-founder who now runs both SpaceX, the rocket company, and Tesla, the electric car manufacturer, is funding ➤

PHOTOS: AP; NEW YORK DAILY NEWS ARCHIVE/GETTY IMAGES

3.

PHOTOS: GETTY IMAGES; BLOOMBERG

a Global Learning XPrize for software that can teach children anywhere in the world the basics of reading, writing and arithmetic.

Barbara Bush, the former US first lady, is sponsoring an adult literacy prize. The Methuselah Foundation, whose backers include Peter Thiel, the billionaire libertarian, and Larry Ellison, founder of Oracle, will reward breakthroughs in growing new human tissue and new organs.

A Bill and Melinda Gates Foundation challenge prize spurred the university Caltech to invent a self-cleaning, solar-powered toilet that turns human waste into hydrogen and fertiliser.

Following the examples of these modern-day Northcliffes and Orteigs, governments are also again getting back into the prizes game.

In the US, the website Challenge.gov has centralised and encouraged prize competitions across 75 government agencies, from Nasa to the US Mint, awarding more than 400 payouts totalling more than $120m in four years, and Darpa, the US Defence department's research arm, has launched multimillion-dollar prizes for self-driving tanks and maintenance droids.

Things have come full circle. As early as the 16th century, the Spanish royal family was offering money to anyone who could solve the accursed problem of accurately pinpointing a ship's longitude while at sea. The British government's Longitude Act of 1714 offered rewards for improvements in naval navigation and gave the world the marine chronometer.

Last year, the National Lottery-funded National Endowment for Science, Technology and the Arts in the UK established a new Longitude Prize, which will hand out £10m for a "cost-effective, accurate, rapid and easy-to-use test for bacterial infections" to help combat the rise of drug-resistant bacteria.

Designing a good prize is an art and a science. The challenge must be sufficiently ambitious but conceivably attainable. The prize money has to be the right amount to attract the broadest range of participants and it has to be calculated to capture the public's imagination, too. PR is part of the game. Hence all the Star Trek.

Next year, Trekkies worldwide will be marking the 50th anniversary of the start of the original series, while the Trekkies at XPrize will be awarding the Qualcomm Foundation's $10m to the developer of a real-life Tricorder, the handheld scanner used by Dr McCoy for sensing, computing and recording medical data from patients.

The Tricorder XPrize is down to seven finalists now, including teams from India and Taiwan as well as north America. While wearable fitness trackers and healthcare apps are becoming ubiquitous, the competition aims to show they can be combined with accurate medical diagnostics, made easy enough to use to genuinely "put healthcare in the palm of your hand". The device and any attachments must weigh less than 5lb, monitor five vital signs and detect 15 medical conditions, according to the rules.

Even before it has been awarded, the leverage on that $10m is being felt. One of the teams, Canadian company CloudDX, is already taking pre-orders for its Vitaliti, a necklace that can track vital signs and fitness.

Scanadu, a medical device venture headquartered out of a Nasa research centre in Silicon Valley, has re-engineered its business in the hope of winning the prize for its grab-bag of medical kits, including a blood pressure monitor called the Scout, which users press against their forehead, all of which connect wirelessly to a smartphone app.

Star Trek "wasn't a TV show", says Walter De Brouwer, Scanadu's wild-haired founder. "It was a business plan."

The Tricorders are undergoing testing with real volunteers in San Diego over the next few months, before a winner is crowned in time for the publicity around the golden anniversary.

Qualcomm's Jacobs says Diamandis had him sold on the Tricorder prize within moments of starting his pitch for sponsorship. "We all grew up watching Star Trek; it's why every engineer is trying to work on Star Trek things."

If Punch magazine were still publishing, it would no doubt be offering a satirical "Warp Drive XPrize" and ribbing today's prizologists as mercilessly as it did Lord Northcliffe. But who really will have the last laugh?

1.
Elon Musk of SpaceX
2.
Paul Jacobs, Qualcomm chairman
3.
Peter Diamandis, founder of XPrize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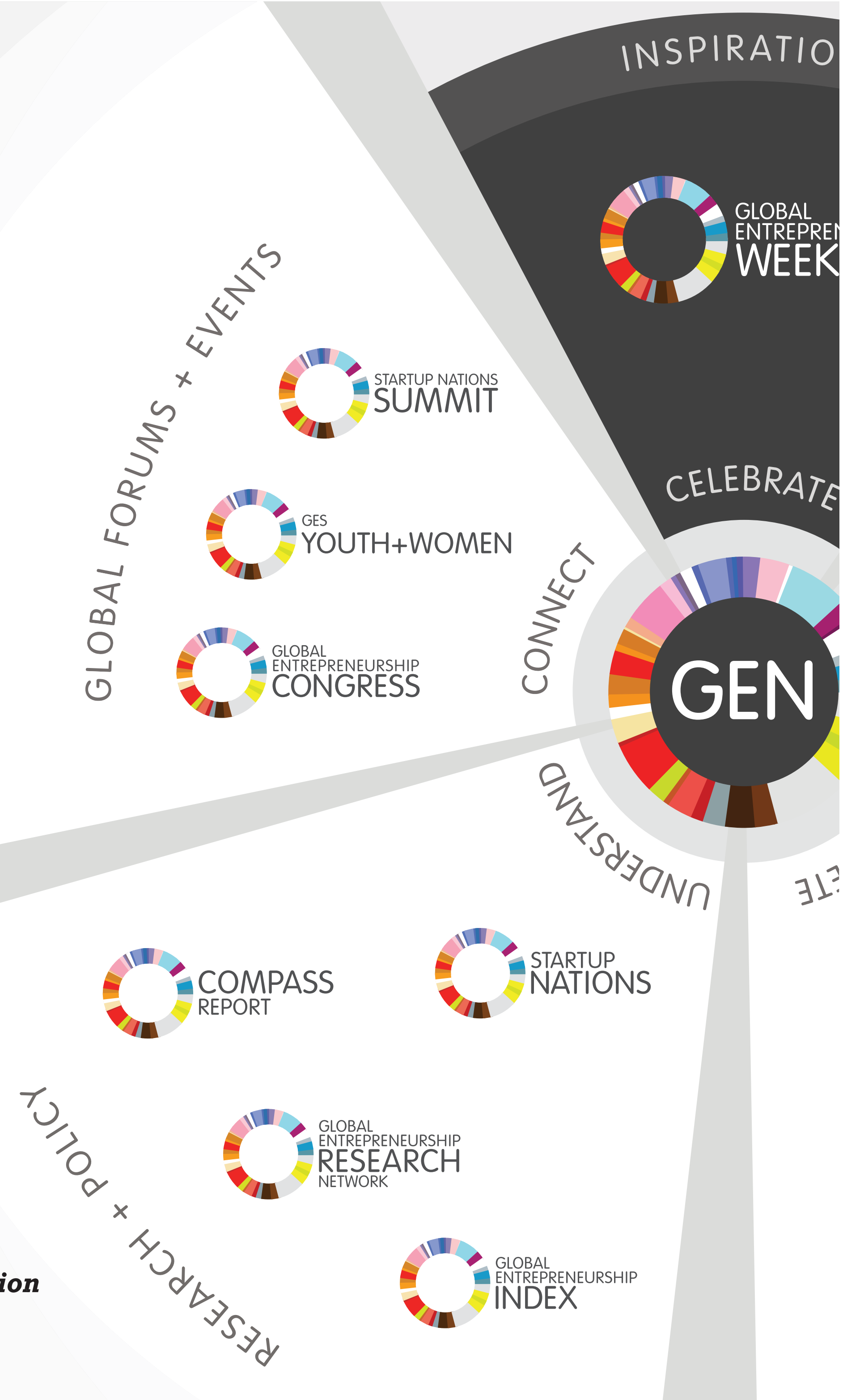

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Jonathan Ortmans, President, Global Entrepreneurship Network

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GAME CHANGER

MACAU MORPHS FROM GAMBLING HAVEN TO FAMILY-FRIENDLY ZONE

BY PATRICK MCGEE

t is a Saturday night in peak season August at Apex, an elite club in China's only legal gambling region. The entertainment is baccarat, a luck-driven card game that takes five minutes to learn and fewer than 30 seconds to play, with a HK$10,000 ($1,300) per hand minimum.

But the invitation-only game on the 39th floor of the Conrad hotel on the Cotai Strip in Macau is eerily quiet. Seven of the 10 tables are empty. One man is loudly betting 10 chips at a time, but most play just one. Nobody glances at the line of slot machines or the one roulette table. Bored staff outnumber guests by three to one.

A few streets away at The Venetian, the baccarat tables are bursting with energy. Here the minimum bets are HK$300 and the crowds are in their 20s and 30s. A table with five seats has 15 or 20 people hovering, placing their own chips on someone else's cards. Gamers do not just wager on individual hands; they bet on trends. When a lucky streak heats up, whether it is for the player or the banker, crowds flock to the table and bet in unison. When the game dictates they draw a third card, players tap the table hard and yell out, "*Jiu*!" — Mandarin for the winning number of nine. Losing hands are tossed back to the dealer with a contemptuous shrug.

"It's a group mentality," says one player, watching. "They 'squeeze' the cards for suspense, folding them just enough to see the numbers, and the whole table gets involved."

As unlikely as it may seem, this game of chance is almost alone responsible for the explosive growth Macau has seen in the past 15 years. In 2013, the peak for gaming, just under two-thirds of gambling revenue stemmed from VIP rooms where baccarat is typically the only game played. But Beijing views this model as unsustainable and undesirable, driven by shady business dealings that bypass China's strict capital controls.

