Red alert
China: is life in the Dragon’s economic shadow to be welcomed or feared?

Look back in anger?
The Thatcher legacy 25 years on

Constructive criticism
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One of the most enduring axioms in finance is that when America sneezes the rest of the world catches a cold. The events of recent months suggest that the same reasoning might now be applied to China.

According to one measure of GDP used by the International Monetary Fund, China has finally surpassed the US as the world’s largest economy. In this edition we reflect on the wider implications of this shift and whether it is wise to respond with congratulations, caution or a combination of the two.

That is a matter for the future, of course, but we also give due thought to the past. Twenty-five years after she left office, we assess Mrs Thatcher’s legacy. This is not a straightforward task: we have tried to be fair and objective, rather than add to the polemical debate.

Elsewhere we examine some of the most pressing issues that currently confront Britain and the world. We examine the causes of and potential solutions to the UK housing crisis; and more widely we look at the question of corporate governance and the delicate balance between the necessary use of the Earth’s resources and the broader environmental impact of their exploitation.

We also feature articles on subjects as diverse as oil prices, e-publishing, the growth of the British wine industry, the long-term devastation of flooding and the impact of the digital revolution on the charity sector.

Finally, we have two pieces on cycling — the first an update on the Rathbones-sponsored University of Liverpool Velocipede team, the second an account of how our own James Maltin tackled the gruelling route of the 2015 Tour de France to raise money for Cure Leukaemia.

As ever, I hope that you enjoy this edition and would appreciate your feedback.
Red alert

With the IMF declaring China the world's largest economy, the People’s Republic may well have earned the superpower status it has long craved. We examine where it might go from here and whether we should welcome or fear the influence it now wields.

Julian Chillingworth, Chief Investment Officer, Rathbones
Late last year, in a document that only the most devoted number-cruncher would scrutinise with enthusiasm, the International Monetary Fund delivered empirical confirmation of what some commentators would promptly declare a geopolitical earthquake.

In the eighth column of the 35th line of a table sub-headlined “Gross domestic product based on purchasing-power-parity valuation of country GDP – current international dollar – billions” was the figure 17,632.012 – which rounded down to $17.6 trillion. To appreciate the significance of this number, it was necessary to go to the 181st line and check the corresponding figure in the eighth column there. It was 17,416.243 – $17.4 trillion.

“It is interesting to note that many Western nations, the US chief among them, lack our manifest zeal.”

Thus China finally and officially overtook the US as the world’s largest economy. The journey that began in the late 1970s with Deng Xiaoping’s groundbreaking “open door” policies had reached its greatest milestone yet.

In many ways, of course, this came as no great surprise, as it had long been predicted. Moreover, critics were quick to point out that China, with a population of 1.6 billion people, could hardly fail to qualify as the world’s largest economy if particular measures were employed; that other metrics would have easily sustained the US’s primacy; and that China’s own data should be taken with more than a pinch of salt.

Yet the fact remains that the US has surrendered the number-one spot for the first time in more than 140 years and been surpassed by a Communist regime. A unique model of mercantilist-driven state capitalism – one in which the single political party, with its membership of more than 80 million, is firmly embedded across sectors and industries and so able to maintain tight control of the economic apparatus – has outstripped the self-proclaimed “shining city on the hill”.

As if to underline this shift, the reverberations of the People’s Bank of China’s decision in August to devalue the renminbi were felt everywhere. Global stock markets fell sharply as investors worried that this signalled a sharp slowdown in Chinese economic growth, which might in turn trigger global deflation. It used to be said that when America sneezed the rest of the world caught a cold; suddenly all eyes were on China’s big, red handkerchief. The country has, after all, accounted for one-third of global GDP growth since the financial crisis.

Something else has become abundantly clear in recent months: the UK would very much like to be China’s friend. President Xi Jinping’s four-day visit to Britain in October produced a flurry of closer financial and business ties, prompting David Cameron to proclaim “a golden age of China-UK relations”.

Forging stronger links with the world’s largest economy is in many respects eminently sensible. When one reflects on the alternatives, which range from blissful ignorance to self-defeating insularity, it would appear foolish to do otherwise. Yet it is interesting to note that many Western nations, the US chief among them, lack our manifest zeal.

This gives rise to all manner of questions. Is the British approach defined by sage prescience or blinkered haste? Are we wise to welcome China’s ascent with apparently open arms or should we be altogether more circumspect in our treatment of this new economic superpower? Is there really nothing to fear?
That sentiment is truer now than ever, which goes a long way towards explaining the stage-managed scene of Mr Cameron and Mr Xi nursing a couple of pints of real ale at the Plough pub in Cadsden, near Chequers, during the latter’s state visit to the UK. It was reportedly Mr Xi who requested the outing, but it is likely that one thing this spectacle had in common with its ping-pong predecessor was a preponderance of spin. Meanwhile, things were noticeably less cosy on the other side of the Atlantic. While Mr Xi was acquainting himself with Greene King IPA and a Shenzhen-based corporation was taking a major stake in the new nuclear power station at Hinkley Point, Somerset, the US was cranking up the rhetoric over Chinese cyber-attacks and theft of intellectual property.

This divergence in attitude has been a consistent theme of late. When China launched its Asian Infrastructure Investment Bank (AIIB), securing the support of more than 50 governments, the UK was the first major Western country to sign up; the US declined to get involved. Whereas Britain has promised London will serve as the premier Western financial centre for trading yuan, America has been increasingly vocal in disparaging almost any attempt to fortify the standing of China’s currency.

According to one school of thought, the US’s frosty disposition is a largely predictable corollary of losing top-dog status — part superiority complex, part sulkiness; partly understandable, partly inexcusable. Joseph Stiglitz, winner of the 2001 Nobel Prize in economics, has condemned the contemptuous dismissal of the AIIB as wholly in keeping with Washington’s desire to “remain the G-1”. A central plank of this argument is that the US determinedly overlooks the potential benefits of any Chinese initiative and instead seeks only to regain and/or preserve its own supremacy.

There is, though, an alternative theory. It is one that discerns subtle merit in America’s pugnacity and casts the UK’s charm offensive in an unappealingly obsequious light. Crucially, it is not a contention advanced exclusively by die-hard devotees of the US.

Earlier this year, at the height of the AIIB fallout, a senior official in the Obama administration told the Financial Times: “We are wary about a trend towards constant accommodation of China, which is not the best way to engage a rising power.” The tone may echo that of an aggrieved youngster who has lost his fondest chum to a rival with a better train set, but might there be some wisdom — maybe even an essential note of caution — behind this ostensibly embittered rebuke?

Professor Steve Tsang, head of the University of Nottingham’s School of Contemporary

“The long-term outcome of these contrasting modi operandi is likely to be a relationship in which Britain is perpetually cast as the junior partner.”

To put it another way: what are we thinking? What are the likes of the Americans thinking? And, maybe most pertinently of all, what are the Chinese thinking?

More than 40 years after an exchange of Chinese and American table-tennis players famously paved the way for President Richard Nixon’s historic trip to Beijing, the story of ping-pong diplomacy is still writ large in any chronicle of Sino-Western relations. Nixon, who would later hail “the week that changed the world”, asserted at the time: “We simply cannot afford to leave China outside the family of nations.”

That sentiment is truer now than ever, which goes a long way towards explaining the stage-managed scene of Mr Cameron and Mr Xi nursing a couple of pints of real ale at the Plough pub in Cadsden, near Chequers, during the latter’s state visit to the UK. It was reportedly Mr Xi who requested the outing, but it is likely that one thing this spectacle had in common with its ping-pong predecessor was a preponderance of spin.

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Professor Steve Tsang, head of the University of Nottingham’s School of Contemporary
Red alert

The product of ping-pong diplomacy, Richard Nixon’s 1972 visit to China marked an historic thaw in Sino-Western relations.


Mr Xi certainly delivered his own show of strength at the start of his state visit, making clear from the outset that he was not in the UK to listen to lectures on democracy. Government figures quietly insisted that the thorny question of China’s record on human rights was discussed – albeit behind closed doors.

The long-term outcome of these contrasting modi operandi, warns Professor Tsang, is likely to be a relationship in which Britain is perpetually cast as the junior partner. To put it bluntly: having spent decades trying to shrug off accusations of being America’s poodle, we might soon find ourselves branded China’s shih tzu.

“The UK’s China policy now appears to be made by the Treasury rather than by the Foreign and Commonwealth Office,” says Professor Tsang. “It’s a very pragmatic approach, but is it really good for Britain? In international relations there are only permanent interests, not permanent friendships, and bending over backwards to court a great power is an investment that rarely produces the desired return.

“As one of the most able and professional foreign ministries in the world, the Foreign and Commonwealth Office knows only too well that diplomacy is about getting one’s own way and advancing one’s own interests. If one party in a bilateral relationship goes out of its way to woo the other then the wooed will seek yet more concessions. Make no mistake, China will make the most of the UK’s declaration of friendship.”

If the unduly fervent pursuit of China’s friendship invites peril, though, then what might be said of the very opposite – a strategy typified by suspicion, cynicism and even fear?

After all, perceptions of modern-day China are in many cases characterised by two overriding convictions. The first is that China is so extraordinarily mighty in every respect that it must inevitably represent a threat to stability. The second, which is indelibly linked to the first, is that China is institutionally, inherently and irreconcilably ‘dodgy’. It is well worth examining the degree to which these beliefs are rooted in reality.

“China is still a developing economy; and, as such, it has many weaknesses.”

With regard to the first, it would be foolish to deny China’s potency. That the world’s largest economy is a force to be reckoned with is self-evident. But it is, lest we forget, still a developing economy; and, as such, it has many weaknesses.

