►On Target

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Judging Risk When You Invest

Risk – a word derived from the Greek for "cliff," referring to the hazards of sailing along rocky coasts – is integral to all investments. Even cash in the bank is at risk from the bank's failure, seizure by the government, or loss of purchasing power through inflation.

Therefore risk assessment should be the first step to choosing any investment.

Once those risks have been quantified, they can be matched with the possibilities of outperformance, as there is little point in taking additional risk unless it provides the opportunity for extra gain.

There are many different kinds of investment risks. Here are the more important ones...

Specific: The risk that a company or sector will lose value because of circumstances specific to them. Examples would be the loss of a company's outstanding chief executive, or a sugar crop failure affecting all sugar businesses.

Default: You lose your money through fraud or administrative incompetence by whoever's handling it for you. There was the well-known case of the collapse of Barings, one of Britain's best-known investment banks, a few years ago.

Market: The risk that a whole category of assets, such as shares, loses value because of changing conditions or perceptions not specific to the particular asset in which you're invested.

Liquidity: The risk that you won't be able to buy or sell an investment with ease, without sustaining significant loss. This is greatest when investing in narrowly-traded assets, such as shares of small companies.

Purchasing power: The risk that the return on your investment will be poor after adjusting for inflation.

Currency: The risk that the exchange rate of the currency in which your investment and income from it is denominated, will fall relative to the currency on which your portfolio is based.

Political: Unwelcome surprises such as riots or election of a radical government can have a sudden impact on the value of assets directly or indirectly linked to the country concerned.

Interest rate: Unexpected increases in rates hit the value of many investments for several reasons. One little-understood but important one is that it tends to boost the rate used to discount the future returns from an asset, which has the mathematical effect of cutting the present value of that asset.

Management: The risk that the company in which you have invested will lose value because the managers lose their focus or drive, leading to loss of market share and erosion of profit margins.

Selection: You take a risk when you select a person or a company to manage all or part of your assets, as he/she/it may fail to match up to the returns you expect. Such selection is usually based on track record. The outcome is more likely to disappoint than to please.

Investments offer a hierarchy of risk. Cash offers low risk and low rewards, fixed interest medium risk and low rewards, equities high risk and high rewards, and some types of equity or highly geared investment very high risks and potentially very high rewards.

There are several ways in which the risk in an investment asset can be measured:

Volatility: This is shown by the standard deviation (SD), a metric of average upward and downward price movements in relation to mean or average price or return.

It encapsulates all the factors which have contributed to movements in the price of the asset, such as interest or exchange rate fluctuations, as well as profits and changing market perceptions, over the historic period considered (typically, 36 months).

One commentator, Robert Budden, claims: “As a single measure of the inherent risks of a fund, volatility is probably one of the best gauges for predicting possible future price movements”.

By comparing the standard deviation of a fund with its peers’, you can determine whether or not greater, or even undue, risks, have been taken to achieve a higher return.

However, SDs share with other ratios based on historical experience the deficiency that they may not be a good guide to the future.

Upside potential for profit

Volatility over the period considered may have been unduly high due to special factors. A good example is to be found in bond funds. These have usually had low volatility, but not always. In 1994, for example, when the US Federal Reserve unexpectedly raised interest rates and the Mexican peso crisis took hold, bonds were exceptionally volatile.

Also, remember that, as *Money Management* magazine once put it: “Volatility figures for a particular fund only represent deviation of performance from that fund’s mean performance, and not deviation from a particular benchmark.”

The volatility figures you see in the financial media combine upside volatility (good, because they indicate profit potential) with downside volatility (bad – risk of loss of capital value).

“A stock which steadily lost 5 per cent annually would be regarded as riskless by the theorists, because the volatility is low; on the other hand, they would regard a share which shot up 30 per cent year after year as highly risky, because the volatility is high,” has suggested one commentator, Paul Melton.