"Junkets", the do-everything middlemen groups, served as the economy's lifeblood. It is the

PHOTO: AW PHOTOGRAPHY/ALAMY

junkets' role to lure wealthy Chinese from the mainland into Macau's VIP rooms, anonymously, then lend them cash so they can throw HK$1m per hand at the baccarat tables. Chinese visitors are not allowed to enter Macau with more than Rmb20,000 ($3,100), nor can they take out more than $50,000 per year. So the junkets offer the VIPs cash in local currency, backstop any losses to the casinos upfront and then recoup the money in renminbi.

But there is a snag: Beijing courts do not recognise gambling debts, so if they are not paid, the junkets have to rely on "extra-legal" means, which can include organised crime.

Last December, Xi Jinping, China's president, intervened in Macau, warning of "certain deep-seated problems". Before the clampdown began, about half the high-rollers in the region were government officials or executives at China's state-owned industries, according to 2010 research by the Macau Polytechnic Institute. Monthly revenues have now shrunk for 15 straight months, just as fast as they boomed. In February, during the important Chinese New Year period, game-spending fell by nearly half, the most on record. Every month since has seen a year-on-year decline in excess of 34 per cent. Shares of the six big casino operators have declined by two-thirds since their peak in January 2014, wiping more than $100bn off their collective market value.

"Obviously the slowdown in Macau is more severe in truth than any of the operators foresaw," James Packer, Australian casino magnate, told CNBC in May. "It's very hard to be critical of a corruption crackdown... [but] when and how that ends is something that no one knows."

Xi's nationwide clean-up is not aimed at Macau per se, it is directed at graft. But a Venn diagram comparing corruption in China with the drivers of the Macanese economy might just require a single circle. Jamie Soo, gaming analyst for Daiwa Capital Markets, says the peninsula excels in four areas: gaming, money laundering, entertainment (including prostitution) and luxury shopping (often linked to bribery). Xi has sent a battering ram through each of these pillars. So while China grows at an estimated 7 per cent this year, Macau's economy is in recession. In the second quarter alone it shrank by 26 per cent.

Macau, like Hong Kong, is a former European colony and now a "special administrative region" of China with its own laws and currency. What finance is to Hong Kong, gambling is to Macau, it's often said. This is a gross understatement: finance accounts for 16 per cent of Hong Kong's GDP; in Macau, gaming is half the economy and drives 85 per cent of government revenue. Gambling was made legal in the 1850s but it was only in 2002, after the 1999 handover from Portugal, that the sector was liberalised so Chinese tycoons and foreigners (chiefly Americans) could build lavish casinos.

In 1999, total gaming revenue was $1.6bn. By 2006, it had surpassed Las Vegas, making Macau the world's undisputed gaming hub. By 2013, Macau gaming was bringing in $45bn, a figure seven times that of Vegas, and the government was taxing the revenue at more than 35 per cent.

But the growth was lopsided. As a 2008 academic study concluded, the "most striking feature of the Macau economy is that it is not just heavily dependent on a single industry (gaming) but also on a single source of players (mainland China) and a single segment of the market (high-rollers playing baccarat)".

While the junket-fuelled growth model for Macau was always unsustainable, the speed at which deadly curveballs were thrown at the industry caught many off guard. As Xi's campaign against corruption ramped up in 2014, Macau was hit by a series of unfortunate events:

- In April, a small junket operator absconded with HK$8bn-$10bn, highlighting a risk of capital flight hitherto ignored.
- In May, the Macau authorities cracked down on the illegal use of UnionPay terminals that allow even small-time gamblers to bypass capital controls.
- In July, transit visas were restricted to stop high-rollers from taking multiple trips to Macau under the guise of business.
- In October, smoking was banned across the main gaming floors.

The anti-corruption drive has only ramped up since, as officials involved in illegal gaming were made public and prostitution rings were broken up.

"The industry has had at least 12-15 months of just constant negative policies," Lawrence Ho, Melco Crown chief executive, told investors in August. "I do think that VIP, structurally, will never be what it once was."

Reports of the first junket closures early in 2014 sent shockwaves through the industry. In the previous eight years, the number of registered junkets had ballooned from 76 to 235. Last year, more than a fifth pulled out. "Consolidation" is the term used by analysts but in

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PHOTO: BLOOMBERG; NIDAY PICTURE LIBRARY/ALAMY; GETTY IMAGES

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1. A croupier arranges cards on a baccarat table inside the Broadway Macau casino **2.** Gambling in Macau in the 1880s **3.** Xi Jinping, president of China **4.** James Packer, Australian casino magnate

"THE DAYS OF 90% OF PROFITS COMING FROM 2% OF PUNTERS ARE GONE"

reality, the numbers are falling through attrition, not mergers.

"A very ugly model is going to come to an end," says Steve Vickers, a risk consultant and former head of the Royal Hong Kong Police force's criminal intelligence bureau. "The days of 90 per cent of your profits coming from 2 per cent of your punters are gone."

Funding is drying up. The junkets operate by issuing loans and recovering the cash within 15 days. But as China's economy slows and the crackdown on graft deepens, the average recovery time is now two to three months, analysts say.

It has now become routine for the junkets to miss the contractual minimums they have in the VIP rooms, but competition is slowing and the casinos cannot fill the tables either, so there have been few consequences. "We don't ask them to go," says one casino executive. "It would be unwise because we don't have any replacement."

More closures are expected. In early August, Beijing devalued China's currency nearly 3 per cent, making Macau more expensive for mainland tourists. Within another two weeks, the Shanghai Composite fell by a fifth and China's central bank stepped up its efforts to clamp down on money laundering. Daiwa, which forecasts that year-on-year VIP gaming revenue will fall 41 per cent, following an 11 per cent decline in 2014, estimates that nine junkets left the business in August alone.

"We're becoming more self-reliant because the junkets just can't pick up the slack at this point," Robert Goldstein, president and chief operating officer of Las Vegas Sands, told investors in July. "I hope the junkets resurrect but right now it doesn't look promising. But what is happening is a mass market is emerging."

Casinos are luring the masses by cutting minimum bet sizes, halving hotel rates and showcasing more Vegas-style entertainment. As the peninsula morphs from gambling haven to family-friendly entertainment zone, many analysts are optimistic about Macau's long-term prospects in the new model. CLSA, an Asian brokerage, notes Chinese tourism is expected to hit 200m by 2020, double the figure from 2013.

Under pressure from Beijing, the six big casino operators are playing their part, spending billions of dollars on new developments in what's called the "build it and they will come" model.

By 2016, tourists will be eating baguettes at a half-size Eiffel Tower, taking pictures from the world's first figure-of-eight Ferris wheel and standing in awe of gondolas shaped like smoke-breathing dragons. The following year, the world's longest bridge is expected to offer a road link from Hong Kong airport.

But the more family-friendly Macau will find it difficult to generate the same levels of profits.

Daiwa's Soo says small-time spenders mean more pain for the former European colony. "How much headcount do you need, betting HK$300, to offset one HK$1m payer from the equation? How many hotel rooms do you need for each of these HK$300 players to come in?" He thinks for a moment. "The maths doesn't make sense."

Aaron Fischer, an analyst at CLSA, concedes getting back to the high-growth spurt years is fanciful. But it doesn't matter. "Nobody was forecasting the growth years, they were just icing on the cake," he says. "We aren't going back to those levels."


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A CREATIVE ADULT IS A CHILD WHO SURVIVED

EQUITIES
MATTHEW VINCENT

@MPJVincent

HOW (NOT) TO REPORT A CRISIS

How to write a news story about a sell-off in equities, following fears over economic growth in China: an eight-point guide, with real examples from newspapers.

1 Don't call it "a sell-off". Far too matter-of-fact. And factual. Even if markets don't fall by the 10 per cent required for a "correction", and later recover, there are loads of more dramatic but unquantifiable terms: "rout", "dive", "plunge".

2 Use the scariest number. £74bn is a lot scarier than -4.67 per cent. So go with the amount temporarily wiped off FTSE 100 companies' market values, rather than the one-day percentage change. Don't make the same mistake as Dr Evil in the *Austin Powers* spy films, and use an anachronistic denomination: "A ransom of one million pounds!" Do what one newspaper did and estimate the fall in companies' market capitalisations around the world: "Trillions wiped off markets." Much better. Ignore wealth managers like Mouhammed Choukeir at Kleinwort Benson putting that 4.67 per cent one-day fall in context: "Whilst uncomfortable, [it] is 'normal' for equity markets, but probably feels more abnormal given the low volatility of recent years."

3 Make it an historic. If portfolio managers now hold 5.5 per cent in cash, you can write: "Professional investors raise cash holdings to highest level since financial crisis." It doesn't matter that the increase was only 0.6 percentage points, or the crisis only seven years ago.

4 Prefix the day with an adjective. Standard practice. Political journalists have long had their "Wobbly Wednesdays" and "Super Tuesdays". In financial journalism, though, it must be a colour and — to paraphrase Henry

Keep calm: a sell-off in equities would not be a big deal if the newspapers did not say so

SUGGEST THE WORST CASE MIGHT ONLY BE DAYS AWAY

Ford — you can have any colour you like as long as it's black. Hence Black Thursday 1929, Black Friday 1987, Black Wednesday 1992, and Black Monday 2015. Combine points one to four and you get this example from a UK newspaper: "Black Monday: FTSE closes with £74bn wiped off market cap in worst financial plunge since 2008." Textbook.

5 Convey a physical impact. A sell-off — sorry, plunge — might only manifest itself in lots of red numbers on a screen (confusingly, green numbers in China), but you can make it feel cataclysmic: "The China slowdown has sent shock waves through commodity markets." Better still, mix metaphors and puns: "Dominoes begin to fall... the famed Brics... are in disarray." Don't quote wealth managers like Marc Hendriks of Sandaire Investment Office, saying, "The economic consequences from the Chinese equity market falls are limited."