We all know there have been times when China has wanted nothing to do with the West, but its disinclination has not always been neatly explained by political differences. There have been many eras when the flow of knowledge was overwhelmingly from East to West, with the former the innovator and the latter a mere imitator.

In the early 1400s, for example, with Europe’s own Age of Exploration still a century away, the Chinese mariner Zheng He led several massive trade expeditions. None ventured into European waters – very possibly, according to some scholars, because it was felt there was scant hope of discovering anything that would warrant the cost and effort of such an epic voyage. Francis Bacon reckoned the three greatest inventions were the magnetic compass, printing and gunpowder; it was China that gave us the rudiments of all of them.

Generally speaking, the roles have long since been reversed. Now, with few notable exceptions, it is the West that innovates and the East that imitates. “The Dragon may be flapping its wings, but it isn’t flying just yet,” says Dr Markus Eberhardt, of the Nottingham School of Economics’ Globalisation and Economic Policy Centre. “A common fear in the West is that China is starting to dominate both our present and, thanks to advances in R&D, our future. Although the bulk of its economic success has been a consequence of its ability to manufacture low-cost goods, it’s widely perceived to be catching up in terms of scientific and technological innovation. But the fact is that it has a long way to go yet.”

Dr Eberhardt and his co-authors examined more than 20 years’ worth of patents filed by around 370,000 Chinese manufacturing firms. Whether companies sought protection only in China or in both China and the US was pivotal to unravelling the mystery of China’s patenting boom, as the costs and “novelty hurdle” involved in patent protection in America are much higher.

“What we found is that the firms patenting in both China and the US are larger and strongly export-oriented,” says Dr Eberhardt.
"It is hard to justify viewing China’s expansionist tendencies through an all-encompassing prism of evil when they so often resemble our own."

“They represent a small group of genuinely global players that are highly integrated into the worldwide economy.”

“But the broader truth is that the vast majority of Chinese companies focus on strictly incremental innovation. Our analysis revealed state incentives to patent, primarily in the form of subsidies, were partly responsible for the explosion in domestic patenting. The transfer from labour-intensive to knowledge-based economy is obviously the next big step for China, but at present the basis for the necessary transformation from imitator to innovator is still relatively thin.”

So we do have something China needs – not just markets but expertise, experience and insight. But this brings us to the second point: if we are dealing with a country that is somehow not to be trusted, whose every act is part of a treacherous plan to profit at our expense, will what we offer be misused and abused in return for nothing but something akin to subjugation?

Such a suggestion is at best sanctimonious, not to mention decidedly selective. The Romans, the Spanish, the British, the Americans – every empire, whether military or commercial or both, has sought to conquer new frontiers or, less belligerently, exert its influence here, there and everywhere. It is hard to justify viewing China’s expansionist tendencies through an all-encompassing prism of evil when they so often resemble our own.

Naturally, there are failings that sit uncomfortably. They are well known, as previously touched upon, they are also frequently and conveniently left unstated when multi-billion-pound contracts are in the offing. Yet the international moral high ground is not exactly crowded in this day and age, and some of the West’s recent misadventures might just as easily provide embarrassment across the negotiating table. People in glass houses really should not throw stones – or, as Bernard Levin once quipped about political hypocrisy, they should at least undress in the dark.

“Britain and China have clashed repeatedly and bitterly ever since the First Opium War in the mid-19th century,” says Professor Niv Horesh, current director of the China Policy Institute, “so for them to move beyond this chequered record and forge a deeper economic partnership should be seen as a positive development. But real closeness also requires a narrative of respect for one another’s distinct systems of governance and sovereignty.”

Even now, 41 years after he became the only US president to resign from office, it is not especially fashionable to align oneself with the opinions of Richard Nixon. Nonetheless, we ought to admit he was right about China: it really cannot be left outside the family of nations.

This statement applies now more than ever. Not even the most compelling of divide-spanning table-tennis rallies could have hinted at the extent to which China would eventually embed itself in the global clan of which Nixon spoke. This is clear in all sorts of ways, from the breadth and scale of Chinese investments in the UK – ranging from banks to travel agents and from whisky to Weetabix – to the IMF’s solemn observation in its 2011 Spillover Report that “China’s size and connectedness are such that any economic disruption there would have material adverse consequences for the rest of the world”.

It is by no means perfect. It has its flaws. Further reforms of various kinds are imperative. And it might just be fair to say, especially given the narrowness of the gap detailed in the IMF’s data, that in truth it has yet to surpass the US as the world’s largest economy by any measure: China’s GDP figures have long been treated with circumspection – tellingly, they are never revised and invariably on target. Even so, China matters.

As for how best to react to and take advantage of the Dragon’s rise, only time will tell if Britain’s response will reap the desired rewards. There may, however, be a relevant lesson from history, as Professor Tsang recalls: “In 1950 Britain became the first leading non-Communist power to recognise the new People’s Republic of China, while the US refused to deal with Beijing. British interests and investments subsequently fared no better than America’s, and full diplomatic relations between Britain and China were not established until after Nixon’s visit.”

In other words, the UK’s eagerness might usefully be tempered just a little. There exists, as ever, a middle way between conspicuous keenness and rejection. The adjustment need only be subtle; the ultimate impact could be substantial. As Confucius said: “The cautious seldom err.”

Taming the Dragon

China now has a significant role in most investors’ portfolios. Although holdings in China or even Asia may be small, most global companies are exposed to China and the wider Asian region. Many FTSE 100 companies have significant exposure to China.

To assess its importance in the next decade, our asset allocation strategist Edward Smith has ‘nowcasted’ China’s current rate of growth and believes that growth over the next 10 years will be at best half of the last decade’s average of 10% per annum.

This will require further downward adjustment to corporate and investor assumptions, but is unlikely to cause a significant slump in global GDP growth as it is counterweighted by growth in the US, UK, Japan and even Europe.

To read Edward Smith’s detailed report on China and its long-term growth prospects, please visit www.rathbones.com or ask your investment manager for a printed copy.
Look back in anger?

Mrs Thatcher’s tearful final departure from Downing Street became the defining image of the end of her premiership.
Look back in anger?

It is 25 years since Mrs Thatcher was driven out of Downing Street at the end of one of the most significant and controversial premierships in British political history. Does the passing of time make an assessment of her legacy any easier? And could history be repeating itself?

Ivo Clifton, Head of Charities and Specialist Business, Rathbones

Is it possible to write about Margaret Thatcher’s legacy without being political? A quarter of a century after she left office, unable to suppress her tears as she was swept from Downing Street following 11 years in power, all that she achieved – or, as some might see it, all that she wrought – still splits opinion with undiminished intensity.

Twenty-five years on, it should be possible to be balanced, finding a middle ground between hagiography and hatred. These extremes are a little clichéd after so many years.

Of course, many will never alter their opinions, regardless of which side they represent – Mrs Thatcher always aroused strong feelings. But it may be instructive to view things through a slightly different prism; and interesting to acknowledge parallels in the politics of today.

Any consideration of life after Mrs Thatcher must inevitably be preceded by consideration of life before Mrs Thatcher. It is sometimes easy to underemphasise quite what a mess Britain was in when she became our first female Prime Minister.”

1 At the time of her death, Margaret Thatcher’s full title was The Right Honourable The Baroness Thatcher LG OM FRS — for convenience, we use her parliamentary ‘career name’.
opposing the very essence of state control. That may be true, but it is reductive and only likely to reinforce the polemic about her. Nationalised industries weren’t the only reason that Britain was the sick man of Europe. Indeed, Britain was still a world leader in many technologies, which benefited from nurturing and investment from the state — Concorde, which came to epitomise glamour in the 1980s, was just one example of what British (and, grudgingly, French) technology could achieve.

Mrs Thatcher was opposed to the inefficiency of monopoly, where the absence of competition (in the guise of market forces) tended to make management complacent and workers greedy. Under monopolistic conditions, it was near impossible to drive innovation or resist union pay demands backed up by the threat of crippling strikes. The taxpayer paid the bill and the customer paid the price in poor service.

Yet poor quality management and uninspired workers weren’t solely the preserve of state monopolies or nationalised industries. Private sector industry was in decline burdened by a dependence on family ownership and non-meritocratic public school management, and an inability to see that the world was changing. It was such cosy complacency that Mrs Thatcher hated.

When Heath fell in February 1975, his standing irreparably undermined by bruising clashes with the miners and the three-day week, Mrs Thatcher was put forward as a stalking horse because her promoters believed that, as a woman, she simply could not win.

Political columnist Simon Jenkins, in reflecting on her death in April 2013, described her as “an unclubbable outsider”. Even the Margaret Thatcher Foundation’s official biography notes that victory would prove “to her own surprise”. Yet win she did; and four years and three months later, when the country went to the polls amid double-digit inflation and further industrial action, she won again.

The fundamental task that Mrs Thatcher set herself upon assuming office was not rooted in some sort of personal whim. It was instead entrenched in unavoidable reality. Britain’s long-term economic decline had to be reversed.

Mrs Thatcher had long been an admirer of economist Friedrich von Hayek, who regarded economic intervention by government as a precursor to an authoritarian state. Having read pamphlets produced by...
the Institute of Economic Affairs (IEA) think tank since the 1960s, she went to lunches there after becoming party leader. The IEA advocated less government, lower taxes and greater freedom for businesses and consumers.

Heath had also espoused free market economics, but on becoming prime minister faced such hostile economic conditions that he was forced to adopt Keynesian policies. When unemployment rose through one million in January 1972, Heath's government responded with two Budgets designed to prime the economy. Unemployment fell in the subsequent 'Barber boom', but Heath had lost the economic initiative. Mrs Thatcher would not make the same mistake, seeing that lack of conviction and weak leadership never ended well.

That she managed to reverse Britain's economic decline is beyond contention. However, opinion remains bitterly divided as to the cost at which this was achieved – a cost measured not in a purely economic sense but in terms of the broader impact on industries, sectors, organisations and, most emotively, communities.

