►On Target

Martin Spring's private newsletter on global strategy

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Thinking about Financing Your Retirement

According to a new survey, only 18 per cent of Americans are "very confident" they will able to afford a comfortable retirement.

Most American workers can no longer rely on the guaranteed income provided by defined benefit pension plans, says Morgan Stanley investment bank. Many employers have abandoned them in recent years, replacing them with defined contribution plans that shift funding and investment responsibilities to employees.

"Participants in these plans must rely on their own efforts to accumulate sufficient assets for retirement." In current circumstances, they face a number of challenges that must be considered when developing their investment strategies:

► **Longevity**. Life expectancies are increasing. In the US there is a 60 per cent probability that at least one member of a married couple in which both partners are 65 will reach the age of 90.

For many Americans, that means retirement may last as long as their careers.

Failure to plan adequately can lead to retirees running out of money when they need it most, and are least able to counter the shortage.

► **Market volatility**. Occurrences of so-called Black Swan events highlight the need for investment caution.

Over the past 15 years we've experienced the 9/11 terrorist attack, earthquakes, tsunamis and the bursting of the real estate bubble – events that defied our ability to predict them.

When such events occur, they generally affect financial markets profoundly. That is because the nature of the markets themselves has changed over the years. There is no longer one dominant exchange, trading is often conducted electronically at lightning-fast speeds among numerous participants around the world, and explosive growth of social media has accelerated the speed at which decisions are made.

Put it all together, and the climate is conducive to greater volatility – violent change – than we've experienced in the past.

► **Inflation**. It's been subdued in recent years. But it could increase significantly as US economic growth picks up speed and the Federal Reserve increases interest rates from their current record low levels.

Even a modest 2 or 3 per cent inflation rate can erode your future purchasing power if not addressed in your inflation strategy.

With a 2 per cent annual inflation rate, $1,000 today (or the equivalent in your currency) will purchase only $552 worth of goods 30 years from now. With a 3 per cent rate, that $1,000 will buy you only $412 worth. If inflation rises to 5 or higher, the outcome would be far more drastic.

► **Taxation**. How will that impact on your investment returns?

Many hedge funds and mutual funds exhibit high portfolio turnover and generate substantial short-term capital gains that are taxed as ordinary income.

Mutual funds may also throw off what is sometimes called “phantom income.” That’s distributions of dividends and capital gains that are reinvested in additional fund shares. You never really see them, but you’re taxed on them anyway. In fact many investors find themselves paying taxes on capital gains distributions even while their fund shares have declined in value for the (tax) year.

► **Leaving a legacy to loved ones**. Part of the process of allocating your retirement investments depends on how important it is to you to leave an inheritance.

If you’re concerned about the effects of income tax on your assets, consider what estate tax can do. In the US, federal estate tax alone can reduce the legacy you hope to leave someday by as much as 40 per cent. In certain US states, erosion can be even more profound. Investors outside the US who die face 20 per cent estate tax on their US assets.

Fortunately, there are strategies you can pursue to minimize estate tax liability. The key is to explore them while there is still time to implement them effectively.

Some tips for your planning

The ability to surmount the barriers standing between you, and the level of comfort in retirement you envision for yourself, may depend on whether you’ll be able to…

► **Accumulate sufficient assets**. If you’re not contributing to tax-privileged retirement plans the maximum allowed each year, now is the time to accelerate your efforts.

In the US, if you’re 50 or older, you may be eligible to make an additional catch-up contribution of $6,000 a year. By contributing the annual maximum of $18,000, plus the maximum catch-up, a 50-year-old could amass nearly $600,000 with a hypothetical rate of return of 5 per cent by the time he or she reaches the age of 65.

In most countries retirement capital can be built up in ways that are sheltered against tax.

► **Convert assets to income**. In the past, retirees often reallocated their portfolios from predominantly equities to predominantly fixed-income investments, and lived on the interest generated by their holdings. With today’s interest rates near record lows, and life expectations expanding, this strategy may no longer be viable.

Many retirees plan on the basis that when they retire they'll be able to withdraw 4 per cent a year from their retirement pool, which itself ought to be growing each year from income and capital gains. The hope is that they can avoid depleting their nest-egg for 25 years.

This strategy, however, is not foolproof. There's always the chance that the retiree could live longer than 25 years and run out of money at age 90 or so.

Investors participating in retirement plans have more confidence about their future than those who don't. Consult your personal financial adviser to find out how to counter the challenges most likely to derail your retirement aspirations.