6 Incite panic. Or report it as fact, as in: "China's 'Black Monday': panic grips global financial markets as stocks undergo 'bloodbath' of selling." Don't quote a calm wealth manager, like Didier Rabattu at Lombard Odier: "I think that worries over a full-scale financial implosion in China are overdone. The Chinese government has significant resources... to boost the economy."

7 Create a sense of doom. Suggest the worst case might only be days away, as in one paper's near perfect: "Doomsday clock for global market crash strikes one minute to midnight as central banks lose control." Don't let a wealth manager like Tom Becket of Psigma Investment Management critique you: "We're doomed. Or are we? There has been increasingly hysterical hyperbole across the western media about how China is blowing up... From a growth perspective, we are still of the 'steady but unspectacular' mindset."

8 Equivocate subtly. Slip the conditional tense into your scary historic black plunging, just to cover yourself. Better still, quote a former US Treasury Secretary doing it: "@LHSummers we could be in the early stage of a very serious situation." Or (ab)use "risk" as a verb: "Black Monday risks a new financial crisis." Don't quote a wealth manager, like Didier Saint-Georges at Carmignac, actually quantifying the risk and offering practical advice: "China continues its efforts to rebalance towards services without killing off its economy. It can still pull this off, but the consequence of failure would be considerable. If you believe there's an 80 per cent probability your flight won't crash, would you still feel comfortable getting on the plane? What matters is what is at stake, not just the probability! Consequence: hedge your risks, and hedge them beyond China."

PHOTO: MATEJMM/ISTOCK

JEREMY HAZLEHURST

@JHazlehurst

REACH FOR THE SKIES

A big misconception is that family offices are only about wealth preservation. Obviously, that matters. But a family office ought to be, and can be, much more than that.

The family office needs to evolve. It should not simply be a wealth management option for when a certain level of wealth is attained, but, taking a page out of Google's Alphabet playbook, should be seen as an umbrella organisation, harnessing the skills of many different strategies and individuals under the same roof.

At present, there are three main types, which often correspond to a certain stage in the evolution of a business family. An adviser with more than 30 years' experience of working with wealthy families all over the world recently told me that at the first stage, when a family still has a successful company that makes a lot of money, a family office is a "side-effect" of the core business.

Its function is to invest money made by the original business in order to diversify the family's assets. In many emerging markets, country risk is a big problem, so moving some of the money out is sensible.

Once the original business is sold, however, the family office becomes a "parking lot" for the money, in the words of one adviser. Its aim is to preserve wealth and the family's job becomes managing money.

This creates problems. For a start, the skills that helped them create a successful business are not the same skills needed to manage a huge portfolio. Some try and, generally, do badly. Others outsource the job and find themselves with nothing to do themselves.

That people often regret becoming a "financial family" was made clear in research published by advisory company Withers last year, which included interviews with family business members. "Selling my operating businesses was the biggest mistake I have made," said one.

"We are industrialists: my father and his brother created our family business, but we have shifted too much into finance. That was our big mistake... We thought business would be a heavy burden for the next generation and that finance would be easier," said another.

So what comes next is soul-searching; family members must work out what their money is for and who they want to be. That is hard and involves dealing with abstractions such as "culture", "ethos", "values" and "purpose".

A FAMILY OFFICE MUST BE A MIXTURE OF VENTURE CAPITALIST AND WEALTH MANAGER

Up: Google's latest project is to use balloons to form one large global communications network

What does this mean, practically? One answer comes from Emily Griffiths-Hamilton, whose grandfather made his fortune in tinned dog-food and whose parents ran a media and sports empire. She now advises families and has written a book called Build Your Family Bank, in which she argues that "a family's wealth is not limited to its financial assets, but includes its arguably most important forms of wealth: its human and intellectual assets".

Wealth is not just about money, and so it follows that a family office has to deal with more than just money. It has to help a family realise its values and so it has to evolve into what you might call the "full-spectrum" model.

At this stage a family office has to become something complex and subtle, a mixture of venture capitalist, wealth manager and foundation. It might help the family invest in sectors it understands, as well as help the younger generation hone their entrepreneurial skills.

This is the new family office. While Alphabet, Google's new diversified tech holding company, will allow its founders to step back from the day-to-day running of the search engine, it will also see them develop their ideas and projects in drones, biotech, broadband-broadcasting balloons and other "moonshot" ideas.

True, few share Larry Page and Sergey Brin's passion for wild ideas, tolerance of failure, or indeed wealth, but the idea of a broad church is one that appeals.

The family office needs to step out from its traditional role and embrace the evolving demands and needs of some of the world's richest families.

Jeremy Hazlehurst is founder of Business Family

PHOTO: GOOGLE

CARRYING THE BATON

BY ANDRE RHODEN-PAUL

Many family-owned companies may have survived the global financial crisis, but business experts identify succession as the biggest threat to their existence. Only 30 per cent of family businesses survive to their third generation, according to a recent report from McKinsey, the consultancy. As well as determining which of their family should run the company, owners are increasingly thinking about the values they want their successor to uphold.

Family-controlled companies comprise 19 per cent of the world's largest groups. Fast-growing markets are set to increase this share to more than half of Fortune Global 500 companies by 2025.

Peter Englisch, global leader of EY Family Business Centre of Excellence, which specialises in helping businesses plan succession, says the process can be "extremely challenging".

"To manage the business and family dynamics requires special skills and talents. This is why succession planning is so complex," he says.

Englisch says the dynastic aspirations of the next generation of European family companies have lessened over the past few years, leading many owners to sell.

But even for leaders of the growing number of family businesses in emerging markets in their first and second generations, succession planning remains one the biggest challenges, Englisch says. "If the current strong generation of family owners fails in successfully transitioning the business for the next generation, it might have a massive impact on many countries in Asia."

According to McKinsey, two-thirds of the next generation are willing to take on more responsibility in running the family business, yet only 30 per cent feel confident to do so. And only a third feel they display active ownership compared with 94 per cent of family members at work in the business.

But it can work. FT Wealth takes a look at three success stories from around the world.

BY FEARGUS O'SULLIVAN

For Janine Diagou, moving into the family business in 1999 actually meant taking a step down the hierarchy. Now deputy director at NSIA, the Ivory Coast Banking and Insurance group founded in 1995 by her father Jean Kacou Diagou, now the group's president. Diagou, 41, gave up a top position at Citibank Mobil CI to fill the relatively modest role of NSIA's internal audit officer.

"I joined at a lower position because insurance was a new business for me and I needed to learn the basics," she says.

Part of her reason for joining the family company, she says, was simply "to learn a new job".

Diagou's family connection to the group's president inevitably provided a wall of scepticism to dismantle. Her success in doing so, she says, is partly a victory for women.

"Convincing men in industry of your competence is not simple in Africa," she says. "The main challenge was to prove again and again that I was capable of doing the job at least at the same level as men — and even better.

"It was not easy but I found my way ahead with a lot of work, efficiency in the job and much rigour."

On top of that, she adds, "you have to be smart as well to gain their confidence".

Smart or not, every son or daughter of a successful entrepreneur stands in the shade of their parent's success. Diagou was no different. She calls her father "Mr President".

"Calling him this is more a habit


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"I GREW UP WITH THAT IDEA OF MY PARENTS BEING LIKE PRIESTS OF THE FAMILY BUSINESS"

than [what we should do]. Even his grandchildren, call him 'Grandpa president'. For all of us it is a kind of respect."

But to succeed, every generation needs to forge their own identity; Diagou says her name was a "major handicap".

"You always walk in the shadow of your father," she adds.

"The other challenge was mainly to be a role model for the younger generation, to boost them to work hard and achieve their dream. This seems to me much more important than promoting only gender. Today, NSIA has reached a very good level of development but there is still a lot to do. This year, we are celebrating our

PHOTO: JEAN-MARIE HEIDINGER

2.

20th anniversary and I'm really proud to say I've been part of this success."

1.
Koji Endo, third generation chief executive of Kai group in Japan
2.
Janine Diagou, deputy director at NSIA, the Ivory Coast Banking and Insurance goup

BY MANISHA JHA

Koji Endo is the third generation chief executive of Kai group, the Japanese cutlery, razor and folding knife company founded by his grandfather in 1908.

Under Endo's leadership, Kai group last year became the first Japanese winner of the Leonardo da Vinci prize, an international award given to family businesses for demonstrating an exceptional capacity to pass down knowledge and values.

After graduating from Waseda University in Tokyo and completing his MBA at Loyola Marymount University in Los Angeles, Endo joined the group in 1980, succeeding as chief executive on the death of his father in 1989.

Twenty-six years on, he says his biggest achievement has been to expand the company's main focus from Japan to markets worldwide such as India, China and the US.

Risk management has been critical, he says. "It is important to not take on too much risk and focus instead on the core business and core competence of the organisation. My management style is to always ask myself am I doing the right thing or am I going too far?"

Lessons learnt from watching his father and grandfather at work proved invaluable. "It was my destiny to succeed the family business," he says. "I grew up with that idea of my father being my mentor and my parents being like priests of the family business."

Though Endo is gearing up to pass on the baton at Kai Group to his son, Hiroaki, he has strong beliefs on what constitutes real leadership in a family-run business.

"When a family member is not humble and is arrogant and takes his entitlement for granted, that is the beginning of a tragedy," he says. "The next generation has to have a sense of responsibility and humbleness."

Respecting cultural differences is also important, Endo says, something he learned from his MBA.

"The top challenge for me is how ➤

to localise the management of our company operations abroad while sustaining the Japanese management style in spirit."

Endo turns 60 this year and now feels ready to shift gears. "The CEO has to be active and forward-thinking and be at the customer's service but I am getting old now and not as nimble as before. It is time for me to retire as CEO."