Her successes can be summarised easily enough. The economy was revived. Outdated institutions were reformed. A pervasive psychology of degeneration and debility was overturned. Britain headed into the 1990s with its reputation hugely enhanced, subsequently enjoying a boom that stretched from 1992 to 2008.

Yet many of the aspirations voiced in her memorable maiden speech as Prime Minister – "Where there is discord may we bring harmony; where there is despair may we bring hope" – went unfulfilled. The notion of "creative destruction", as posited in 1942 by Joseph Schumpeter in his *Capitalism, Socialism and Democracy*, could be seen in full effect during the Thatcher years.

Her faith in the invisible, self-correcting hand of market forces lent itself to a Darwinian fight for survival for some industries. The climate was 'efficient' but unforgiving. The result, her critics maintain, was the onset of unchecked inequality, a colossal and continuing transfer of wealth from poor to rich and a culture of greed-driven individualism.

Mrs Thatcher’s deeds were uncharacterised by sympathy. She offered precious little of it and expected none whatsoever in return. Political columnist Hugo Young observed how she gradually ‘became harder than hard’ and developed a ‘severity of will’ that in the age of spin that followed would be almost unconscionable: "I think by far her greatest virtue," wrote Young in 2013, "is how little she cared if people liked her.”

"Mrs Thatcher’s deeds were uncharacterised by sympathy. She offered precious little of it and expected none whatsoever in return."
Look back in anger?

studied chemistry and there was something unmistakably scientific — something innately dispassionate — about her approach to policymaking.

Those who suffered most grievously from the effects of her reforms would find it hard to accept that she acted with detached impartiality. The residents of former mining villages could hardly be expected to see that their treatment was fundamentally comparable to that of merchant bankers. Yet there is an argument for believing she applied much the same heuristic — to employ a suitably methodological term — to an extraordinarily diverse range of targets.

Consider the Big Bang of October 1986, when the deregulation of financial markets revolutionised the City, and the crushing of the miners’ strike in 1985, when the government defeated Arthur Scargill’s National Union of Mineworkers and pushed ahead with legislation to restrict trade union rights. Both the Square Mile and the coal industry were effectively closed shops; in Mrs Thatcher’s eyes, stockbrokers and union firebrands alike represented vested interests and enduring concentrations of power; and in both instances she ensured that centuries-old traditions and cosy certainties were duly swept aside in the name of progress.

Ultimately, she was determined to break up elites wherever she found them.

Supporters would assert that this captures perfectly the lasting positive effects of Mrs Thatcher’s policies; her opponents would no doubt protest otherwise, highlighting the collapse of companies, industries and communities that fared less well during her period of office. Crucially, both would have a case. There can be no dispute that there were winners and losers. We can measure progress and success in all sorts of ways — economic growth, global standing, influence on other countries, the value of our investment portfolios, even the convenience of owning our telephones — but the conclusions we reach will be clouded by the very subjectivity to which Mrs Thatcher herself appeared immune.

Easier to agree on is the fact that her advent represented one of those occasional tipping points at which society necessarily reconnects with politics. Country and party were in dire need of something different; salvation arrived in the improbable form of a would-be leader disliked not only by opponents but by many colleagues; and the “unclubbable outsider” went on to transform every aspect of British politics to such a degree that the repercussions were felt — and continue to be felt — far beyond these shores.

Does any of this sound familiar? Earlier this year all three major political parties were led into the General Election by men who, as teenagers in the 1980s, qualified as “Thatcher’s children”. Now Labour has a leader whose ascent began with a tokenistic fudge and whose chances of triumphing were initially seen as minimal; who is unshaking in his convictions, prepared to say things that are unpopular or considered ridiculous by his party elite but resonate with ordinary people; who invokes, deliberately or otherwise, the politics of class conflict; who is prepared to shift economic policy outside the mainstream; and who represents, above all, a break from the immediate and injurious past.

Could it be that Mrs Thatcher, eternal doyenne of the right, might serve as an inspiration and role model for Jeremy Corbyn, old-school champion of the left? Maybe not. But in a quote traditionally attributed to Mark Twain: “History may not repeat itself, but it does rhyme.”
Crude estimates

The wider world has long regarded movements in oil prices as something of a mystery — a phenomenon few can fully explain but whose effects are felt far and wide. We consider why prices have fallen so significantly of late, the likelihood of them remaining so low and whether the overall impact has been a positive one.

David Coombs, Head of Multi-Asset Investments, Rathbone Unit Trust Management
Oil dominates the modern world: it is used in the production of food, plastics, cosmetics, rubber, cleaning products, synthetic fabrics, tarmac and, of course, petrol and diesel. It is the only commodity about which the man on the street has a rough idea of its price movements, even though the end product is heavily layered with taxes.

The oil price is, however, notoriously difficult to forecast. From the late ’90s, it rose steadily from $20 a barrel, hitting $147 in 2008 as concerns grew that oil was running out. Gazprom’s CEO declared that “oil output had peaked” and forecast that the price would rise to $250. Within months, because of the financial crisis, it collapsed to about $40. Having traded steadily around $110 between 2011 and mid-2014, it fell below $50 by the start of 2015. It has oscillated since, but at the time of writing Brent Crude is trading at $47.

It is easy to see why consumers are cheered by lower oil prices as they effectively represent a tax cut. Pump prices for a litre of unleaded petrol are around 109p, having averaged 134p in 2013. The fall in prices compared to 2013 may not be seismic (if you buy £50 of petrol a week, you only save £9.30), but when cheaper oil is used in all the products listed above, there is a significant impact on prices.

Economists estimate that cheaper oil has knocked 0.4% off the consumer prices index in the UK, in the US, because taxes on petrol are lower, the effect is 1% off inflation. Lower oil prices are seen as wholly positive, but is this true?

**Why have oil prices fallen?**

As well as being difficult to forecast, movements in oil prices are often hard to explain even after they’ve happened. Last year’s collapse was initially explained by lower demand from China and Europe coinciding with increased oil production from the US, including shale oil.

“The US has increased oil production by over 70% since 2008 and has reduced oil imports from OPEC by 50%.”

This may be true to a point, but many experts now say that the oil price has been deliberately forced down by Saudi Arabia. Fed up with being undermined by its partners in the Organisation of Petroleum Exporting Countries (OPEC) as well as the US and Russia, by maintaining market share it has exploited its role as the “price setter” in the OPEC cartel to allow the oil price to fall sharply.

While Saudi Arabia is suffering from lower prices (J.P. Morgan estimates they are costing the country $90 billion a year), it takes the view that others will suffer more – pain now will force others to respect its power. OPEC only works if all the members behave appropriately. This time, the challenge came from Nigeria and other African producers, who had been most affected by the US drive to increase domestic production and reduce its dependence on unstable countries.

The US has increased oil production by over 70% since 2008 and has reduced oil imports from OPEC by 50%. Half the reductions impacted light crude and Nigeria is the largest producer of this grade in OPEC. Desperate to sell its quota and maintain oil revenue, Nigeria dumped its

Saudi Arabia is the world’s largest producer of oil.

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**Key figures**

- **$110** Average price of Brent Crude between 2001 and mid-2014
- **$47** Price of Brent Crude beginning of October 2015

**The effect of low oil prices on major producers**

- 33.8% Drop in share price for Royal Dutch Shell in past year*
- 24.4% Drop in share price for BP in past year*

* Between 1st Oct 2014 and 1st Oct 2015
excess supply in Asia, selling 40% more crude there in 2014 than in 2013.

In mid-2014 Saudi Arabia discounted the price of its crude to Asian refineries to compete with Nigeria and global oil prices started to fall. Last November Saudi Oil Minister Ali al-Naimi blocked appeals from OPEC member states for production cuts, arguing that the market would correct itself. The Saudis seem to know exactly what they’re doing.

Lower oil prices aren’t good for everyone

The negative impact of lower oil prices falls mainly on oil-producing countries. The current price is too low for many of them to support the population dependent on the state and raises the prospect of increased instability in the Middle East. Increased geopolitical risks are a very real consequence of lower oil prices.

The level needed to balance national budgets varies from country to country, but the IMF estimates that Saudi Arabia needs an oil price of over $100. In contrast, Kuwait’s break-even price is estimated at just $49, while Qatar needs to sell at $56 to support its budget.

Increased instability in the region has led Saudi Arabia to overtake Russia as the world’s third-biggest military spender. If the Saudis are responsible for the fall, the price they’re paying is significant — if oil prices stay where they are, the country could run out of cash in five years.

Otherwise, the impact of lower oil prices falls on the oil industry. The majors, such as Shell and BP, have suffered significant share price weakness since mid-2014 as the value of their reserves has fallen and analysts have questioned their ability to maintain their dividends. For the many investors who own these companies, particularly for income purposes, lower oil prices aren’t so positive.

Lower prices also make it harder to exploit new technology, such as deepwater drilling, oil sands (see page 26) and fracking. With more expensive technology, reserves that are profitable to extract at $100 a barrel can be heavily loss-making at current levels. This affects the oil majors, but has had a bigger impact still on exploration and production stocks and US fracking companies.

So, lower oil prices may be good for consumers, but there is a price to pay in the sharp underperformance of oil companies and increased geopolitical risks in the Middle East as well as increased reluctance to face up to reducing our dependence on oil — if oil is cheap, who wants to pay for wind farms?