Equities: The Case for Cautious Optimism

The American stock market is in "a ranging environment," but overall it's still "a secular bull market," the highly-respected technical analyst Eoin Treacy told the Contrary Opinion Forum earlier this month.

Here are some of the key points he made in his presentation:

► Central banks of the world as a whole continue to boost money supply. Their balance sheets have expanded by $500 billion since the US Federal Reserve stopped "printing."

► In the US, interest rates are still at zero, so money is cheap to borrow. Low inflation, modest wage growth and a strong dollar have acted against the Fed's raising rates. From next year the Treasury will need to begin refinancing (replacing maturing government bonds), which adds an additional headwind to raising rates.

► Yields continue to suggest base formation in the Treasury bond market – "but there is no sign yet that the base has been completed." [In other words, Eoin is saying that the long-term bull market in the government bonds may have come to an end, but there's no proof of that yet in the charts]. However, yields on higher-risk BB-rated corporate bonds have broken out. They are being led higher by bonds of companies in the energy sector.

► The failure of ETF pricing models on August 24 has had a debilitating effect on investor sentiment similar to that triggered by the "flash crash" of May 6, 2010 – "but everyone knows that was also a great buying opportunity."

► A significant influence on the depth of the correction in emerging markets has been the closing of US dollar carry trades [use of dollar credits for short-term investing in those markets] in response to the greenback's "impressive rally against a host of emerging-market currencies."

► However, the weakness in those currencies is now providing underpinning. The fall in the real "has lent the Brazilian economy a much-needed boost in competitiveness." South Africa and Indonesia have similarly gained from the softening in their currencies, while Korean companies like Samsung, Kia and Hyundai "would benefit enormously from continued weakness in the won."

► The “potential for a bounce” in oil prices “outweighs scope for significant additional downside.” Oil prices have been “subject to lengthy ranges, punctuated by impressive bull markets,” for 120 years.

► After a significant pullback, China’s stock-market is now at broad valuations below those of Wall Street. CHN – the closed-end New York-listed China Fund – “trades at a discount to NAV of 16 per cent and has a solid record of paying special dividends in December.”

Bureaucrats at War over Pollution

Here’s what my friend and brilliant commentator Robin Mitchinson has to say about the Volkswagen affair

At the heart of the VW fiasco are the conflicting aims of two groups of busybodies.

In the Red corner we have – surprise, surprise – the Brussels nomenklatura . They are leaders in the climate change-global warming racket that generates enormous profits for ‘green power’ companies and manufacturers of wind turbines, subsidized by the taxpayers of Europe, and damaging Europe’s competitiveness through energy prices treble those of competitors.

Twenty or more years ago they exhorted us to switch to diesel power in our vehicles because its CO2 emissions were lower than petrol power. Of course, LPG [liquefied petroleum gas] would have been more effective, but the UK government ratcheted up the excise duty on that, so it became uneconomical.

The European Union motivation for throwing all this grit into the economic machine was to meet the ludicrous emission targets in international agreements which the major polluters – the US, China, et al, refused to sign up to (the fact that this made the whole exercise pointless and worthless was not, and never has been, a deterrent to the men in suits in the Berlaymont).

In the Blue corner we have various US enforcers (motto: ‘go forth and multiply’) which have little interest in carbon emissions, but plenty in nitrous oxide -- which does not contribute to climate change, but does create public health problems.

Now the scheissen hits the airconditioning.

The Yanks discovered that VW had been gaming the emission tests all along (and the fuel consumption monitoring).

It’s tempting to say: ‘So what?’ Although over 50 per cent of vehicles in Europe are diesel-powered, only about 1 per cent of US cars are oilers.

In any case, most nitrous oxide pollution must come from the heaviest users -- heavy trucks, locomotives, construction machinery, ships, oil-fired central heating. Will all these now be subject to emissions regulation? Don’t be silly!

What we are left with is a contest between two utterly conflicting targets. In the Red corner we have climate change; in the Blue we have public health concerns.

It is a reasonable certainty that there is not a single diesel engine in the world that meets the US emission limits. If the VW TDI puffs out 40 times the limit, this only proves one thing -- the limits are fiction; they are clearly unobtainable. And we don't know who fixed them, or on what criteria or scientific proof of health concern.

The last time VW got so much publicity was over their way of keeping the union bosses happy with lavish parties, prostitutes and Viagra.

Much more fun than 'defeat devices'!