“For the serious investor, volatility actually provides opportunity… Strange as it may seem, in a global portfolio you are likely to achieve the highest return for any given level of risk by maximizing the volatility of each individual market…

“Ensure that your stock selections exaggerate that market’s movements as much as possible. In choosing individual holdings for a global portfolio, it is wiser to seek market risk than to avoid it. Maximum risk reduction – that is, reducing the volatility of returns – is already inherent in the fact that you are investing worldwide.

“Although market risk cannot be totally eliminated, going global does reduce it sharply.”

Seeking the efficient frontier

Correlation: Coefficients of correlation are ratios that show the extent to which changes in the value of one asset have been linked to changes in the value of another. A ratio of 1 shows complete positive correlation, but one of 0.40 shows only weak linkage, while a negative 0.80 would show a strong tendency for values to move in opposite directions.

For practical purposes, any correlation coefficient above 0.70 is regarded as strongly positive, in the range down to 0.40 only moderately positive, and below that level to show little linkage.

By careful selection of assets in different markets, managers seek what is known as the “efficient frontier” – the point at which return of the portfolio as a whole is highest relative to overall risk.

Indexed or “tracker” funds actually seek perfect positive correlation with the benchmark they seek to track.

Diversification: A portfolio invested in a greater number of assets will generally have lower inherent risk than one invested in a smaller number, even if the individual assets are high-risk, without decreasing the overall rate of return.

Therefore diversification is a basic strategy for reducing investment risk.

A low correlation between sectors will be less effective if either or both of those sectors have higher than average volatility. The ideal diversification, therefore, is one with both low correlation and low volatility.

The main benefits of diversification are achieved if a portfolio is made up of assets which do not have too close a correlation with each other.

A share listed in Turkey, for example, is likely to have a very low or even a negative correlation with one listed on Wall Street, as the forces moving its price are likely to be location-specific, such as consumer demand, interest rates and tax changes.

A company depending entirely on export sales is likely to do well precisely when a firm depending on imported products or components is suffering from a weak currency. Putting one in your portfolio would neutralize the currency risk.

However, international diversification isn't always very effective. It doesn't offer much of a protection against stock-market collapse, as a crisis in any market of significance tends to reverberate around the world, as we saw in 2008.

"Downside market movements occur much more in parallel than upside ones", says Swiss Bank Corporation. Experience since 1969 has been that "shock-like events… wiped out most of the benefits of diversification".

Various ratios are commonly used to measure risk…

Alpha: This shows how much the individual fund has exceeded the return of the benchmark in risk-adjusted terms…

Beta: This ratio indicates how well a share or fund has performed relative to a particular benchmark -- usually a sector average or an index.

If, for example, a stock has a Beta of 1.5 relative to its sector average, that means that it has tended to rise or fall at a 50 per cent greater momentum than its peers.

A related concept is "tracking error", or the extent to which a fund has underperformed when measured against its peers.

Relating performance to the level of risk

Sharpe ratio: In its original form, this measures the outperformance of a fund over and above a notional risk-free return, such as those offered by 90-day Treasury bills, divided by its standard deviation.

So, for example, a fund which has achieved only a small outperformance against a benchmark, but with a very low volatility ratio, will have an attractively high Sharpe ratio.

In its simpler "Modified" form favoured by myself and the World Bank's International Finance Corporation, the deduction of a risk-free return is ignored. The investment return of the asset is divided by the SD to provide a ratio for comparison with peers' or an index.

A deficiency of Sharpe ratios is that they can be very high for completely different reasons -- because of aggressive, relatively high-risk, fund management, or because of very cautious, low-risk management.

However, they do provide a measure that relates performance to the level of risk taken. Morningstar, a major performance analyst in America, awards its star ratings to funds on the basis of their Sharpe ratios.

Treynor ratio: This is similar to the Sharpe ratio, but instead of the return in excess of risk-free return being divided by the SD, it's divided by the Beta.

It measures the level of outperformance a fund has achieved taking into account the greater or lesser levels of risk it has taken relative to its peers.

Maximum drawdown: This shows the maximum amount an investor could have lost had he bought and sold a share or fund unit at the worst times. It is expressed as a percentage of purchase capital, and is a kind of worst case scenario based on historical experience.

Consistency: This measures the risk that a fund is likely to underperform relative to its peers in any one period, such as a year.