Output of world’s top three oil producers*

<table>
<thead>
<tr>
<th>Year</th>
<th>Country</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Saudi Arabia</td>
<td>11.429m</td>
</tr>
<tr>
<td>2008</td>
<td>Russia</td>
<td>9.875m</td>
</tr>
<tr>
<td>2008</td>
<td>US</td>
<td>8.564m</td>
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<tr>
<td>2014</td>
<td>Saudi Arabia</td>
<td>11.624m</td>
</tr>
<tr>
<td>2014</td>
<td>Russia</td>
<td>10.853m</td>
</tr>
<tr>
<td>2014</td>
<td>US</td>
<td>13.973m</td>
</tr>
<tr>
<td>2014</td>
<td>UK</td>
<td>0.906m</td>
</tr>
</tbody>
</table>

* Total petroleum and other liquids production in barrels a day. Source: eia.gov

“Economists estimate that cheaper oil has knocked 0.4% off the consumer prices index in the UK.”

Looking forward, further significant falls in the price seem less likely than higher oil prices over the next 18-24 months. Saudi Arabia has too much to lose if prices remain where they are and, if we are right about its role in pushing prices lower, in time we can expect them to rise again. As we have seen, forecasting the oil price can be an inexact science, but as long-term investors it is important we understand the mechanics and structure of the market in order to take a view.
Going digital to raise charity funds
Every era experiences change, but some experience more than others – especially in light of a major technological innovation. We are living through such a period today. With the impacts of digitisation reaching into every sphere, how might the charity sector make the most of the Digital Revolution?

William Higham, founder, Next Big Thing

Commentators like to describe times of dramatic change by employing equally dramatic terms. “Paradigm shift” and “disruption” are two that spring to mind. Whatever you call it, for most of us the change we are experiencing today boils down to one thing: “business as usual” isn’t likely to work any more. Like it or not, the Digital Revolution is forcing every one of us to explore new models, new markets and new revenue streams if we want our businesses to survive.

It can sound intimidating, but it needn’t be. These developments offer as many opportunities as threats, and to take advantage of the former and avoid the latter it is essential that companies – from commerce to charities – understand and adapt to them.

Smart consumers

The internet is almost ubiquitous. Nine out of 10 adults now regularly go online. This rises to 98% among 16- to 34-year-olds. Perhaps more surprisingly, it is true for 42% of those aged 65 and over – up from just 33% in 2012. Over a quarter of charitable donations made online, and 75% of donors now research a charity online before making a donation. In just three years the average online donation has grown by 32% to £70.

Although this sounds like good news, poll after poll shows that the charity sector is not taking enough advantage of the opportunities the internet offers. According to a major Lloyds Bank survey, over half of small charities currently lack “basic digital skills”, which is more than double the number across all SMEs. Almost three quarters (71%) of UK charities do not accept donations on their own websites, and 20% do not have the facility to accept any online donations. Making your charity internet-friendly therefore offers huge opportunities for growing reach and revenue.

Social media and smartphones also offer new ways to spread news, share content and encourage support. Two thirds (66%) of all online adults in the UK – over half (59%) of the total UK population – have a current social networking site profile. Interestingly, 80% of people are more likely to trust an organisation whose CEO/leadership is active on social media.

Today 62% of Britons use a smartphone, compared to 54% in 2012. So, too, do 20% of 65- to 74-year-olds, compared to just 12% in 2012. When my parents were campaigning in the ‘70s and ‘80s, no matter what a charity
Going digital to raise charity funds

“To truly succeed a charity needs to be able to adapt its campaigning and fund-raising strategies to technological and social changes. The key is to create an ‘innovation culture’.”

said or did on television or in the papers, people could only make an actual contribution in shops or via collecting tins. Thanks to the smartphone, when a potential giver hears about something, they can now contribute then and there – wherever “there” might be.

Friction-free

The more we use smartphones, laptops and other mobile computers to run our work and social lives, the more we expect the freedom such devices offer in other areas of our lives. As a result, convenience and choice are proving increasingly important behaviour drivers. Consumers expect to be given more options: different channels, different media, different ways and amounts to pay. They don’t even want to be limited to traditional shopping hours any more, as can be seen by the growth of “inshopniacs”: night-time shopping rose 31% in the last year.

The amount of data and communications consumers experience today is making them value time more, which is why they are spending less time with each service and gravitating towards ones that are easy to use. Today over half (55%) of website visitors spend less than 15 seconds actively reading content on a page. This is one reason why visuals are becoming more important. Studies show that people typically understand pictures and videos more quickly than they do words and are able to take in more information from them. Visual images are the most shared content: 43% of online users share visuals, and infographics and other data visualisations are liked and shared three times more than other content. Consumers want to be able to deal with things at their own pace, which helps explain why many consumers prefer marketing via emails – which they can open and read when and where they want – to mobile and pop-up ads.

Loitering with content

Content has always been important to charities, both as a means of educating people about a cause and as a means of encouraging them to give. With economic and technological change driving a need for re-skiilling and the proliferation of media and technology channels driving a desire to “keep up” with what is happening, it is becoming more significant for consumers as well.

More and more of them are looking for information and facts to share. And they are not limiting themselves to traditional content sources: 27% of 18-to-24-year-olds’ time on social media is now spent reading posts created by brands. Producing interesting, shareable content will prove an increasingly important support driver for charities.

Presentation is vital in this regard. Amid a superabundance of media and marketing content, information is likely to stand out more if it is easy to obtain and share, if it is simple to read and contains visuals, if it is interactive (“gamified”) and if it contains a call to action.

In addition, with the growth of new digital and video technologies, charities can use content created by their customers. Again the key is to make content easy to create and share, as ALS did with the Ice-Bucket Challenge.

User-generated giving

User-generated content is part of a broader trend of customer-generated advocacy and marketing. Britons are exhibiting more technological and social autonomy, from price comparison to medical self-diagnosis, and are growing ever more trusting of their peers. Consequently, customer advocacy is becoming a powerful marketing tool. For instance, consumers are increasingly happy to spread marketing messages if they find them interesting and amusing and if sharing them boosts their social status – whether via broad social media like Facebook or Twitter or specialist image-sharing sites like Pinterest, which is expanding as fast as Facebook did five years ago.

Unlike the “something for nothing” generation that came of age in the ‘90s and ‘00s, today’s teenagers are demonstrating a greater belief in meritocracy, collective autonomy and a sense of “duty”. The
members of this “Recession Generation” felt the impact of the economic downturn early in their lives and are therefore more aware of the need for personal and communal effort. They will work hard for a cause they feel part of and believe in. They will help those they feel are part of their world. And it doesn’t hurt that volunteering also looks good on the CV!

But there is a catch. They are self-sufficient and typically distrustful of traditional methodologies/attitudes and top-down organisations/hierarchies. They want to do things their way, and charities must recognise this if they are to appeal to them. Embracing user-generated giving is an ideal approach.

Be prepared

Recent technological and social developments have had an enormous impact on commerce and the third sector. Future developments, from virtual reality and smart TV to wearables and the Internet of Things, look set to open up even greater opportunities.

Some charities are already pioneering these new technologies. Street fund-raisers from Amnesty International are using virtual reality headsets with images of the war-torn streets of Syria. Cancer Research now enables customers to donate money to its shops outside normal retail hours via interactive shop windows. eBay users who have iPhones can offer a percentage of auction sales to charity via a new “Sell for charity” option.

To truly succeed in today’s volatile commercial environment a charity needs to be able to adapt its campaigning and fund-raising strategies to technological and social changes as they happen. The key here is to create a company culture that is open to change – an ‘innovation culture’. Management needs to encourage innovative thinking among employees, offering appreciation and rewards for good new ideas. Staff should be given more autonomy to come up with their own ways of reaching targets. Intrapreneurialism – small teams acting like start-ups within a larger company – should be encouraged.

Innovation can be a vital tool. It is not about trying something just because it is new or trendy. It is about seeking out the opportunities that new technologies, methodologies and markets provide. And that is good for you, for your charity and for the planet.

William Higham and Next Big Thing

William Higham is one of Europe’s foremost trend experts. In 2002, after a career encompassing senior roles in marketing, PR and consulting, he founded Next Big Thing, a strategic consultancy that advises a wide range of businesses by studying consumer attitudes, analysing their impact and predicting which trends will and won’t take off. Visit www.next-big-thing.net for more information.

Earlier this year, as part of Rathbones’ Conversations series, William spoke at an event for existing and prospective charity clients. You can discover more about the insights he offered, as well as videos of our interview with him, by visiting www.rathbones.com/charities/conversations/will-higham.

Ten tips for tomorrow’s charities

1. Try to have a presence on your givers’ favourite media and social channels
2. Make it easy – and fun – for givers to help you
3. Encourage givers to campaign and fund-raise on your behalf
4. Offer them interesting facts and visuals that they can share
5. Be the trusted knowledge hub for your sector or specialism
6. Emphasise the humanity of your charity and link to local areas
7. Encourage givers’ loyalty by making them feel part of your “family”
8. Find new ways to empower and engage your staff
9. Consider collaborating with other brands – and other charities
10. Seek out innovations and determine how to use them to further your charity

William Higham is a consumer futurist and founder of strategic consultancy Next Big Thing
Constructive criticism

“It must again be emphasised that the world as we visualise it... can only be gradually realised. If we keep our objective clearly before us, with vision, energy and courage, its realisation will be achieved with ever-accelerating speed. Then, undoubtedly, we shall have the satisfaction of knowing we are playing our part towards the building of a New Britain.”

Angus Kerr, Glasgow Regional Director, Rathbones
It does not require a student of political rhetoric to identify the above as a rallying cry for party and country. It could hardly be anything else, such is the conspicuous level of tub-thumping. The era, though, is somewhat harder to pin down, while the “objective” might be anything from the creation of the welfare state to the stockpiling of nuclear weapons.

In fact, these lines are taken from *Housing and Planning After the War*, a policy document published in 1943. At the time, understandably, housebuilding in Britain had ground to a halt; in tandem, bombing had devastated many urban areas. The shortage of available homes was just one of numerous national travails, and the determination to tackle the problem was expressed with a passion that necessarily embraced the jingoistic.