The Global Boom in Residential Property

In a world of ultra-low interest rates, real estate is an asset class that is benefiting from investors desperately seeking better rates of income, from others searching for portfolio diversification, and from the cheapness of mortgage loans.

Here are a few interesting pointers:

► House prices have risen 4.7 per cent the past year in 26 countries tracked by *The Economist*. The strongest markets are those of Hong Kong (up 21 per cent), Turkey, Ireland, Sweden, Australia and South Africa. The weakest are in Greece, Singapore, Italy and China. The most overpriced relative to rents are residential properties in Hong Kong, Canada, Australia and Belgium, while the cheapest are Japan, Greece and Germany.

► Driven by institutional investors such as pension funds, the annual return on apartment blocks in the US has averaged 13 per cent a year since the economy started to recover from the sub-prime crisis. Residential properties fell 7 per cent in 2008 and 18 per cent in 2009.

► Houses, rather than apartments, are seen as probably better investments, but are difficult for funds to invest in. Warren Buffett once said he would load up on hundreds of thousands of single-family homes – if he could find a way to manage them.

► The boom in Australia, which has seen house prices rise 18 per cent over the 12 months to July in Sydney and 12 per cent in Melbourne, is being driven by massive investment from China. Foreign investment almost doubled in 2013-14.

Real estate has long been the preferred asset class for Chinese investors, who favour Australia's booming market as an alternative to their sluggish domestic one. Many families plan to have their children finish their education overseas and seek residential properties close to good schools and universities.

► Foreign investment is pouring into Japan, too. 'Investors from China, Hong Kong and Taiwan are snapping up everything from condominiums in central Tokyo to office buildings, housing, convenience-store chains and ski and hot-spring resorts across the country," reports the *FT*. The devaluation of the yen makes Japanese properties cheap for buyers of strong-currency countries, while locals seek to shield their wealth from inheritance taxes.

Worldwide, real estate has long proved to be a good long-term choice and alternative asset class for individual investors who can handle the active management required, and the illiquidity.

China Breakthrough in High-Speed Rail

Railways, which played a key role in bringing about the Industrial Revolution, are making a comeback as a preferred mode of transportation – integrating the economies of developing nations, substituting for increasingly congested roads and pipelines, competing with air travel for comfort, and offering environmental benefits.

A landmark development was the decision by the famously shrewd Warren Buffett, after decades of spurning anything to do with railroads – "a terrible business" – to invest $44 billion in America's second-biggest operator, Burlington Northern Santa Fe.

In recent weeks there have been other landmark developments. China, home to the world's most extensive high-speed rail system and its largest producer of electric locomotives, has landed its first big contract outside the country. It's been awarded a $23 billion deal to build two high-speed lines in Thailand. It's also won the contest to build a $5 billion line in Indonesia linking Jakarta to Bandung.

China has long wanted to capture foreign business for its huge railway and rolling-stock industry, but with very little success until now. Mexico pulled out of a deal for a Chinese-led consortium to build a high-speed passenger link after doubts were raised about the "legitimacy and transparency" of the bidding process. The sole success in Europe has been the sale of six high-speed trains to Macedonia, while in Africa the only achievement has been completion of a Chinese-financed line linking Addis Ababa to Djibouti.

The big new deal with Thailand is a breakthrough that brings more than export earnings and prestige for China's high-speed-rail technology – it's a building-block in China's grand plan to extend its global power and influence.

Thailand's critically important central location

A network of railway lines and other transport infrastructure will link Xi'an in central China to Rotterdam in Europe along the old Silk Road route. Another network – already operating in parts, under construction or planned – will link Kunming in southern China to Singapore via Thailand, Vietnam, Burma and Malaysia.

Thailand is critically important because of its central location in Southeast Asia. China is already the nation's biggest trading partner -- $64 billion of business last year – with a rising tide of millions of Chinese visitors transforming the nature of its tourist industry. Since the army seized power there are signs of strengthening ties between the two countries, the most important being the China railway deal.

Chinese engineers will complete a line connecting Kunming to the border at Mohan, then drive south through the difficult mountainous terrain of central Laos to its capital, Vientiane. From there they will cross the Mekong river and lay track through Thailand to its biggest industrial estate, Map Ta Phut, at the coast, and to a junction near Bangkok.

Later will come a new line linking Bangkok to Singapore through Malaysia.