But despite his desire to make room for the next generation, Endo stresses this is not the end. "After I retire from Kai Group, I plan to open up a new business which has nothing to do with Kai," he says.

"OF ALL THE PLACES I HAVE WORKED, I ENJOY WORKING AT CINEPOLIS THE MOST"

Alejandro Ramirez: chief executive of Cinepolis in Mexico

PHOTO: FERNANDO MARROQUIN TORRES

BY MANISHA JHA

Despite being an avid globetrotter all his life, it is behind the corner office desk of the Cinepolis headquarters in Mexico that the 42-year-old chief executive Alejandro Ramirez feels most at home.

With degrees from Harvard and Oxford University, followed by an MBA from Harvard Business School and stints at the World Bank, the Mexico government, the OECD and the UNDP, Ramirez took over his family's multiplex and movie entertainment business in 2004.

"Of all the places I have worked, I enjoy working at Cinepolis the most," he says. "Being born in a family that was always into movie theatres, I grew up watching films in a cineplex that was right behind my house. This love for movies continues to remain closest to my heart."

Ramirez sees his biggest contribution to the family business as the consolidation of the company's involvement in the Mexican home market and beginning its expansion into new markets including further into North and South America as well as India.

Combining business with philanthropy has also influenced Ramirez's leadership. "Knowing that we employ 28,000 people in 12 countries, many of whom are youngsters who are able to finance their way to college using our flexible work schedules is a rewarding thought for me."

He can point to many successes, but what is it that keeps him up at night?

"I believe that movies are an important cultural expression which can also be used to educate and raise awareness about different issues. But the challenge is to keep the movie-going business relevant and appealing in the face of home theatre entertainment technology, streaming services and video and internet piracy."

Ramirez credits his father with instilling in him a work ethic and discipline and the need always to take account of the long-term care of employees.

"He is a big believer in the power of formal education and enrolled himself for an executive MBA at Harvard Business School after he came to visit me once on campus."

Ramirez is keen to stress that family businesses should not be complacent and must create a culture of good corporate practice.

"There should be clear rules of the game in terms of family versus non-family employees," he says, "and everyone should know it."

PHILANTHROPY
ALEXANDRE MARS

BY HUGO GREENHALGH
PHOTOGRAPH BY PASCAL PERICH

CHARITY APP ON AN EPIC SCALE

Alexandre Mars does not speak, as much as fire. Rat-a-tat-tat come the words; rat-a-tat-tat come the ideas. All delivered in a curiously mangled Franco-American accent that both belies his roots and traces his rather peripatetic global lifestyle.

His philosophy is embodied by is his aptly named (given the scale of his ambition) Epic Foundation, which aims to create tools to help people give to charities dedicated to children and young people up to the age of 24.

"A lot more people are giving," he says over the phone from his home in New York, our conversation peppered with the ubiquitous police sirens and car horns. "If you ask 200 people whether they gave last year, most will answer yes. But if you ask them whether they have given enough, most will answer, no, even if they have the desire to give more."

These budding better philanthropists list three main obstacles, Mars explains. First, they don't have the time. Second, they simply don't have the cash. And third, just as importantly they don't trust the charity.

By trust, he means that, in many cases, donors are not able truly to track or monitor how their donations are being spent. "Many charities will declare, 'If you care about this cause, then we are the one charity you should trust'," he says, "but we won't be able to give you a tracking tool; you'll have to trust us and then we'll give you a brochure each year and invite you to our gala."

The nature of philanthropy is changing, Mars argues, and with it the type of people who are coming forward to give. The job now, he adds, is for the charities themselves to come to terms with this fact and start to exploit the opportunities this throws up.

"This generation is constantly using new tools," he says. "We can track everything and gain an experience with this. [Epic] understands this need, as we live in this world where everything is accessible and trackable. At Epic, we are trying to pull that trigger and help the new generation to give."

The foundation grew out of a four-year market research project designed to find the 20 organisations making the most impact in the fields of child and youth giving each year.

So far Mars and his 15-strong team, with offices in New York, Bangkok and London (with three more planned in San Francisco, Mumbai and Sao Paolo), have sifted through 1,400 applications. First they were whittled down to 200, then further to 50, at which point Mars and his team headed to the airport.

> "FUNDING WILL ALWAYS COME FROM ME; I WILL ALSO COVER THE OPERATING COSTS; THAT WILL BE MY DONATION"

"We visited the 50 finalists in the last stage of our process," he says.

"We spent two months on visits to 11 countries on five continents, so as to have a direct connection with the organisations."

The final 20, which were announced in the first week of September, will be used to reel in three new categories of philanthropists: the entrepreneurs (or their family offices, private banks or wealth managers); the "voices" (the athletes and actors with money and influence and millions of social media followers); and the corporations that are seeking to invest more in corporate and social responsibility and "who want access in a very business-driven way".

Critical to all this, Mars stresses, is the fact that Epic is not in any way funded from donations. He foots the bill alone, ensuring all funds are directed to the chosen charities. "We don't have a business model," he almost yells down the phone when I ask him if and when the charity would become self-funding. "[Funding] will always come from me; I will also cover the operating costs; that will be my donation."

Running the operation cost $1.5m in 2014. Mars fully expects that to increase, given the plan to extend the number of offices and take on more staff. But covering the costs was always his plan, he says. "We have a pure model in which 100 per cent [of your donation] will go to the organisation that you select.

"We are a non-profit start-up with no business model."

He certainly has enough funds to cover the costs for quite a while, having founded and sold Phonevalley, a mobile marketing agency, to Publicis Groupe, the French advertising company, in 2007, and ScrOOn, a social media management system, to BlackBerry in 2013. He spends 80 per cent of his time running Epic; the other managing his investments through his own family office.

Making money at an early age gives you a different perspective, he says. "When you make your money under 45 or 50 [Mars is 39], you still have 20 or 30 years ahead. It gives this generation of donors a very different perspective."

The old truism that "money makes money" does come into effect, Mars says, which again puts the emphasis on the obligation to give.

"It really is about thinking: 'What legacy do you want to leave?'" he says. "At Epic Foundation, we want to help people find better ways to use their skills, resources and networks to give more."

BY EMMA BOYDE

REPUTATIONS AT STAKE

Under the Universal Declaration of Human Rights we are all supposed to be equal before the law.

The declaration, adopted by a war-wounded United Nations General Assembly in 1948, attempted to enshrine everything that the Allies had been fighting for. Its Article 7 spells out that not only are we equal in the eyes of the law, but that we should also have protection against any discrimination that could infringe upon that right.

The trouble is, some say, that in today's world of online lynch mobs those rights have been eroded and that wealthy and high-profile individuals, in particular, can sometimes be in for a nasty surprise.

Ben Rose, a criminal defence lawyer at Hickman Rose in London, says the shock can be particularly acute in the UK. To begin with, he says, some clients who feel they deserve better treatment by the law because of their position in society will fast realise that the country's traditional culture of deference has been eroded.

Rose's clients have included Tulisa Contostavlos, the singer and former X-Factor judge who last year was acquitted of being concerned in the supplying of a class A drug; Hans Rausing, heir to the fortune derived from the Tetra Pak packaging empire for whom Rose acted in connection with his arrest following the death of his wife, Eva Rausing, over which he was given a suspended sentence in July 2012 after being convicted of preventing her lawful burial; and the artist David Hockney, for whom Rose acted in the inquest into the death of his assistant Dominic Elliott.

There are new factors, he says, that leave wealthy or prominent individuals at a disadvantage. For example, he continues, there has been a rise in the UK of asset confiscation powers that have had the effect of providing financial incentives to both prosecutors and courts to go after the very wealthy.

Prosecutors are now empowered to train and employ their own accredited financial investigators, Rose explains, and allowed to keep substantial proportions of the sums confiscated for their own funds. "We are now seeing a clear tendency for some prosecuting agencies to size up a suspect's assets at the investigative stage," he says.

But worst of all for the prominent individuals that Rose represents is the intense media interest in their lives.

"The really devastating factor is the amount and type of reporting," he says, adding that while normally such attention is focused on crimes such as terrorism or child abuse, many lawyers already believe this media-feeding frenzy has contributed to past miscarriages of justice in the UK, such as the series of wrongly convicted Irish defendants in the 1980s at the height of a bombing campaign conducted by the Irish Republican Army.

"But the wealthy may now suffer similar attention," Rose argues, "which I am sure places pressure on the judge and the jury to return a verdict perceived as socially acceptable."

David Engel, a media lawyer and partner at the law firm Addleshaw Goddard, says that, on the whole, high-profile defendants do still seem to get a fair trial. He says problems arise when, for example, a high-profile defendant is charged and prosecuted but ultimately acquitted after months of negative publicity. "While the legal theory is that he leaves court without a stain on his character, the practical reality is that he will have suffered huge damage to his reputation and it is difficult to see how anyone can ever fully recover from that," Engel says.

Wealthy white collar criminals are also in for harsh sentencing. Engel points to the recent hefty sentences handed down by UK courts to those in the finance industry.

PHOTOS: CHARLIE BIBBY; GETTY IMAGES

1.
Kweku Adoboli, rogue UBS trader, was sentenced to seven years for fraud by abuse of position
2.
Tulisa Contostavlos was acquitted of being concerned in the supplying of a class A drug
3.
The Knightsbridge house of Eva Rausing, whose husband, Hans Rausing, was given a suspended sentence after being convicted in July 2012 of preventing her lawful burial

"PEOPLE OF MODEST MEANS DON'T WANT TO GO TO PRISON EITHER"

Tom Hayes, a former star trader at UBS and Citigroup, was sentenced to 14 years in August for conspiring to manipulate Libor rates. Earlier this year, Magnus Peterson, the founder of collapsed hedge fund Weavering Capital, was given a 13-year sentence for perpetrating a $530m fraud, while UBS rogue trader Kweku Adoboli received seven years in 2012.