Now, seven decades later, we find ourselves deep in another housing crisis — except this time there are several essential differences.

We cannot apportion much of the blame to the Luftwaffe; the rhetoric, at least as far as can be discerned, is not being backed up by meaningful action; and, most fundamentally, we are not building. Is there any realistic hope of escape?

Britain once built a lot of houses. With space and labour in abundance and the promise of a “land fit for heroes” belatedly reaching fulfilment, the mid-1930s saw the construction of around 350,000 new homes a year. In the 1940s, with the Beveridge Report on Social Insurance and Allied Services identifying squalor as one of the largest obstacles to societal progress, Health and Housing Minister Aneurin Bevan insisted that council houses be built to high standards. In the 1950s local authorities alone often provided 250,000 new homes a year.

By the 1960s, the age of the tower-block, quantity came at the expense of quality. Even so, the public and private sectors combined to push the annual figure to 400,000. By the end of the decade there were as many owner-occupiers as there were renters — a massive turnaround since the conclusion of the First World War, when almost 80% of Britons rented their homes.

The watershed moment in building came courtesy of the 1980 Housing Act, one of the Thatcher government’s earliest and most significant legislative moves. It gave council tenants the right to buy their homes and made owner-occupation the default tenure to which everyone now aspired. The political philosophy behind right to buy was that housing provided not just shelter, but an asset — one that might reduce the need for retirement income (or benefits), pay for welfare provision in old age and be passed down the generations on death.

Local authorities were restricted from building. In 1980 over 100,000 council houses were built. Today it is a few thousand
Home truths

The inescapable truth is that there are too few homes; and for the people struggling to grasp the bottom rung of the property ladder those that are available cost too much, are often inconveniently located and are too frequently of substandard quality.

Even before the economic crisis of 2008/2009, a review by economist and monetary policy committee member Kate Barker concluded around 250,000 new homes need to be built each year to begin to make properties more affordable.

Barker’s goal has never been met. In most years the shortfall has been substantial. The best effort has been 219,000, achieved during 2006-2007, while the 135,000 of 2012-2013 represented a post-war low. The target, set under Labour, was subsequently abandoned by the coalition government.

Politicians of all parties agree urgent action is needed. Consensus is altogether less apparent, however, when it comes to the question of what shape that might take. When it is claimed that the equivalent of 10 more Bristols must be built by 2050 — a headline-grabbing illustration used by, among others, the Financial Times — both the magnitude of the failings of the past and the vastness of the task ahead become alarmingly plain.

The key question is why private builders have not seized the opportunity to build more homes.

The planning process is an obvious place to begin. Around 95% of respondents in a survey of housebuilders earlier this year cited an unwieldy and unavailing system as one of the main reasons. Although the government has introduced various streamlining measures, the Home Builders Federation says procedures are “still too slow, bureaucratic and expensive”.

There may be hints of the tide turning in this regard. In the 12 months to March 2015 the number of planning permissions for new homes topped 260,000, the highest annual total for eight years. Yet it is one thing to secure permission and another actually to build.

Another key impediment, according to both the Home Builders Federation and its housing association counterpart, the National Housing Federation, is a lack of land. This is itself a multifaceted matter, with the public sector, private developers and the British countryside all coming under mounting pressure to yield precious acreage.

“Private builders have done nothing to make up the shortfall; nor have housing associations.”

Unsurprisingly, the potential role of the Green Belt is especially emotive. At the climax of Metro-Land, his 1973 documentary about the labyrinthine suburbs that attended the Metropolitan Line’s early-1900s encroachment into rural Middlesex, Sir John Betjeman gazed beyond the last of the mock-Tudor cul-de-sacs and declared: “Grass triumphs — and I must say I’m rather glad.” Although the notion of the bucolic idyll is as fiercely defended today as it ever was, there is a nascent acceptance that countryside communities will have to play a part if the estimated four million additional Britons who are expected to swell the population by the middle of the century are not to be accommodated exclusively in cities.

The message from Whitehall that the country must now “live within its means” is not without cruel irony for those worst affected by the crisis – this is not only unavoidably an issue of means: it is one of having somewhere to live in the first place.
Like the symptoms, the would-be cures can be split into the obvious and the not so obvious. The former category includes planning reforms and the freeing up of land owned by the public sector. The latter category includes more progressive stamp duty, as advocated by the Confederation of British Industry, more garden cities, as endorsed by homelessness charity Shelter; far greater devolution of planning powers, as favoured by the Policy Exchange and even certain elements within the Conservative party; and the appointment of a Secretary of State for Housing, as championed by campaign groups such as Generation Rent.

There are surely valuable lessons to be learned from elsewhere, too – for example, in relation to rent controls, which many major conurbations around the world have used to preserve their stocks of affordable housing. In Greater London, where the rent for a one-bedroom flat has risen by an average of 22% over the past five years, there are growing calls for rent controls. These would not cap monthly rent but would restrict rent increases for sitting tenants.

In August this year mayor Bill de Blasio proclaimed such policies crucial to New York’s economic viability and vital to guarding against a demographic consisting almost entirely of the hugely rich and the profoundly poor; in Berlin and Stockholm, by contrast, the repercussions of their application have been decidedly mixed. Controls might help reduce the pressure on those forced to rent, but whether they would do anything to make homes more affordable is questionable – it is estimated that 49,000 new homes a year are needed in London; around 20,000 are currently being built.

The past 70 years have offered scant evidence that the market by itself will provide. Only in the 1950s and 1960s, when the state weighed in as never before or since, has the number of properties built exceeded the number of properties deemed imperative.

Mary Robertson, an economist at Leeds University, argues that it is not in the interests of private housebuilders to reduce the supply constraint. “They are not going to build enough houses to meet Britain’s needs. It’s not profitable for them. That’s not the game they’re in. For them building on a relatively small scale is the way they manage their risks and their margins.”

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In the last four years the government has spent £115bn on demand side stimuli in the housing sector. These include housing benefit and help to buy, where they guarantee part of the equity in the mortgage. They are only spending £1.1bn on supply side subsidies in social housing. If that £115bn had been spent instead on supply side stimuli we could have built 6.8 million houses, which is enough to house Britain’s growing population for the next 30 years.”

Critics say those calling for public sector construction are viewing the past through rose-tinted, double-glazed windows. “They knocked down our street to build a slum” goes the old joke – and for good reason. Many of the homes that sprouted up when construction was at its peak are now regarded as archetypes of ill-conceived design and bad planning.

All things considered, it might just be that this is something we have never quite got right. Now, of course, would be an excellent time to start; but there will be no silver bullet and – as Robertson readily acknowledges – no quick fix. Literally and figuratively, the prospect of tackling this problem one brick at a time is all too real.
Keeping it clean

How do we define “ethical investing”? Very generally, the idea is centred on allocating capital to companies whose philosophies are in line with one’s personal views – whether environmental, religious or political. As Matt Crossman explains, a fundamental challenge is to determine whether those ideals are truly aligned.

Matt Crossman, Group Corporate Governance Manager, Rathbones

The Canadian oil sands challenge conventional definitions of “sustainable”.

Image: Ashley Cooper/Corbis
Winding through the province of Alberta, from the Jasper National Park to Lake Athabasca in Fort Chipewyan, the waters of the Athabasca river basin snake towards the frigid environs of the Arctic Ocean.

In days past, they were a major transport link relied on first by aboriginal peoples, and latterly by the Hudson's Bay Company to promote trade in fur. It is now the site of a more recent industrial transformation — the modern-day "boom town" of Fort McMurray and home of the flourishing oil sands business.

The lower Athabasca River plays a crucial part in the story of the oil sands. The river flows through massive deposits of sand containing bitumen — a sour, viscous and semi-solid cousin of the sweet, light crudes found in Saudi Arabia. The First Nations communities indigenous to the region first made use of the material to waterproof canoes, and late-18th-century European settlers paved the streets of Ottawa with Athabasca bitumen. However, it was not until the 1960s that technology developed to process the bitumen into a liquid fuel. Whereas Saudi crude requires minimal processing before refining into useful products, the oil sands need considerable handling. The process — known as "upgrading" — essentially involves heating and cleaning the material and disposing of the impurities, producing a crude that can then be refined and waste water and materials, known as "tailings", that must be processed and disposed of.

Nearly 150,000 Albertans earn their living in the industry, extracting 2.3 million barrels a day of oil, with capacity for much more.

"Viewed from a sunrise flight from Shell's aviation centre in Edmonton, the long flat plains of the Athabasca river basin reveal centuries of agricultural development."

"Viewed from a sunrise flight from Shell's aviation centre in Edmonton, the long flat plains of the Athabasca river basin reveal centuries of agricultural development."

reminiscent of sulphurous WD-40, the signature mark of hydrocarbon development. Then you notice the constant hum of refinery and processing equipment, the distant roar of diesel engines and the random, multi-decibel explosion of propane gas cannons designed to keep local bird life away from harm.

Driving from the dedicated airstrip serving Shell's two mines in the region, we are taken to the "lookout" at the Albian mine. The effect of that first view of a major extractives development is hard to explain. The sheer scale is almost beyond comprehension. Caterpillar dump trucks with three-metre-high tyres, carrying 400 tonnes of payload, look like children's toys. Even these are dwarfed by the four truly massive extraction shovels working on different areas of the oil sands deposit. When confronted with an enormous man-made hole in the ground, it is hard to conjure up a definition of "sustainable" to which it could apply. And yet the companies involved claim to be responsible developers. How can this be?