It is based on the frequency that a fund manages to achieve outperformance, such as appearing in the top quartile, quintile or even decile (25, 20 or 10 per cent).

Affective factors: The same investment can produce very different results, depending on how you use it, how long you hold it for, and when you buy and sell it. Hold a gilt to maturity and you have no market risk; trade it and you do.

A common error is to judge currency risk on the basis of the currency in which a fund is denominated. What matters are the currencies that drive the earnings of the assets that a fund holds relative to your own.

For example, if a Japanese fund invests in US shares geared to the American market, what matters is not the yen/dollar exchange ratio but the relationship of the dollar to the currency in which you measure your wealth.

All measures of investment risk suffer from the limitation that they do not take into account the situation and attitudes of the individual investor.

If you are young and carefree you will aim high; old and cautious, you will aim low.

Clearly a retired couple with little income and a small amount of assets will be less able to risk fluctuations in their investments than a young couple years away from retirement.

Not only will different investors have different views on what constitutes risk, but also their capacity to accept risk will differ. That is why risk judgements must be related to your own individual circumstances, attitudes and investment skills.

Qatar: the Gulf's Dynamic Mini-state

The Arabian emirate of Qatar has burst into the news.

Surprisingly, it has captured the right to host in 2022 one of the globe's greatest sporting festivals, the football World Cup, where solar powered airconditioning will be used to tame the intense summer heat.

It is also the first Arab nation to intervene aggressively in the Libyan conflict. Its jet fighters are flying with those of Western coalition partners, it has granted political recognition to the anti-Gaddafi rebels, and it's marketing their oil exports.

Despite its tiny population (1.7 million, of whom only 300,000 are citizens, the rest being foreign workers and their families), and small size (a peninsula of 11,000 square kilometres jutting into the Persian Gulf), Qatar has established itself as a global player…

► Its citizens are the world's richest in terms of average annual income, its GDP per capita having reached nearly $89,000. And it continues to grow at phenomenal rates around 20 per cent a year.

► Its North Field is the biggest single deposit of natural gas, with 900 trillion cubic feet accounting for 15 per cent of global reserves. It is the world's largest supplier of liquefied natural gas, shipping 77 million tons a year, and has the biggest project converting gas into liquid fuels.

► It is home to the US's military command and control centre for the Mideast, whose al-Udeid base is the hub for all US air operations in the Gulf region.

► Its Al Jazeera television news service, transmitting in English as well as Arabic, is renowned for its fearless independent reporting and has become a serious competitor to CNN and the BBC in reaching global audiences.

► Its Qatar Airways (my favourite carrier for flying from and to Thailand to the UK and South Africa), is growing phenomenally, at 30 per cent a year. It now has more than a hundred destinations, and is one of the handful of airlines rated five-star by Skytrax, the industry monitor.

The driving force behind Qatar's emergence as a global player is its ruler, Sheikh Hamad bin Khalifa al-Thani, who seized power from his father in a peaceful coup d'ētat in 1995 while the latter was holidaying in Switzerland.

He has mobilized the country's natural resources by attracting international oil giants such as ExxonMobil, Total, Royal Dutch Shell and ConocoPhillips to invest their capital and technologies in four huge complexes they own and operate jointly with Qatar's national company. Foreign investment has already reached about $100 billion.

The huge profits earned have been channelled through a sovereign wealth fund, the Qatar Investment Authority, into long-term holdings giving diversification from the oil/gas sector.

It has taken stakes in major companies such as the Credit Suisse, Barclays and Santander banks, the London Stock Exchange, VW-Porsche, UK supermarket chain Sainsbury, Hollywood film-maker Miramax and "trophy" assets such as Harrod's, the London store. Recently it has shifted its focus to the emerging economies – banking in China and Brazil, resources and real estate in Malaysia and Indonesia.

Al-Thani is also a cautious modernizer. He has poured money into developing the huge academic campus of Education City, overseen by his wife, and into promoting sport, healthcare, science and culture. He plans to replace Arabic with English as the teaching medium in schools and colleges.