Not all lawyers agree that the rights of the defendant, and particularly the wealthy defendant, are being eroded, however. Former director of public prosecutions, Lord Macdonald QC, now at Matrix Chambers, has a unique perspective.

"I never felt as DPP that we were enjoying any advantage in prosecuting very wealthy people," he says. "In fact, quite the opposite, because they can afford the most expensive representation and that gives them a real head start in a criminal trial.

"People of modest means don't want to go to prison or to lose their possessions either and it hurts them and their families just as much," he says.

However, Stuart Leach, managing director of crisis and litigation at Bell Pottinger, the public relations firm, believes circumstances can rapidly turn against a wealthy individual when they enter the legal process. "High net-worth individuals are always under public scrutiny. Just because you're rich doesn't mean you can't be wronged."

"The media has such a powerful grip on public sentiment that we verge on trial by stereotype," adds Rose.

@HenryJFoy

POLAND'S EMPIRE BUILDER

Jan Kulczyk's funeral was billed as a private event, but that would not have been apparent from the long list of former presidents, politicians and business leaders who packed into the Poznan church to pay their respects to Poland's most prominent businessman.

Entrepreneur, investor, philanthropist and the country's richest man when he died in July, Kulczyk was Poland's pre-eminent capitalist, a man whose career charted much of the country's remarkable 26-year journey from post-Soviet chaos to the EU's fastest-growing economy.

A bold, opportunistic businessman who made his fortune buying and selling state companies in the tumultuous early years of the Polish republic, his role in the country's transformation made him, to many businessmen, as much of a statesman as Lech Walesa, former Solidarity leader and president, or Aleksander Kwasniewski, another former president, both of whom attended his funeral.

But like many of those in eastern Europe who emerged from the turbulent post-communist years with their bank accounts flush with cash, Kulczyk was dogged by suggestions of sleaze and corruption and allegations of all-too-friendly relationships with politicians both before and after 1989. This, too, made him an integral part of the Polish transition story.

"With its lights and shadows, its undisputed successes but also its shortcomings and errors... Kulczyk was an active participant in this transition, even its symbol," wrote Miłosz Weglewski in Newsweek magazine after Kulczyk's death.

In his early business career, Kulczyk led, and ultimately became the main proponent of, the privatisation and financial reform drive that unleashed Poland's economic boom and today brings in billions of dollars of foreign investment to the country every year.

Then, armed with the lucrative proceeds, he remodelled himself as a global investor, becoming the country's most well-known businessman and demonstrating to his peers that capital did not only have to flow from west to east. And even in death at 65, following a routine medical operation in Vienna, Kulczyk's seemingly well-laid succession plan for his empire, through his 34-year-old son, tackled a pressing challenge that looms large for many business empires built in the post-communist era.

Much like Henry Ford or Steve Jobs, Kulczyk senior is already being written into history as someone who played a role larger than his business and made a mark on Polish society at large.

"All those who are alive today follow in his footsteps," wrote Boguslaw Chrabota, editor-in-chief of Rzeczpospolita, a leading Polish daily, following his death.

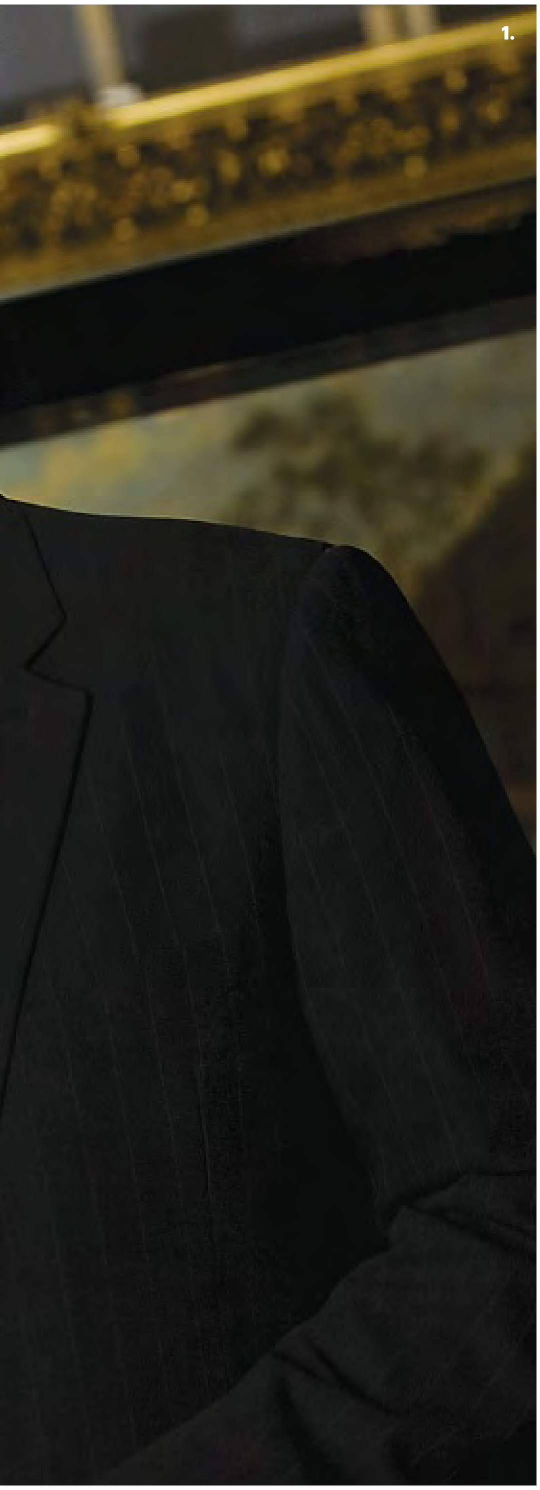
But to others he was simply a creature of his time. If he had not made billions from buying up inefficient and poorly managed state-run assets and then selling them on to investors eager for a slice of a new emerging market, someone else would have.

Kulczyk, who was a successful businessman before the fall of the Berlin Wall as the sole Polish importer and dealer of Volkswagen cars, built an empire that spanned across telecoms, insurance, automobiles and petroleum, almost all of them bought from the post-communist state. So much so that at the time of his death, his reputation was difficult to separate from that of the country's financial evolution that made him worth $4bn, according to Forbes magazine.

Those who cheered the sales of state-owned enterprises and economic overhaul heralded Kulczyk as a visionary. Those who remained suspicious of the speed and depth of the fiscal reforms criticised him as a corrupt financial alchemist.

PHOTOS: AFP/GETTY IMAGES; BLOOMBERG

HE DEMONSTRATED TO HIS PEERS THAT CAPITAL DID NOT ONLY HAVE TO FLOW FROM WEST TO EAST



1.
Jan Kulczyk
2.
PKN Orlen, the oil company in which Kulczyk had shares
3.
Lech Walesa, former Solidarity leader

Some saw Kulczyk as leeching on the state: buying assets from the taxpayer and selling them to the highest private bidder for a healthy profit. Others noted his close relationship with politicians — Kwasniewski sits on his holding company's advisory board and Kulczyk used to accompany Walesa on overseas trips.

Those critics felt vindicated when Kulczyk became embroiled in a scandal involving allegations of improper government influence over PKN Orlen, Poland's largest oil company.

Kulczyk, then an Orlen shareholder, was accused of attending a secret meeting with former KGB spy Vladimir Alganov, then representing the Russian energy industry.

Hauled before a parliamentary commission investigating the company's governmental dealings, Kulczyk denied wrongdoing. But the resulting controversy sullied his reputation in Poland and precipitated a shift in his attention, and business dealings, overseas.

But even then, as he turned away from his country of birth, moving to spend more time in London and selling down his Polish assets, Kulczyk again found himself leading the way.

His investments in African energy and mining ventures total more than $1bn and his 3 per cent stake in global brewer SAB Miller is worth about $2.5bn.

As leading Polish companies such as KGHM and Grupa Azoty begin to take tentative steps outside Poland through purchases of overseas companies, they are in part following his lead.

"How much personal courage and determination it required to compete with global giants," wrote Chrabota. "But he was not afraid. He took the gloves and won. Also for Poland."

But perhaps Kulczyk's most important contribution to the Polish business story is in his prescient succession planning, which saw his son Sebastian take charge of the family business in 2013.