The first step to sustainability is dealing with the remediation of the land, a process strictly regulated and demanded by the local authorities. In the early phases of mine development, the topsoil and trees are taken off site and stored. The next layer, referred to as "overburden", is similarly taken off site, until the hydrocarbon layer is reached. Once the mine reaches a certain size, remediation and reclamation can begin during the life of the project. Overburden and remediated tailings are then filled back into the mine.
Since 2005, Shell has invested nearly $400 million in tailings research to develop technologies to speed up the drying of tailings from years to weeks. The end result is reasonable, at least superficially.

The second issue concerns local communities. The companies operating in the region are again constrained by prescriptive legislation which dictates that they be able to document a robust engagement with local indigenous communities. Shell has a good record on this score, winning an award from the Canadian Council for Aboriginal Business. We visited a lake, planted with indigenous medicinal plants as requested by the local community, which is being used as a replacement fishing ground.

The third issue, and perhaps the wider concern, is the impact of the projects on the atmosphere, and in particular the emissions to air involved. The Albian project pipes its diluted bitumen south for upgrading. The entire process requires energy, resulting in an increase in carbon intensity compared with an average barrel of US oil, on a so-called “well to wheel” basis (which accounts for the fact that the majority of the carbon emitted associated with oil is in its final use, not in extraction). Mindful of this fact and the vital role the energy industry will play in helping the world achieve the needed low-carbon energy transition, Shell has worked with the Albertan government to make a major investment in carbon capture and storage (CCS) in the region.

Approximately 250 miles due south of the mine, the Scotford facility has been home to a refinery since the 1980s and home to an upgrader since 2003. 2015 saw the commissioning of a $1.2bn carbon capture unit, which is attached to the upgrader and is capable of capturing one million tonnes of CO2 a year, cutting emissions by 35%. The site of the well head where the liquid CO2 is pumped underground is underwhelming, but deep beneath the surface, potentially harmful emissions are permanently locked away in geological structures. This is no small commitment from the industry.

Questions remain about the scale at which CCS can be developed and what impact it can have. The International Energy Agency has published various technology roadmaps which suggest that investment in CCS is lagging where it needs to be. However, Shell is serious in its commitment to investing in the technology.

Flying out with an aerial view of the region’s development created an opportunity for reflection. Mines like Albian provide the oil products that fly our planes, drive our vehicles and also the feedstock for refineries producing the plastics and other products on which we rely. Around the world, open cast mines produce the rare earth minerals that make up the electronics we take for granted.

Companies like Shell are responding to the demand we create and the demand of a growing global population. Regulation ensures that they do so with an eye to the future, and the company’s management have committed large sums to research and development of lower-carbon technologies. Sustainable development requires tradeoffs. At least in Canada, a combination of pressure from regulators, investors and local communities is making sure that long-term interests are being given attention.

“Caterpillar dump trucks with three-metre-high tyres, carrying 400 tonnes of payload, look like children’s toys.”

Matt Crossman, Group Corporate Governance Manager, Rathbones
A sparkling future

Denbies Wine Estate, based in Dorking, is England’s largest vineyard. Its chalky soil is similar to that found in the Champagne region of north-east France. Next year it will celebrate 30 years in business.

Image: Helen Dixon
A sparkling future

The amount of UK soil now dedicated to wine production has doubled in the past seven years. Last year England and Wales’s 470 vineyards produced over 6.3 million bottles and in the past 16 years we have produced more top-prize-winning sparkling wines than any other nation.

Our wine industry has a long and troubled history. Begun by the Romans, adopted by monastic orders in medieval times, it has had to survive the decline of Rome, the Dissolution and our notorious weather – the storms of 2012 ruined two thirds of the crop. But the English and Welsh wine industry is taking root and tasting success.
A sparkling future

Top 10 wine-producing countries last year in hectolitres (hl)

80% of the world’s wine is produced by 10 countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Production (hl)</th>
</tr>
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<tbody>
<tr>
<td>France</td>
<td>46m</td>
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<tr>
<td>Italy</td>
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<td>Spain</td>
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<tr>
<td>Germany</td>
<td>9.7m</td>
</tr>
<tr>
<td>UK</td>
<td>0.047m</td>
</tr>
</tbody>
</table>

Source: Organisation Internationale de la Vigne et du Vin

Average annual production for UK

2010 — 4 million bottles
2011 — 3 million bottles
2012 — 1 million bottles
2013 — 4.5 million bottles
2014 — 6 million bottles

Source: Wine Standards Branch, Food Standards Agency, based on data collected post-harvest each year

Vine time

Given that sparkling wine dominates the market for English wine, it is natural that chardonnay and pinot noir grapes should be the varieties most widely cultivated in the UK. These are the grapes traditionally used to produce Champagne.

Julia Trustram Eve, of industry representative body English Wine Producers, says: “Planting of these varieties has really taken off thanks to the growth in popularity of English sparkling wine. Pinot meunier is cultivated too, as it’s an important element in sparkling wines, albeit in smaller proportions.

“Bacchus is the third most popular grape variety in the UK, as it offers a light, aromatic and crisp style synonymous with good white wine.”

Types of wine produced by the UK

10%  Red/rosé
24%  Still white
66%  Sparkling

Source: English Wine Producers

Award-winning

In the past 16 years* English sparkling wines have won an unparalleled eight trophies for Best International Sparkling Wine and six trophies for Best Sparkling Rosé in global competitions

* Up to and including 2014; 2015 results will be confirmed shortly

Source: English Wine Producers
Wine regions of the UK

In the past seven years the amount of land devoted to vineyards in the UK has doubled to in excess of 2,000 hectares (ha). There are now over 100 vineyards open to the public in the UK.

Growing thirst

Our climate helps make English wine distinctive, according to Christopher White, general manager at Denbies, the UK’s largest wine producer.

“Classic English wines are mainly off-dry aromatic, but not exclusively. Our Cubitt Reserve Sparkling, for example, is an illustration of cool climate sparkling wine using traditional grape varieties, grown on chalky soil. We are also starting to produce some still wines from pinot noir, chardonnay and sauvignon blanc — sceptics once questioned our ability to grow these grapes but we have shown it is possible.

“For the past two years, following the prolonged Indian summers, conditions have also enabled the production of a 'sticky' dessert-style wine made from the Ortega variety. These are wines with a style that could not be replicated elsewhere in the world.

“English wine has experienced tremendous growth over the past five years. Quality has improved and volumes have increased and we’re seeing much greater recognition for what we’re achieving. All major English supermarkets are now stocking English wine, which is something you wouldn’t have seen even five years ago.”
We are delighted that the University of Liverpool Velocipede (ULV) team, sponsored by Rathbones, broke the British human-powered speed record at the 2015 World Human-Powered Speed Challenge in Battle Mountain, Nevada.

The team actually broke the record three times. First, Ken Buckley managed 69.7mph to beat the previous record of 67.4mph, which dates back to 2002. Then, on the final day, Dave Collins attained 70.6mph before Ken achieved a staggering 75.03mph in ARION1’s final run.

The team had hoped to break the world record of 83.13mph as well as the female world record of 75.69mph, but sadly Natasha Morrison didn’t qualify.

Andrew Butcher, Chief Operating Officer, Rathbones
The ULV team prepares for another run, drawing on the best of British innovation — and some cardboard — during a record-breaking first visit to Battle Mountain.

Image: ULV Team
Taking on the world

It is fantastic that the first UK university team to enter the competition achieved so much. At first there was no expectation of reaching Nevada – the project was theoretical and computers would “test” the design – but enthusiasm took over and the team eventually comprised 16 engineering students, three sports science students (from Liverpool’s John Moores and Hope Universities) and three cyclists.

Dr Tim Short, a Senior Lecturer at the University of Liverpool’s School of Engineering, said: “To break the British record three times in our first attempt at this challenge is an outstanding achievement for the whole team. The students have worked exceptionally hard, with great enthusiasm, through difficult circumstances.”

The road to Battle Mountain

After university finals in May, which affected half the students, the team members spent the summer working flat out to finish ARION1. With only a month to go they were able to start testing, first in a car-park and then on a runway at Bruntingthorpe Aerodrome.

While very aerodynamic from the front, ARION1 was vulnerable to crosswinds. Instability and lack of practice time for the cyclists would prove the team’s biggest challenges. To add to the difficulties, a camera and screen had to be used to provide visibility when the shell was sealed.

Following an appearance on BBC Breakfast, the team members flew to the US. They spent two days in San Francisco, waiting for the bike to clear US customs, before driving the eight hours to the quiet town of Battle Mountain. There was little to do but practice, which helped to boost confidence.

Record-breakers

The record is governed by the International Human-Powered Vehicle Association (IHPVA), which organises the World Human-Powered Speed Challenge each September. Battle Mountain is the location of Route 305, which is particularly flat and smooth. The road is closed for 20 minutes each morning and evening while the teams use a five-mile run-up for the 200-metre, flying-start speed trial.

Each team is allotted four minutes — two minutes to set up and two minutes to start. There is a 15-metre launch zone and the launchers can wear rollerblades. The strategy was straightforward: build up in increments to ensure qualification, aim for the British record and then get as close as possible to the world record.

Ken Buckley and Dave Collins qualified, but then two evenings were lost to bad weather before a ‘chain off’ and a viewing-screen failure put the team’s chances in the balance. However, Ken managed to hit 69.7mph on Thursday morning to break the British record.

Then disaster struck. During the Thursday evening run, a crosswind caused ARION1 to hit the one pothole on the course and crash off the road at 55mph. Ken Buckley was unhurt, but the shell popped open on impact, resulting in a snapped handlebar and the mechanical parts getting covered with desert sand.

Patrick Harper, the deputy team leader, said: “Damage sustained to the exterior shell and steering after a high-speed impact meant working through the night on Thursday and Friday to make it possible for our riders to attempt breaking records again.

“On the final evening the bicycle was in great condition, the riders were pumped and the weather provided perfect racing conditions. David and Ken were able to hit incredible speeds — we were ecstatic.”