He has improved women's rights -- they are allowed to drive cars and attend American-run universities' mixed student bodies.

He has promoted freedom of information throughout the Arab world through his sponsorship of Al Jazeera, which gets subsidies of about $400 million a year. Televised debates held in Qatar are said to "break political taboos."

Friendly with everybody

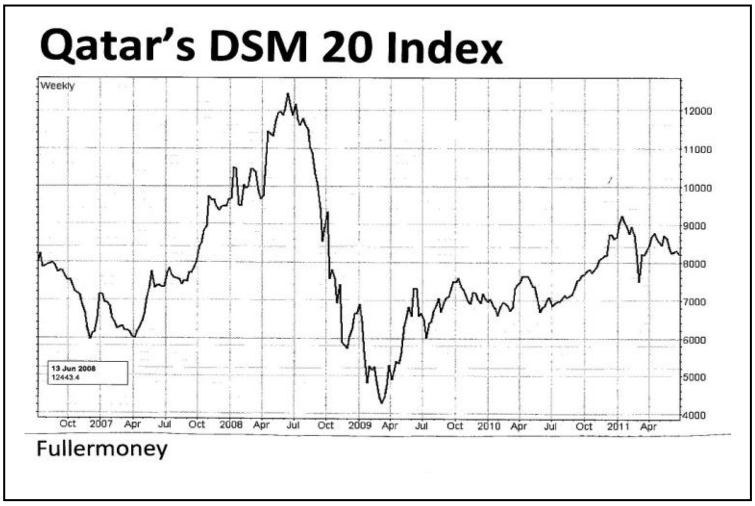
But what makes Al-Thani particularly unusual is the way he has used aggressive centrist diplomacy, leavened at times with judicious handouts, to build himself into the Arab world's leading negotiator, notably in Lebanon and Sudan.

Qatar pursues a foreign policy that is often independent of the positions of mainstream Arab states – for example, it maintains good relations with Iran, notwithstanding its provision of a free base to the US military.

It even allowed Israel to open a trade office, its first in the Gulf, although that was forced to close after the invasion of Gaza.

"Our policy is to be friendly with everybody," says the emir. That includes Iranian-backed radical movements such as Hamas and Hizbullah, as well as the Americans and the British (he is a graduate of the UK's Sandhurst military academy).

It is possible, but not easy, for foreigners to invest successfully in this promising mini-state.



There is a bourse based in its capital, Doha, now called the Qatar Exchange, that currently lists 44 companies. However, the index of its 20 leading shares has an uninspiring record (see chart), and there is as yet no exchange traded fund offering broad exposure.

The Qatar Investment Fund, a closed-end Isle of Man trust now listed in London (the ticker is QIF), largely consists of holdings in banks.

Chairman David von Simson says that although Qatari holdings in the oil/gas sector are state-owned, so “nobody can invest directly,” a high proportion of profits are now being “channelled back into the domestic market rather than investing overseas.”

So there would seem to be some opportunities in the shares of local firms focused on that market. If you find them…

Continuing Threat from the Mega-banks

It is an outrage that the fundamental flaws in the global financial system have still not yet been tackled by politicians and regulators in the US and Europe, despite the loss of billions in taxpayer wealth brought about by those flaws, argues Thomas Koenig, president of the Kansas City federal reserve bank.

Therefore the system continues to pose a danger to the public, as it encourages major banks to take excessive risks.

The two major reforms introduced so far, the US Dodd-Frank Act and the Basel III capital requirements, “do not solve the fundamental flaw in the system,” Koenig argues – “highly complex and opaque banking organizations engaged in a variety of non-core, high-risk activities while backed by a public safety net.

“The problem is not that banks take risk, but that some are too complex for anyone to assess and control that risk.”

The new-look Dodd-Frank supervisory and regulatory structure, for example, is a design that “cannot be effective, if the risk cannot be monitored or assessed.” Taking appropriate action to control systemic risk is “an impossible task because problems are only obvious after the fact.”

Koenig offered his own ideas “based on the principle that banks should not engage in activities beyond their core services of loans and deposits, if this disproportionately increases complexity.”