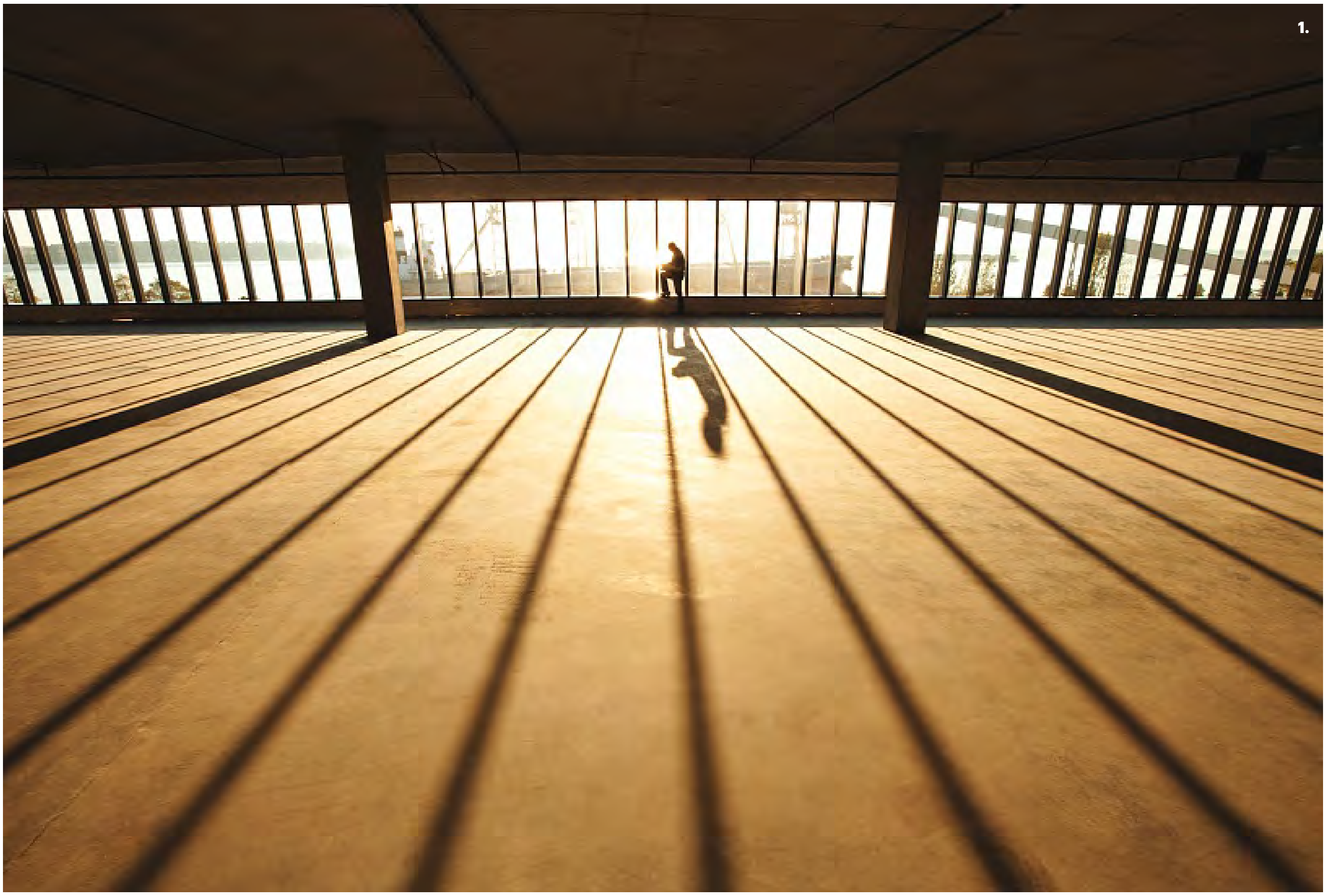
Across Poland, and the rest of the former Soviet Bloc countries that are now members of the EU, contemporaries of Kulczyk senior who bought, borrowed or bet their way to billions acquiring former state-owned businesses in the privatisation boom following the collapse of the Iron Curtain now find themselves heading into retirement without a plan in place.

Unlike businesses in the west, where succession is a key part of future planning, many eastern European businesses that were formed in the early 1990s have been run by the same people since and as such have no experience in handling management transition, or consider it an important issue to plan ahead for.

If the shift to Kulczyk's son proves a success in the coming years, his father's legacy as both a shrewd investor and a forward-thinking manager will appear far harder to challenge.

BY SARAH MURRAY

NO NEED TO GO IT ALONE



1.

PHOTOS: JETTA PRODUCTIONS/GETTY IMAGES; JOERG BOETHLING/ALAMY

There is no app for it yet, but anyone wanting to set up a private foundation can now hand over activities such as registration and accounting to a growing range of consultants and other third-party service providers. Yet while outsourcing minimises their bureaucratic burdens, donors are increasingly seeking help with the bigger question — how to maximise the impact of their money.

While outsourcing is a relatively new concept in the philanthropic world, donors are recognising the benefits of avoiding having to navigate the complex legal, tax and accounting requirements associated with establishing a private foundation.

In the US, for example, Foundation Source, a company that provides philanthropic support and administrative services, now has more than 1,200 institutions as clients.

Going it alone is certainly not for the faint-hearted. Rather like setting up a company, creating a foundation involves everything from setting up a legal entity with directors and registering its charitable status to establishing a governance structure, opening a bank account and making provision for the investment of its endowment.

"It's not impossible but it has to be done carefully and in the right way," says Robert Chartener, chief executive of Foundation Source.

The company was created to provide

PRIVATE FOUNDATIONS TURN TO THIRD PARTIES TO TAP INTO INVESTMENT EXPERTISE

comprehensive outsourcing services for foundations. It even sets up corporate structures in advance so that all it takes is a name change to create a private foundation for a new client. "We can have a foundation up and running in a few days," says Chartener.

By removing the need to hire lawyers, accountants and others, Foundation Source also makes it possible for people with relatively small amounts of money to set up a foundation. "We start a large number of foundations every year with well under a million dollars," says Chartener.

Similarly, in the UK, London-based Prism offers back-office services to individuals, families and institutions — usually giving £500,000 to £3m a year — who want help establishing and administering a grant-making foundation.

The advantages of outsourcing private foundation administration to a third party go beyond tax and book-keeping. Not to be underestimated is the ability to explore issue areas and potential grantees anonymously, without setting up expectations. "We can go out and do informational interviews with potential grantees, people in the community, elected officials, corporate leaders and others that a foundation might want to partner with, without divulging who that is," says Emmett Carson, chief executive and president of the Silicon Valley Community Foundation, which offers customised philanthropy services.

Tapping into investment expertise is another reason for private foundations to turn to third parties. SVCF, for example, allows foundations to pool their endowment funds with the assets handled by the community foundation's dedicated team of investment managers.

Donors can choose from one of five investment options. "If they don't like the performance over time, they can move it to a different manager," says Carson. "That's a way to get great results, a broader diversification and likely pay a smaller fee."

However, managing its administration, tax benefits and endowment investments is only a small part of what a private foundation does. Most important, of course, is making well-considered grants that can have an impact on a problem, whether the founder's focus is combating poverty, curing disease or increasing biodiversity.

And, in developing their grant-making strategies, donors are also starting to seek outside support. "Increasingly, there's a sense of needing help in being smart about philanthropy," says Doug Balfour, chief executive of Geneva Global, a consulting company that specialises in international philanthropy.

The company's clients, Balfour explains, are generally people who have made their own money as investors, businesspeople or entrepreneurs. "The people looking for us have decided they want to take a similar approach to the one they used to create their wealth," he says.

Geneva Global therefore helps foundations with everything from programme design and project management to grant administration, monitoring and evaluation.

The company also offers research services that help clients to discover more about the social problems they want their foundation to tackle and introduce them to new approaches to international development. This, says Balfour, is because founders increasingly want to learn more about what they are doing. "They recognise that social change is complicated," he says.

Given the growing appetite of philanthropists to understand the complexities of social and environmental challenges, demand for

1.
New private foundations can now be up and running in a few days by outsourcing several of their services
2
Women in Mali winnowing grain. Several foundations support humanitarian and philanthropic action in Africa


2.

services that go beyond tax and legal consulting is likely to expand.

"There's an interesting movement in the market that's picking up quite significantly, which is people paying for support around insights so that they can become experts," says Jake Hayman, co-founder and chief executive of The Social Investment Consultancy.

With offices in London, New York and Dubai, the consultancy provides advisory services to individuals and foundations committing sums of between £250,000 and £25m.

Its services include "insight trips" on which philanthropists spend time in a local a community, attend workshops and meet government officials, business leaders, staff of non-profit organisations and others. "What we're running is essentially a mini-MBA or PhD course in social change," says Hayman.

He believes that if philanthropists are to develop game-changing social innovations, they will have to become far better informed and experienced than in the past. "In order to innovate you need to know what you're doing," he says. "Otherwise, it's easy to waste a lot of money quickly."

BOOK REVIEW
RICH PEOPLE POOR COUNTRIES

BY DANIEL BEN-AMI

EVIDENCE OF POPULAR PROSPERITY

It is hard to imagine how the rapid development of many poorer economies in recent decades could have happened without the emergence of super-rich individuals. No doubt for most Financial Times readers the two go together. The rise of popular prosperity depends on the vibrancy of wealth-creating entrepreneurs.

But it is important to remember that many people do not see it that way. For some critics, the existence of the super-rich alongside many millions in poverty is immoral. For many others, life is inevitably a zero-sum game: more riches for the few must, by definition, mean less wealth for the many.

Rich People Poor Countries should be understood against the backdrop of this debate. Caroline Freund, a senior fellow at the Peterson Institute for International Economics, a Washington DC-based think-tank, begins the book with an exchange that encapsulates the contrasting views. At the World Economic Forum in Davos this year, Winnie Byanyima, executive director of Oxfam International, referred to the relief charity's findings that the richest 1 per cent of the world's population would own more than 50 per cent of the world's wealth by 2016.

In response, Sir Martin Sorrell, chief executive of WPP, the advertising group, said: "I make no apology for having started a company 30 years ago with two people and having 179,000 people in 111 countries and investing in human capital each year to the tune of at least $12bn a year."

The first part of Freund's work is essentially a taxonomy of the super-rich in the emerging world. Her study's starting point was an examination of the changing composition of the Forbes list of the world's billionaires. From there she worked with an assistant, Sarah Oliver, to research every individual to determine how they achieved their fortune and the sectors with which they are associated.

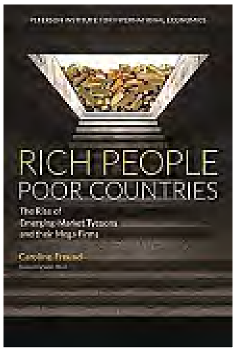
On this basis, she determined that extreme wealth in emerging markets is largely self-made. Although some wealth is acquired by inheritance, its importance is declining. The typical emerging market billionaire builds a globally competitive mega-company that also plays a role in transforming their home country.