That will be the first part of a plan to transform and expand Thailand's decrepit, badly-run state railway system, with its narrow gauge and weak locomotives, that is shunned by travellers in favour of buses, cars and planes, and transports only 2 per cent of the nation's freight. New lines will substitute standard-gauge for narrow track and carry trains at speeds of up to 160 kms/hour.

China's railway equipment plants have been rapidly closing gaps in technological sophistication and quality with their long-established rivals in Europe, Japan and North America, and compete aggressively on price. A World Bank report said recently that their high-speed systems operate with "good reliability… accomplished at a cost which, at most, is two-thirds that in the rest of the world."

The industry does benefit, of course, from the usual advantage of virtually unlimited access to cheap government finance, but we should be wary of sneering about that. As the *FT*'s Henny Sender points out, the massive investment in railways has been sound economic policy: "The Chinese version of fiscal stimulation has produced more efficient train and metro services – rather than the property booms and stock-market bubbles stemming from quantitative easing in the US."

Although China's railway construction business has only started to emerge as a major player outside its huge domestic market, it's clearly going to go far. It's rightly claimed that apart from "a wealth of experience in building and operating high-speed railways," it enjoys a competitive edge in joint-venture terms, financial conditions, technology transfer and speed of completion.

If you are interested in investing in China's railway industry boom, you can buy Hong Kong-listed stock in the giant CRRC, whose annual earnings growth has averaged 22 per cent over the past five years. The share has been trading recently on price/earnings ratios of around 20x.

Easy-Money: Heading Towards a Crisis

Whether or not central banks' easy-money policies have been a failure is very much a matter of opinion. Without them, things could have turned out far worse. We could have experienced a Thirties-type slump, which we have avoided.

However, there's no doubt that those policies have been a disappointment. They have failed to restore sustained economic growth to the levels the world enjoyed before the financial crisis. They have had the seriously damaging consequences of boosting artificially the wealth and power of elites. And they have created a huge and dangerous long-term problem of vastly-inflated mega-bank credit.

The policies were designed to produce some moderate inflation, because that's the condition central bankers reckon is most likely to stimulate economic growth. And it's the condition that is the easiest for them to manage.

But they keep missing their targets of annual inflation around 2 per cent. In fact, things are getting worse. In dozens of countries, including some of the major ones, prices generally are falling instead of rising. They are now experiencing deflation – the condition that central bankers dread perhaps more than anything else. It's bad for economic growth, and extremely hard to counter.

The reason why “printing” enormous amounts of money isn’t working, and why it isn’t creating the explosion in inflation that many feared, is that the prime movers of economic growth lack the confidence to borrow easy-money and put it to work.

Although the volume of money being created by central banks continues to increase, the rate at which it’s being used to finance economic activity – called its velocity -- continues to decline. In the US, money velocity is now at a six-decade low.

Why is this?

My own opinion is that after a credit crisis associated with excessive and foolish borrowing, it’s pointless to believe you can achieve recovery by making it dead-easy to borrow. Potential borrowers have been burned by debt. They want to reduce their debt, not expand it once again.

CLSA’s Christopher Wood suggests these reasons:

► Although unorthodox monetary policy and ultra-low interest rates are good for asset prices and benefit the wealthy or cash-endowed, be they institutions or individuals who have access to the cheap funding, the consequent asset-price inflation “does not lead to a general pick-up in the economy, since the wealthy cannot consume all their asset gains.”

► In the corporate sector, the low interest rates “tend to encourage financial engineering over capital spending, while also allowing non-competitive businesses [so-called ‘zombie borrowers’] to survive for longer.”

The financial engineering incentive provided by such policies has been most evident in America, where share buybacks and merger-and-acquisition activity has surged even as capital spending for business expansion has continued to disappoint. In its latest survey the Fed reported a 26 per cent growth in demand for bank loans for M&A financing, but only 6 per cent for capital investment.

► Banks have seen their net interest margins forced down, making them understandably cautious about lending except to the most conservative borrowers.

Easy-money policies boost deflation, not inflation

Tim Price, investment director at PFP Wealth Management, says: “The missing link between central bank money creation and ‘classic’ inflation, of the sort that Western central banks so urgently crave in order to keep their heavily-indebted client governments afloat, is commercial bank lending.

“If commercial banks refuse to revert to their pre-crisis levels of animal spirits and rash lending, and indeed prefer to delever, with the money destruction that accompanies such delevering, all that base money creation has been for nought.”

Wood says that, seven years after the financial crisis, the evidence suggests that central banks have got it quite wrong in believing that quantitative easing and zero rates stimulate inflation. In fact such policies are deflationary. When markets awaken to that, there will be a total loss of credibility in central bankers.