Banks should not be allowed to “conduct broker-dealer activities, make markets in derivatives or securities, trade securities or derivatives for either their own account or customers, or sponsor hedge of private equity funds.”

Koenig says the rules he proposes would “allow a bank’s success to flow from the value it adds to the economy rather than the risk it poses to the public.”

Sensible proposals. Why aren’t the politicians implementing them? Are they still too much in the pocket of the bankers?

British documentary producer Adam Curtis says the price of the government bailouts to save the bloated giants of finance and industry has been and is being paid by ordinary people, not the financial elites who were largely responsible. This is because power is concentrated in a handful of financial institutions and corporations.

“After the crash, the elite politicized power to rescue themselves.”

However, this hasn’t been true everywhere. Not all the news is bad.

Iceland’s government has just raised $1 billion through an issue of five-year bonds on private debt markets at yields just above 3 per cent. This is astonishing proof of the success of the country’s policy of restructuring its debt and penalizing its creditors, instead of using public funds to bail out the banks, as has been and is being done elsewhere in Europe.

Its good luck was that the world’s major central banks weren’t interested in bailing out the tiny North Atlantic nation, says University of Iceland professor Asgeir Jonsson.

Facing financial meltdown, its government split the failed banks into two parts – a foreign bank that went into receivership and a domestic one whose deposit base was guaranteed. “Households never lost access to their accounts, since their claims were prioritized over those of bondholders.”

Nasty Consequences of Wrong Attitude

Although there are still a few British civil servants who maintain their traditional reputation for efficiency – the palace officials who organized the recent royal wedding, for example – it depresses me how incompetence has taken over so much of the nation’s public administration.

Latest examples are these revelations:

► Fewer than one out of every ten asylum seekers denied permission to stay in the UK have actually been sent back whence they came, about 75,000 cannot be traced, and more than 160,000 have effectively been given the right to stay because immigration officials have been so slow to process their cases. MPs say that despite years of scandalous failures, the immigration department is still “not fit for purpose.”

► Care quality officials could not be bothered even to investigate complaints about the “systematic abuse” of patients at a residential hospital, including daily bullying and assault.

There are repeatedly reports about how British soldiers have been sent to fight without proper equipment, such as vehicles, radios or even boots. And members of my own family have on occasion suffered negligent, uncaring and even cruel treatment at the hands of staff of the state medical services.

British workers take off twice as many days each year for reasons of sickness as employees in America and Asia, costing companies about $50 billion a year, without even taking into account lost productivity.

Almost half of the nation's businesses now have to offer literacy and numeracy tuition to new young employees so they can perform everyday tasks. More than two-thirds of employers say those leaving school or college lack vital employability skills such as customer awareness.

Who's to blame for the crisis in education? This is a complex problem, but there seems to be a variety of causes including a shockingly bad state schooling system, a breakdown in classroom discipline and disinterested parents.

Why is it that so many Brits treat others in this way? I put down just about everything that is wrong with the country to the wrong attitude that dominates its society.

If you are not taught at home, at school and in the workplace to be caring of others, then inevitably you are likely to be uncaring towards them in your behaviour, in what you do, and how you act towards others. It's what happens when appointments, promotions and rewards are based on academic achievement, technical qualifications, political favouritism or whom you know, rather than on your humanity.

The failures caused by wrong attitude are clear if, as I do, you live in a country which is a shining example of right attitude, where the predominant virtue drummed into all children from an early age by parents and teachers is *greng jai* – respect for and thoughtfulness always towards others. That's why it's called The Land of Smiles.

Investment Ideas

If you are worried that emerging economies will give up their struggle to fight the weakening dollar, allow their currencies to rise and start repatriating their holdings of US bonds, here are three suggestions from *FT* commentator John Authors for hedging your risk:

► Buy those currencies and wait for them to rise.

► Buy American farmland, whose values are already rising sharply and "can only grow more valuable as the shortage of agricultural commodities grows more acute."

► Buy gold, as investors not normally happy about investing in a commodity view it as a shield against generalized inflation.