There are, of course, variations by region and sector. East Asia is, not surprisingly, the most dynamic. Mainland China went from being unrepresented in 1996 to making up 40 per cent of east Asian billionaires by 2014. The Middle East was exceptional in a negative sense, as the only region where inherited wealth had increased.

The second part of the book argues strongly that the rising prosperity of poorer countries has been closely associated with the growth of large companies. As countries have grown richer, so have companies and, in many cases, individual entrepreneurs.

In 1996, fewer than 3 per cent of global Fortune 500 companies were from emerging markets. By 2014, the figure was nearly 30 per cent. These large companies have played a central role in generating employment and exports for poorer countries. They have also helped economies shift from an emphasis on agriculture to industry and services. Of course, it is always possible some individuals will accrue great wealth by corrupt means. For Freund, an important way to guard

PHOTOS: BLOOMBERG; GETTY IMAGES



THE BOOK SHOWS HOW THE DEVELOPMENT PROCESS IS CLOSELY CONNECTED TO THE RISE OF LARGE COMPANIES

1.
Shenzhen, China
2.
Sorting plastic for recycling in Beijing
3.
Camel trading in Abu Dhabi
4.
Winnie Byanyima, executive director of Oxfam International

against this is to ensure companies operate in a competitive environment.

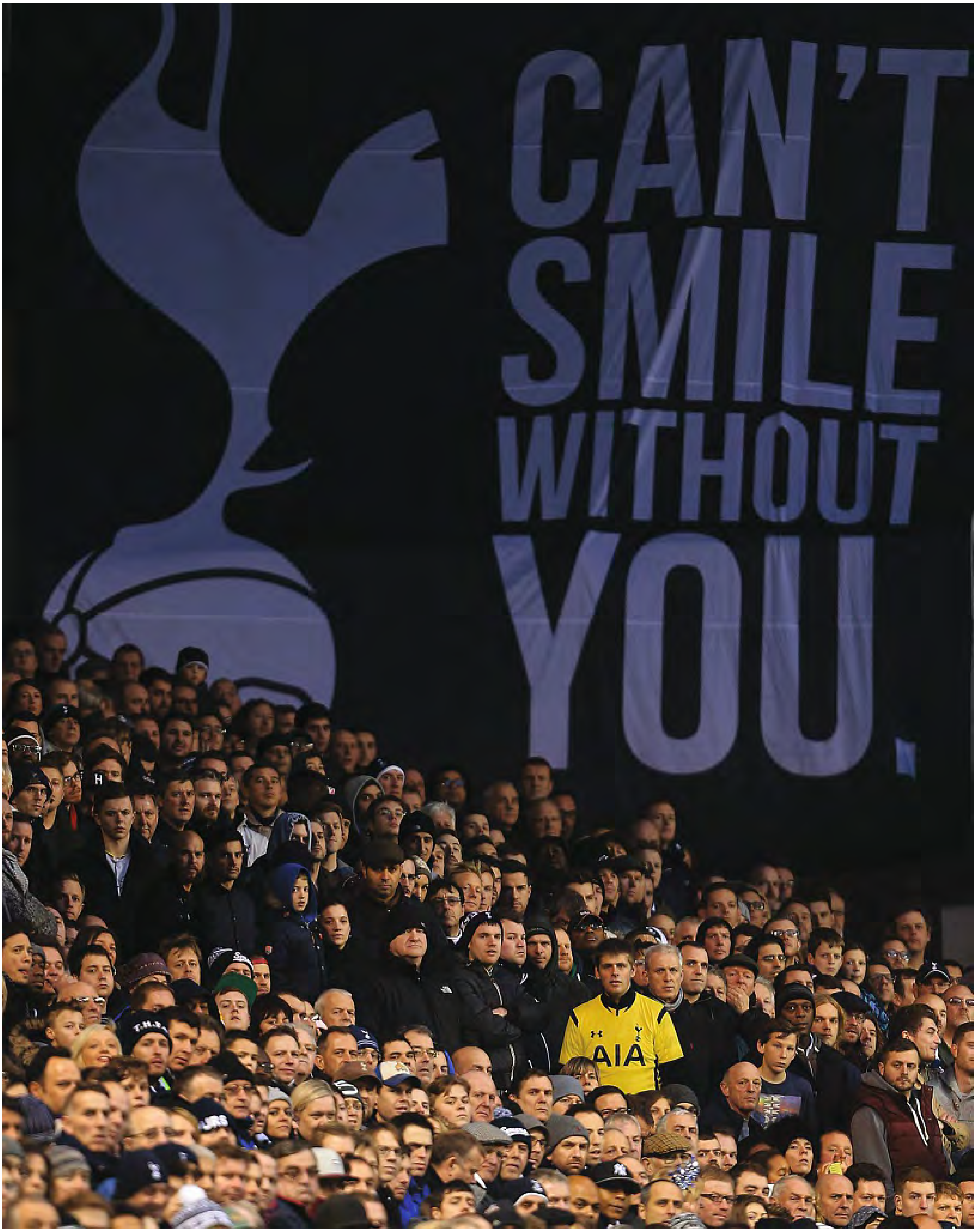
This includes making it easy for individuals to set up businesses and maintaining an openness to trade. In such conditions, she argues, it is harder for powerful forces to hijack the wealth creation process for their own benefit.

Although *Rich People Poor Countries* clearly shows how the development process is closely connected to the rise of large companies, it is unlikely to convince sceptics. It is doubtful that those with a moral aversion to the accumulation of extreme wealth will be convinced simply by facts. And those who believe development is tightly constrained by scarce resources will continue to insist that more for some must necessarily mean less for others.

Winning the debate on the benefits of popular prosperity requires a culture war waged on several fronts. It means, among other things, showing through the force of argument that everyone can benefit from a wealthier society. It is also necessary to tackle the moral qualms about mass affluence. The fight cannot be won with evidence alone.

Rich People Poor Countries: The Rise of Emerging-Market Tycoons and their Mega Firms, by Caroline Freund, assisted by Sarah Oliver (Peterson Institute for International Affairs, 2015); paperback $23.95, ebook $9.95

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



PHOTOS: EMPICS SPORT; MARK LEECH/GETTY IMAGES

BY MADISON MARRIAGE

MIXED FORTUNES OF THE GAME

My love of Tottenham Hotspur, the north London football club better known in our household as "The Mighty Spurs", can only be described as irrational.

The team is one of the most exasperating in the UK Premier League, routinely throwing away two-goal leads, seemingly firing talented managers on a whim and selling star players in favour of questionable replacements.

Why put up with such a club?

Perhaps because one of my earliest memories is seeing the Spurs victory bus when Tottenham won the FA Cup in 1991, the last time our players have lifted that trophy.

My first trip to a match at the White Hart Lane stadium was equally memorable: aged four, with my dad and about 35,000 other fans, we were temporarily evacuated before the game due to an IRA bomb scare. True to form, we lost the match, a League Cup semi-final against Nottingham Forest, by two goals to one.

Since then I have developed a large network of Spurs-supporting friends, relatives and colleagues who understand the highs and lows of backing such a volatile club.

Many spend hundreds, if not thousands, of pounds on tickets to games each year (season tickets cost up to £1,895), in the hope that Spurs will finally secure some silverware or a Champion's League place.

Their optimism about the club's chances often borders on the delusional, but they become a lot more rational when discussing its financial position.

Two Tottenham supporters admitted they bought Spurs shares several years ago, but had their fingers burnt when the club delisted from the Alternative Investment Market in 2012. They bought the shares for sentimental

reasons, in the hope of being invited to annual meetings or having a say in club strategy and potentially making a profit. None of the above happened.

When the club pulled out of Aim, small shareholders were presented with a choice of either selling their shares at a low price (40p each), or attempting to sell their holdings at a later date through a complicated trading mechanism.

Small shareholders in many other Premiership sides have similarly seen their clubs exit the stock market in recent years, including Aston Villa (2006), Charlton Athletic (2006) and Newcastle United (2007), as well as Scottish club Rangers in April this year.

Darius McDermott, managing director of Chelsea Financial Services, the fund research company, believes football enthusiasts should treat investing in the industry with extreme caution.

"Investment in sport is passion first, profit later," says the Chelsea FC fan. "You can make money, but few do it consistently and there have generally been more losers than winners."

Yet there are signs that football clubs are finally better managing their finances. In the 2013-14 season, for example, the collective pre-tax profits registered by Premier League clubs were positive for the first time in 15 years, according to recent Deloitte research. The consultancy described the £187m of pre-tax profits, largely the result of lucrative broadcasting deals, as a "landmark turning point".

Yet it is hard to feel confident about investing in football. Several football-focused funds have been launched, but none has been successful. The most recent was co-launched in 2014 by Terry Venables, the former England manager, which was targeting a 12 per cent annual return. Cavendish Asset Management, the company running the fund from the Caribbean tax haven of Anguilla, had its license revoked by the local regulator just one month after the fund opened to investors.

The share price performance of the teams that remain publicly traded is also very mixed. Italian club Juventus, listed on the Borsa Italiana, has seen its share price more than halve over the past five years to €0.27, while rival team AS Roma's has dropped by nearly a third to €0.65.

By contrast the share price of Germany's Borussia Dortmund has nearly quadrupled to €4.06 over the same period, while Manchester United's share price has risen by nearly a third to $18 since it listed on the New York Stock Exchange in 2012.

Several renowned fund managers, including Crispin Odey, the hedge fund mogul, and Nick Train, Finsbury Growth and Income Trust manager, have taken big stakes in some of these teams, but McDermott remains sceptical about the benefits. "Some [football] stocks have had good periods, but it is very cyclical," he says.