The most obvious time for this to start to happen could be if the Fed suddenly decides to reverse its stated policy of moving towards normalization of interest rates – and resumes quantitative easing “in an effort to counter the increasingly deflationary impact of a rising dollar.”

Ethical Investing: Not All It's Claimed To Be

There are many ways of defining what's "ethical," so research carefully before investing in any fund that claims to be.

John Plender writes in *FTfm* that the well-regarded Legal & General Ethical UK Equity Index fund, which avoids shares with links to tobacco, armaments and nuclear power, and claims to restrict itself to good companies, has investments that "come as a bit of surprise":

► The biggest holding, accounting for nearly 7 per cent of the portfolio, is HSBC. "Is that the same bank… that laundered money in Mexico for drug cartels, facilitated tax evasion by the clients of its Swiss private banking arm, manipulated Libor interest rates and rigged the currency markets?"

► The second largest holding is GlaxoSmithKline, "the pharmaceutical group that has been fined heavily in China and faces further accusations of bribery in eastern Europe and the Middle East."

► Then comes Royal Dutch Shell, the company that is "the subject of angry jeremiads from environmental activists over its pollution of the Niger delta."

► In fourth place comes Vodafone, the telecoms group "accused of aggressive tax avoidance."

Another well-known fund, F&C Responsible UK Equity Income, as well as banning tobacco, alcohol, gambling and pornography, claims it focuses on companies that make a positive contribution to society and the environment. But its three biggest holdings are also HSBC, Vodafone and GSK.

Plender says those who want their savings invested ethically, such as pension fund members, should look carefully at what's done as well as what's supposed to be done.

Occasionally I see claims that ethical investment performs as well or even better than equity investment generally. It's now clear that it all depends what investments you are willing to allow as ethical.

Investing at the other extreme, in the "sinful" shares of companies abhorred by the Politically Correct because they profit from products such as alcoholic beverages, tobacco, gaming, defence equipment, adult media, is not a way to achieve superior returns, Henley Business School researchers argue in a new study.

They say the outperformance shown by previous studies has not been due to cheapness stemming from unpopularity, but to the well-known small-cap effect.

Beware of ETFs Operating in Niche Markets

Although exchange-traded funds have become hugely popular with investors because they offer access to markets as a whole (avoiding stock selection risk), with liquidity, low cost and transparency, they are not without downsides.

For example, investors in an East European fund of a highly reputable group recently found themselves dumped out of their position at the worst possible time, a market low, because managers closed the fund. This can happen with ETFs operating in niche markets that fall out of favour because managers faced with operating in illiquid conditions and yielding low income from fees prefer to close such funds.

David Fuller of *FTM* advises investors only to use ETFs operating in large, liquid markets such as the Nasdaq 100.

Too much hedging or trading with ETFs can lead to market accidents such as apparently occurred on August 24 in the US, when trades worth billions of dollars were hit by a computer breakdown impacting on valuations of fund units.

...and Be Cautious About Infrastructure Investing

Pension and other long-term funds increasingly favour infrastructure investments such as tollways and ports because they offer low-risk, stable, long-term cash flows – very attractive when fund managers struggle to secure adequate income in an environment of ultra-low interest rates.

But there is always the risk of adverse changes in their political environment. It's hard for politicians to resist the urge to "shift the goal-posts" to cream off some of the returns, reduce the promised state benefits they enjoy, or curry favour with voters by cutting the charges they may make.

Those nasty changes have begun in Europe.

The Spanish government is reducing the tariffs that airport operator Aetna is allowed to charge. In Norway they changed the terms under which oil pipelines operate shortly after stakes in them were sold off to private investors. The French government cancelled a scheduled annual rise in motorway tolls.

Tailpieces

Electric cars: Denmark, long a global leader in promoting so-called "green" energy through subsidies, has started to cut back on them, its new government saying it can no longer afford them, and that they impact negatively on economic growth and job creation.

A tax concession has been scrapped which means electric cars in the luxury category face being taxed on the same basis as those powered by conventional engines, raising the price of Tesla Motors' Model S, the biggest-selling electric car, from the equivalent of $98,000 to $270,000.

Finance minister Claus Hjort Frederiksen says although the previous government promised to keep electric cars exempt from car taxes, "they just forgot one thing: finding the money to do so."

Denmark has also announced that it is abandoning a plan to raise emission targets and seek to become a fossil-fuel-free economy by the year 2050.