Looking forward

The team may not have broken the world record, but the British record and the feedback from the organisers and other competitors, who said 75mph was amazing for a first outing, still brought delight. The world record was broken by AeroVelo, a Canadian team making its fifth visit to Battle Mountain, and now stands at 86.65mph.

That will be the target for the new ULV team in 2016. Half the team having graduated, the old third-year students have been joined by fresh blood. Led by Rob McKenzie, the team is already hard at work developing ARION2. A smaller, lighter shell will be required, perhaps along with changes to the transmission and seating.

We salute the ARION1 team and wish their successors the very best of luck.

Making it happen

We are delighted to be the principal sponsor of ARION1. Liverpool is Rathbones’ home city and the Rathbone family was closely involved with the foundation of the university.

The project extends the support that we give young people through our financial awareness programme and our sponsorship of English Lacrosse, Lacrosse Scotland and the Chalke Valley History Festival for Schools.

Participants in the World Human-Powered Speed Challenge are also at the cutting edge of engineering and materials technology, looking forward to a zero-emissions, environmentally friendly future.

ARION1 is a triumph of British education, industry and sport. As investment managers, we seek to invest in future technology and it is therefore a privilege for us to make possible the team’s success in smashing the British record.
“On the final evening the bicycle was in great condition, the riders were pumped and the weather provided perfect racing conditions.”
After the flood

Rod and Holly Baillie-Grohman paddling out of their home on the Somerset Levels during the 2013/2014 floods.

Image: Matt Cardy/Stringer/Getty Images
After the flood

“When the water is in your house and you’re wading through it you’re focused just on getting rid of it. It’s only when it’s gone that you suddenly face the full reality of the damage caused.”

James Brennan, Investment Director, Rathbones

On the Somerset Levels the suffix “-ney” in village names means “island”. The Anglo Saxons who named them were used to the winter floods that left much of the landscape under water and hamlets isolated.

So were the Victorians who built Rod and Holly Baillie-Grohman’s handsome stone cottage on top of a 12-inch plinth on high ground in the 1890s. Their foresight ensured it never flooded. Until the storms of December 2013.

When the Somerset Levels burst that winter more than 600 homes and 17,000 acres of farmland were inundated with rising river water. It was the worst flooding in 200 years. The villages of Thorney and Muchelney were cut off.

“We ended up with about 10 inches of water in the house for the best part of two months,” says Rod. “It came up through the floors and over the step. We had about 24 hours’ warning. There was little we could do except move papers upstairs and balance furniture on bricks.”

For weeks the couple used a canoe to get to and from their home. With toilets not working, villagers had to dispose of human waste using carrier bags.

“It was foul,” says Rod. “But belligerence creeps in. You become determined to hang on. You start to take pleasure in small things. Being able to hose down the floor and put some cardboard down feels like a major triumph. We felt like refugees sweeping up outside our bedraggled tent. When you can’t see an end to the problems, every little step to winning back your lives and your dignity is hugely important.”

Rod, a stonemason who restores threatened churches, cathedrals and listed buildings, spent a year overseeing the restoration of his own home.

“Absolutely every corner of your life is turned upside-down.”

“For the Baillie-Grohmans the final insurance bill came to over £80,000. Their insurer, the Co-op, never challenged that – and, unusually, has not hiked up their premiums since – but inevitably there were issues.”
One of the most traumatic was the visit of the surveyor. “His arrival signalled a major step forward for us in getting the repair work under way,” says Rod. “But he spent less than 40 minutes here, barely looked around and then produced half a spreadsheet with only the vaguest of detail in it – our home and our lives summed up in a few impersonal lines of Excel.”

“When people buy insurance they are looking for the promise of financial compensation,” says James Standen from Hiscox Private Client. “But when disaster strikes it’s more than just a cheque.

“It’s important for us to show we care. We get the loss adjusters in early – on average within two days and sometimes within hours. In the storms of 2013 we had them out on Christmas Eve. Our teams were even ringing customers we knew to be vulnerable just to check they were safe.

“One of the most touching letters we got afterwards was from a customer thanking one of our phone team for offering to cry with her. The human touch counts.”

The Baillie-Grohms faced other insurance challenges. Rod says: “The loss adjusters were good, though we had a tussle at the beginning because they were working from book rates. Replastering a modern house doesn’t compare with replacing lime mortar in a cottage. We also wanted trusted specialists from nearby, not insurer-approved contractors from miles away.”

A good broker will address some of these challenges early, says Hiscox’s James Standen. “Some buildings will need specialist repairs and some items are irreplaceable. We try to assess the detail properly when arranging cover and when problems happen to do what’s right for the client. It may be more expensive to repair rather than replace the mahogany chest of drawers used by your family for generations, but we have to respect the personal history and do what we can.”

Not all insurance companies have been so accommodating. A year after the floods in Somerset it was reported that four out of 10 families were still waiting for insurance payouts and many had seen premiums soar. Some were even refused cover.

The new Flood Re scheme introduced next year (see side panel) should change that, making insurance more readily available and capping premiums according to council tax band for many homeowners.

The move is welcomed by Chris McElligott, FROM mutual insurance company UIA. “The increase in data has meant insurers have got very good at assessing risk on a per property basis. That’s enabled many consumers who are low risk to benefit from cheaper premiums if they don’t live in a flood area, but inevitably it’s not good for everyone.

“The Flood Re scheme is a smart compromise. Insurers can still do the clever risk modelling that gives them their competitive advantage, but it means that victims of flooding are no longer penalised. Flood Re will enable the transfer of risk at an affordable price to all, based on council tax banding. Risk is pooled, which is what insurance was always supposed to enable.”

For Rod and Holly Baillie-Grohan the trauma of the past two years is over. Their home and their lives have been restored.

“My belligerent streak has got me through and it’s brought the community closer together too,” says Rod. “But Holly has found it tough, and in other villages where the flooding was even worse you hear of people who’ve been overwhelmed by it. Some people will be emotionally scarred by this for life.”

### About Flood Re

Flood Re is an initiative by the insurance industry and the government to ensure that those domestic properties in the UK at the highest risk of flooding can access affordable cover for the flood element of their household property insurance.

The scheme enables the insurer to pass the flood component of the policy into a not-for-profit flood reinsurance fund. It is expected that insurers will use this facility for the 1-2% of highest-risk homes – an estimated 350,000 properties – that might have struggled to obtain affordable cover in a normal market.

The scheme, which comes into effect in 2016, is being subsidised by all households through an annual £180 million levy on premiums.

### Preparing for flooding

**Flood tips from Hiscox**

- Move anything of value, including furniture, electrical equipment and valuables (e.g. photographs and sentimental items), to upper floors
- Prepare an emergency kit in case you are trapped or need to evacuate – this should include blankets, torches, waterproof clothing, food, water, a shovel and a first-aid kit
- If you don’t know, find out how to turn off the electricity supply (in the dark if necessary)
- Make copies of all your important documents and store them in a dry safe place that is easily accessible
- Relocate your cars to safer areas
- Prepare a list of important emergency phone numbers, including emergency helplines for your local water company and insurance company
Everyone has a book in them

Thanks to the digital publishing revolution, it has arguably never been easier to get into print. The result: a lot of surprise hits that might once have been overlooked — and a lot of trash. Should e-publishing be celebrated or lamented? And how has it changed the habits of writers and readers alike?

Jane Sydenham, Investment Director, Rathbones

Technology has revolutionised publishing. PCs and laptops make it far easier to write and edit large bodies of text. The internet makes it easier to distribute that work, while e-books and print-on-demand make it far cheaper. As a result, self-publishing has emerged as a phenomenon that transcends the negative vibe of “vanity publishing”.

Vanity publishers generate their income from writers rather than the readers who buy their books. The term implies that ego and money, rather than merit, are the only criteria for publication and it conjures up images of visiting friends or relatives and being given a book with a poorly-designed cover. An airy “Let me know what you think” obliges you not only to read it, but also give polite feedback.

Self-publishing doesn’t have this image problem. Like other technology-driven trends, it is all about freedom and self-expression — the democratising of publishing, no less. An army of writers has been unleashed. While some stick to blogging, others want to experience the challenge of writing a book and the satisfaction of seeing their work in print.

Many have tried sending their manuscript to countless publishing houses only to receive no response or, at best, a polite “Not for us, thank you”. By outflanking this supposed filter of quality and marketability, are self-published writers sliding towards the negative connotations of vanity publishing? Such thinking is anachronistic and misses the point of technology as a disruptive force.

The old model was effective in giving some good writers a chance, but there must have been plenty of others who fell by the wayside. Given the number of
Everyone has a book in them

subsequently successful writers who were rejected multiple times, this seems highly probable. Technology has removed this hurdle.

The instincts, editing and marketing skills of a good editor are priceless. But for writers who believe in themselves and their book, it is now possible to buy in these skills. Companies such as Lulu offer all the services of a publisher – high-quality cover design, illustration, editing, marketing and promotional activity, events and even book-to-screen adaptation.

These services can even be purchased separately according to the needs and ambitions of the writer. But they don’t come cheap and, in the end, without a traditional publisher the only arbiter of “quality” is the market. Most self-publishing writers will struggle to sell anything like enough books to break even, particularly if they “invest” heavily in their book.

It is easy to imagine that self-publishing writers have been seduced by the possibility of fame and fortune by the likes of Fifty Shades of Grey. It was self-published in 2011 by EL James as an e-book and a print-on-demand. Vintage Books only acquired the publishing rights in 2012. It became the fastest-selling paperback of all time in the UK and by mid-2015 the series had sold over 125 million copies. Such sales answer the critics, many of whom sneered at the quality of the prose.