I'm tempted to agree. Being a Spurs fan is stressful enough, without worrying about my team's stock market performance as well. If I am drawn to bet on the game, I will just spend the occasional £5 at Ladbrokes.

STEPHEN FOLEY

@StephenFoley

POWERED BY DREAMS

A property tycoon has launched an ambitious — audacious, even — bid for the White House, threatening to deport undocumented immigrants from the US if he gets there and betting that calling Mexicans "rapists" might win him the votes to do so.

As a cause, throwing immigrants out of the country is not typical of the billionaire set, but then Donald Trump has always been in a category to himself.

America's wealthiest citizens are actually much more likely to give money to undocumented immigrants than to give them grief.

One of the most fashionable causes currently is funding university tuition for children who were brought to the US by their parents, but whose illegal status means they are frozen out of the system of federal grants and loans. These are the 2m youngsters collectively known as "Dreamers".

This cause, whose backers include Don Graham, former owner of the Washington Post, hedge fund manager Bill Ackman and Mark Zuckerberg, co-founder of Facebook, is not on its face politically motivated — there are humanitarian and economic reasons for wanting to support the education of migrant children — but it has potentially great political significance. It strengthens the case for immigration reform that has eluded Congress for decades, and when the Trump show finally ends, comprehensive immigration reform will be nearer, not further away, because of this philanthropic movement.

Ah, Dreamers. It might be one of the most consequential pieces of rebranding ever. These are children of illegal immigrants who, because of their undocumented status, could not get a social security number that would allow them to work legally. In many states, they could not even get a driver's licence.

A few years ago they were being called "illegals". Then came the Development, Relief, and Education for Alien Minors Act — the Dream Act — which would have put them on a path to citizenship. The Dream Act failed to pass Congress, but the name stuck.

In 2012, President Barack Obama used an executive order to grant Dreamers two-year work permits, giving them, as he put it, a shot at the American dream. In a nation of immigrants, the idea is personal and potent.

THEDREAM.US IS A GO-TO FOR WEALTHY DONORS

Take Bill Ackman. Last year, two hours into a three-hour presentation on why he is betting Herbalife shares will fall to zero, the hedge fund manager began to talk about his family: his great-grandfather, who came to the US from Russia in the 1880s and worked his way up from nothing; and his father, the first Ackman to go to college, who was in the audience.

"I'm a huge beneficiary of this country," he said, astonishing the audience by choking up and wiping away tears.

President Obama's action dramatically widened the work opportunities open to Dreamers, who can now aspire to something greater than a menial job in the black economy. The executive order also eliminated administrative hurdles to getting into college. However, Dreamers remain locked out of the federal system of grants and subsidised student loans, which means the playing field is still uneven.

Hope: dreamers can now aspire to something greater than a menial job in the black economy

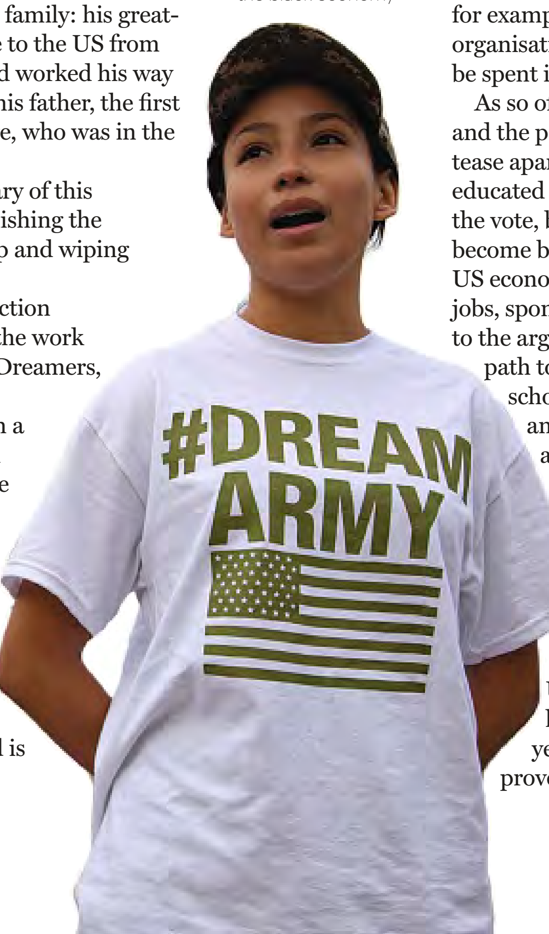


PHOTO: AP

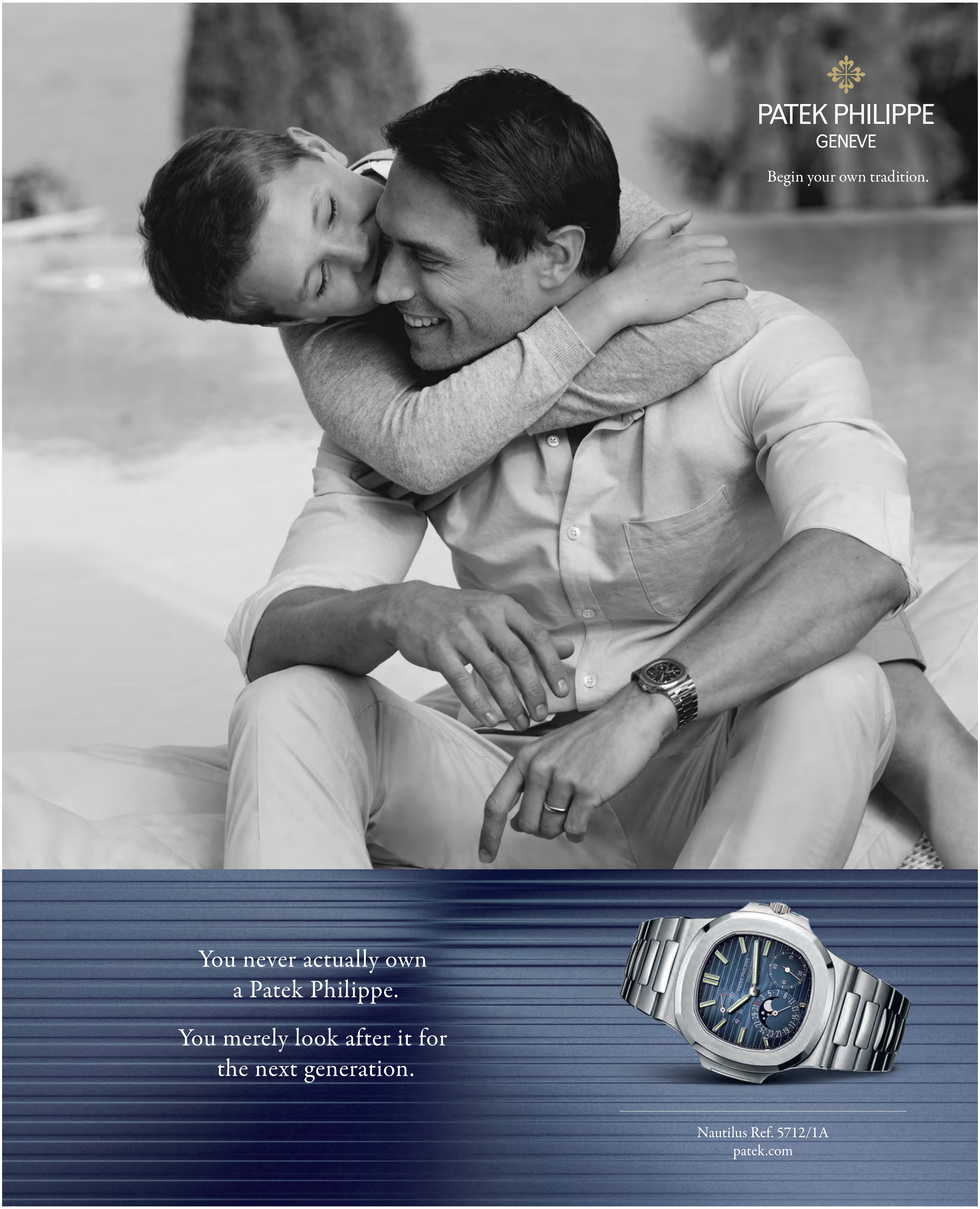
TheDream.US was founded by Graham in 2013, just as he was selling the Post to Amazon founder Jeff Bezos, and it has won donations from celebrities of philanthropy including Bill and Melinda Gates and eBay founder Pierre Omidyar.

"We set a target of $25m, and bust straight through that," says Gaby Pacheco, the organisation's programme director. "So then we said $50m — and now we are at $91m. Now we are planning to offer 5,000 scholarships, of up to $25,000 each."

The organisation has quickly become a go-to for wealthy donors. Penny Pritzker, scion of the Hyatt hotel dynasty and secretary of commerce in the Obama administration, is one prominent supporter of the cause who is using her own foundation in Illinois. But others prefer to use the infrastructure already being built at TheDream.US. Zuckerberg, for example, donated $5m to the organisation with the stipulation that it be spent in the San Francisco area.

As so often, the philanthropic and the political are not so easy to tease apart. Dreamers, even college-educated ones, are not going to get the vote, but by helping them to become bigger contributors to the US economy through more lucrative jobs, sponsorship donors are adding to the arguments for giving them a path to full citizenship. And each scholarship creates a story of an ambitious youngster achieving a college degree and pursuing the American dream, another little counter to the negative stereotypes bandied about by populist pugilists.

These factors will help shape the political debate. Donations to TheDream.US and Trump's poll numbers have soared in tandem this year, but I know which one will prove the more enduring.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You merely look after it for
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