Minimum wages: Although there is a tidal wave of pressure to more than double America's federal minimum wage to $15 an hour, analysts speculate that this could cost hundreds of thousands of jobs.

Wealthier families, not the poor, would be the main victims of such lost employment opportunities. Bureau of Labor Statistics data suggest that a large percentage of minimum-wage jobs are held by the teen-age children of middle-class and upper-income families.

Walmart, the world's largest retailer has blamed intensifying competition from e-commerce companies such as Amazon for the one-tenth fall in its share-market value after it cut its forecast for earnings per share. But in fact three-quarters of the expected decline in its profits is due to pay rises for staff, particularly its decision to raise its hourly wages to $10, a political gesture in response to pressure from President Obama and labour unions.

Fundamentally unattractive: Jaguar Land Rover, the manufacturer of prestige cars owned by India's Tata Motors, has quietly scrapped its plan to build a factory in Saudi Arabia.

It's reported that the Saudi government refused to allow JLR control over management of the joint venture, insisted on charging rent and maintenance fees, and required an unacceptably high local content.

There were other problems unique to Saudi Arabia, such as strict rules segregating female from male employees that would clash with JLR global policy on gender diversity.

Instead, the company will focus on building its first plan in Central/Eastern Europe, in Slovakia; and expanding its factories in China and Brazil.

Portfolio strategy: Although diversification was originally described by the onetime famous fund manager Peter Lynch as "deworsification" – in contrast to concentration, investment in just a handful of stocks – there is a case for a middle way.

Kenneth Ng of the successful Asian small-cap fund manager NT Asset says just 20 shares account for 75 to 85 per cent of the holdings in its funds. According to Joel Greenblatt, the risk reduction benefits are huge where a very small number of counters are held –"owning four stocks eliminates 72 per cent of the risk" – but only marginal as the number increases. "Owning 16 stocks eliminated 93 per cent of the risk," but "owning 32 stocks eliminates 96 per cent of the risk."

Strategies: Which is the best defence against a sudden fall in investment markets?

New research by a fund manager, AQR, based on analysis of the ten worst quarters for global equities in the period from 1972 to 2014 showed that the best assets to be in were gold, commodities and government bonds.

The best asset-picking approach that worked over time was to combine strategies based on value, momentum, carry, defensive and trend-following.

Oil: No one in the market sees the recent stabilization of prices in the 40s as the bottom, as the supply overhang persists, Iran is gearing up for a big comeback with the expected removal of international sanctions, and the prognosis for demand growth is worsening, says *Platts*' Vandana Hari. Goldman Sachs speculates that prices could fall as low as $20 a barrel.

Nevertheless, *Platts* reports that top forecasters expect a range between $49 and $62 next year.

Corporate earnings: The strong dollar is being blamed for the poor earnings growth of American companies, which as a whole earn half their profits outside the country. But other factors are also responsible, says HSBC global equity strategist Ben Laidler. He cites the extremely high level of corporate margins (difficult to improve on), the collapse in energy prices, and sluggish growth in demand.

Russia: Its defence spending is forecast to rise 15 per cent this year, following an 8 per cent rise to $84 billion last year, as it takes delivery of advanced armaments such as the new Su-34 long-range aircraft and S-400 surface-to-air missile systems.

Investing in food: Chinese companies that want control over future supplies of beef to meet their nation's fast-rising appetite for rich foods are seeking to buy large parcels of agricultural land in Australia covering an area three-quarters the size of England. Over the past two years the Chinese have been buying into cattle stations, dairy farms and vineyards in both Australia and New Zealand.

Syria: Mideast expert and author John Bradley has long argued that it was a fundamental mistake to seek to depose the "secular dictator" President Bashar al-Assad as there was never a genuinely popular uprising against him, and "the so-called secular rebels were in fact vicious Islamists in disguise."

Best region: Asia accounts for the majority of holdings in the VT Price Value share portfolio, says co-manager Tim Price. Compared to Europe, it "has on average superior demographics, superior prospects for economic growth, a far lower welfare burden and a healthier banking system."

Wise words: *Fast, cheap and good? Pick two. If it's fast and cheap, it won't be good. If it's cheap and good, it won't be fast. If it's fast and good, it won't be cheap."* Attributed to "Jim" Jarbush, the American film director.

Martin

Know someone you'd like to receive ►On Target, click on Reply and send me his/her email address. Or email your request to me at: afrodyn@gmail.com.