Yet mass readership isn’t the aim of most self-publishers. Many write factual books for a particular niche. At best, they may make a small profit, but that is almost incidental to the pleasure of sharing one’s knowledge and research with like-minded readers and perhaps becoming a respected authority on a subject.

Even with fiction, where this doesn’t apply, many self-publishers are motivated by the creative pleasure of writing and, while they may believe in their work and hope to be discovered, don’t really expect to sell more than a handful of copies. That’s hardly vanity.

Taking the traditional path

Traditional publishing could seem a thing of the past, with impoverished writers squeezed out of their lonely garrets by hordes of well-to-do self-publishers fresh from expensive creative writing courses.

It is heartening therefore to hear that the time-honoured route is still open to some writers. One is Claire-Louise Bennett, who grew up in Wiltshire but now lives in Galway. Having spent years developing her talent, she won the inaugural White Review Short Story Prize in 2013 and her first novel, Pond, has just been published.

Described as a collection of short stories, it is actually a series of passages describing the day-to-day life of a solitary young woman living in rural Ireland. Bennett writes how real people speak: sometimes rambling and repeating herself, often very particular or confiding. Initially disconcerting, Pond takes a little while to get used to but is a lovely, fascinating book. The occasionally spiky voice of the narrator sounds remarkably similar to the writer’s own, but she says that, while based on her experience, it isn’t autobiographical.

The critical response has been very positive. Reviewing Pond in the Financial Times, Catherine Taylor wrote: “To describe Bennett as a bold writer is an understatement. Her use of monologue has both the sinister swagger of Browning’s dramatic verse and the sense of depersonalisation that hovers throughout Beckett.”

Bennett has mixed feelings about the change in her circumstances: “After many years of principled under-achievement, I have accomplished something — an occurrence which, according to my own ideas, is a bit disgusting yet also really rather nice.”

Awaiting publication in the US, Bennett has decided to let others read her work and, after having short stories and essays published in the Irish Times and various literary reviews, she won the White Review Short Story Prize. The Stinging Fly Press, one of the leading publishers in Ireland’s dynamic literary scene, then offered to publish Pond.

In her twenties she made a conscious decision to let others read her work and, after having short stories and essays published in the Irish Times and various literary reviews, she won the White Review Short Story Prize. The Stinging Fly Press, one of the leading publishers in Ireland’s dynamic literary scene, then offered to publish Pond.

The journey was a long one, proving the witticism that “it takes 20 years to be an overnight success”. Now in her late thirties, Bennett survived for years on part-time jobs, grants and bursaries, displaying a dedication to her art that most would struggle to muster. Asked for advice for aspiring writers, she says: “Take your time. There’s no hurry to get published.”

Awaiting publication in the US, Bennett has mixed feelings about the change in her circumstances: ‘After many years of principled under-achievement, I have accomplished something — an occurrence which, according to my own ideas, is a bit disgusting yet also really rather nice.”

Though they may have paid for the experience, many self-published writers would surely identify with this sense of satisfaction.

Bennett started writing at school, often in the back of exercise books. It was both a pleasure and a compulsion — she wrote for herself and didn’t want or need others to read her work. “For a long time, then, I was writing to facilitate a deepening involvement with the universe – not to reach out to my terrestrial compatriots.” A teacher found some of her writing and, although he said how good it was, she felt mortified to be intruded upon.

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Tour de force

In July, investment director James Maltin took on the challenge of a lifetime, riding Le Tour – One Day Ahead. As the name suggests, James rode the Tour de France route the day before the professional riders – 21 stages over three weeks, covering 2,088 miles. Here he reflects on the challenges.

James Maltin, Investment Director, Rathbones
The Tour is one of the most gruelling events in professional sport. Most colleagues thought I was mad (they probably still do). There was discussion whether I would survive the first week, let alone finish. I was just a typical 40-year-old with no previous experience of elite or endurance sports. So how did this all come about?

The challenge

In the summer of 2014, Rathbones entered a team to cycle from London to Paris and five of us raised £14,000 to fight leukaemia. The challenge was organised by Geoff Thomas, a retired footballer who played for Crystal Palace, Wolves, Nottingham Forest and England. Within a year of retiring, Geoff was diagnosed with leukaemia and given just three months to live. That was in 2003. Luckily, he lives not far from Birmingham’s Queen Elizabeth Hospital. This is home to the Centre for Clinical Haematology, which is headed by Professor Charles Craddock, a world-renowned authority on the treatment of blood cancers.

Under Craddock’s treatment, Geoff went into remission. In 2005, inspired by the book It’s Not About the Bike: My Journey Back to Life — in which cyclist Lance Armstrong writes about his battle against testicular cancer, which, having spread to his lungs, abdomen and brain, gave him only a 40% chance of survival — he decided to ride the route of the Tour de France to raise money to support Craddock and his clinic. He raised £250,000.

This year, to celebrate 10 years in remission and raise more money to help to expand the clinic, Geoff decided to tackle the Tour again, this time leading a team of 10 cyclists riding a day ahead of the professionals, with the objective of raising £1 million.

Why I did it

The Centre for Clinical Haematology is a remarkable place for three reasons. Firstly, it is where people go once they have been told there is nothing further that can be done. Typically all options on the NHS will have been exhausted, leaving the clinic as a patient’s only hope. It operates by running clinical trials — testing treatments designed within organisations such as the Institute of Cancer Research.

Secondly, when the trials are successful, which thankfully many are, those drugs are approved for use in the NHS and therefore go on to save the lives of many more people. Thirdly, due to the value of these trials and the potential benefit to the pharmaceutical companies, the clinic receives the drugs for free. The money raised by Cure Leukaemia, the charity that funds the clinic, is used to hire nurses. The more money raised, the more lives saved — it’s that simple. Having met Geoff Thomas on the London-Paris ride, I was shocked when he invited me to join Le Tour — One Day Ahead but my mother has always counselled that in life it is rarely the things we do that we regret, rather the things we don’t do.

Discovering veganism

I was not a vegan before deciding to tackle the Tour, nor did I have any intention of becoming one. However, I ate very little red meat — how was I going to take on enough calories to ride an average of 100 miles a day, through the Alps and Pyrenees, for 21
consecutive days given that most of the time when not asleep I would be in the saddle?

I was particularly concerned about protein, which I understood to be absolutely essential as we would be burning through 6,000 to 10,000 calories each day. I was amazed to discover that meat and dairy are not particularly efficient sources of protein and that some of the world's top endurance athletes are vegans.

And yet no vegan had ever completed the Tour de France. In fact, no-one knew of any vegan that had ever tried. So it was hardly surprising when arriving at the tour bus that my co-riders and the support crew were amused by the food boxes accompanying me and not one but two juicers (I could not risk one not working).

My diet consisted of hemp protein, chia seeds, goji berries, spinach, Peruvian maca, spirulina, chlorella, cordyceps, Siberian ginseng, coconut oil, lots of fruit, plenty of nuts and a herbal and mineral electrolyte concentrate which I added to water.

Unlike the other riders, I consumed no energy gels, energy bars nor energy drinks throughout the three weeks, and like them I drank very little alcohol. No alcohol would no doubt have been better still, but recounting the day's events over a beer was a great boost, and maintaining morale was absolutely essential.

The ride

This year’s Tour started in the Netherlands and, when we set off at the beginning of Stage 1, it was the first time we all had ridden together.

Cycling is very much a team sport. Much like the V-shaped formation of migrating Canada geese, cyclists ride together in a peloton to minimise wind resistance and conserve energy, regularly rotating the
front riders, who bear the brunt of the wind. In this formation, it is not unusual to be able to free-wheel at 30mph, pulled along by the drag of the formation. To be efficient, however, the peloton must be tight, with only a matter of inches between wheels.

To those of us who had never ridden in a team before, this was quite daunting, particularly when as a group we surpassed our fastest speeds as individuals. Everyone’s objective was to spend as little time as possible in the saddle to maximise recovery time. However, we were of greatly varying abilities and this posed a challenge.

The faster riders wanted to press on, yet the slower riders were simply trying to hang on. It was imperative that we stay together, not simply because of the efficiency of riding in a peloton, which can conserve as much as 40% of one’s energy, but also because we were escorted through France by a team of motorcycle outriders which ensured we never had to stop at a red light or wait for a car at a roundabout (unlike the professionals, we did not have the benefit of closed roads).

This led to great tension, which only grew worse as the ride wore on. Frustration turned to anger and hatred, which brought some to the verge of physical violence as we dredged the barrel of our reserves. All of us individually arrived at a point where we wanted to give up and go home and we grew weaker by the day. But having suffered this despondency and disintegration we were brought back together by necessity. To succeed we all needed to finish. United by our shared objective and, focused on the task in hand, we reconvened stronger than ever.

Against the odds, all 11 of the riders who set off from Utrecht arrived in Paris. We completed every stage of the Tour through the most extraordinary weather conditions, not only high winds and mountain-top thunderstorms, but life-threatening heat, which at times reached 43 degrees. Along the way, we had climbed 48,000 vertical metres – equivalent to riding from sea level to the peak of Mount Everest five-and-a-half times.

Lessons learned

It was an incredible journey physically, mentally and even spiritually. To quote Ayrton Senna:

“On a given day, a given circumstance, you think you have a limit. And you then go for this limit and you touch this limit, and you think, ‘Okay, this is the limit’. And as you touch this limit, something happens and you suddenly can go a little bit further. With your mind power, your determination, your instinct, and the experience as well, you can fly very high.”

Each of us is capable of far more than we believe possible, but it is only when testing our self-imposed limits that we find this out. There is great satisfaction in this, second only to helping to save the lives of others. Thank you for your support.

Top five hill climbs –

Tour de France 2015

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<th>Hill Climb</th>
<th>Stage</th>
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<th>Length</th>
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Source: Tour de France
Important information

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