The best approach to protecting yourself against both deflation and inflation, says investment adviser Tim Price, is to hold a "pragmatic mixture" – high-quality sovereign bonds, units of funds based on trend-following (thus avoiding manager-selection risk), gold, and a "conservative allocation to equities."

If you want to identify where the rebound in global share markets is likely to come from after the current correction has run its course, keep a close watch on China.

Its consumer-price inflation, which hit an annual rate of 5½ per cent in May, is likely to peak this month and thereafter start to decline, suggests the CLSA Asia-

Pacific strategist Christopher Wood. That is also likely to be the point at which the A-shares market troughs, and from which it is likely to start climbing.

The inflation figure will be out on the 15th of next month. Then start looking for "a clear signal" of an end to official tightening, although "the authorities will want to see confirmation of the peaking in headline inflation" before starting to relax their credit squeeze.

Already, Wood says, "insider buying has been increasing of late in the domestic market." This is "an encouraging signal."

Cameron's Crazy Priority

Amazingly, at a time of fierce cuts in UK state spending to restore soundness in public finances, the only category guaranteed to increase is foreign aid – a political gesture by centrist premier David Cameron to the Leftist intellectual classes. He plans to increase such spending of tax money by the equivalent of more than $6 billion.

One angry public critic of this is his own defence minister, Liam Fox. Ironically, the increase in the aid handout is roughly equivalent to the amount being cut out of defence, whose finances are already so tight that Britain's forces are deprived of the resources to fight effectively in Libya, the politicians' latest misguided and poorly planned military intervention.

Another critic is *The Spectator* magazine, which points out that if private donations are included, the UK already gives more humanitarian aid to other countries than anyone else in Europe – seven times as much per person as France, for example.

If private donations are counted together with the avalanche of public money, the UK already meets the international target for what countries are expected to spend on foreign aid, without needing to hand over an extra $6 billion to appease the chattering classes.

As Douglas Casey of Georgetown University once said: "Foreign aid might be defined as a transfer of money from poor people in rich countries to rich people in poor countries."

The fundamental problem in English politics is that conservatives have nowhere to go, Robin Mitchinson writes in his excellent blog *whydonttheylistentous*.

Both "Dave and Millie" (prime minister David Cameron and opposition leader Ed Milliband) were educated at private schools and top universities and "know virtually nothing about real life. They are interchangeable, and many of Dave's effusions could come from Millie without being able to tell the difference.

"Today's choice is between a red lefty toff and a blue lefty toff."

Tailpieces

Hedge funds: If at the peak of the stock market in October 2007 you put your money into a do-it-yourself portfolio consisting of 60 per cent shares and 40 per cent bonds – "the most basic of all investment strategies" -- you would have outperformed the average hedge fund, according to commentator James Mackintosh.

Part of the explanation is that the hedgies cream off so much in fees – typically 2 per cent a year plus 20 per cent of the profits. Another reason is that so many managers who fancy themselves as stock-pickers are really "just leverage addicts."

Mackintosh says that although many of the best managers can be exempted from this analysis. "Having consistently generated strong returns even after fat fees," they now accept little new money. So you can't now gain access to their expertise if you have not already invested with them.

Rather than "being seduced by the industry's glitz and buying second-tier hedge funds," and paying for the privilege, you're likely to do just as well on your own.

Deep-water oil: "The great energy irony of recent years is that governments have thrown hundreds of billions of dollars at wind, solar, ethanol and other alternative fuels, yet the major breakthroughs have taken place in the traditional oil and natural gas business," comments *The Wall Street Journal*.

"Hydraulic fracturing in shale, horizontal drilling and new seismic techniques are only the best known examples."

Only weeks after receiving one of the handful of permits allowing resumption of deep-water drilling in the Gulf of Mexico, ExxonMobil has found a huge new deposit more than 2,000 metres below the ocean. It's estimated to contain about 700 million barrels of oil equivalent.

"Private companies must innovate to survive, and they have the profit incentive to do so," says the *WSJ*, "while government cash is usually steered to politically favoured companies that may or may not know what they're doing."

If you live off government subsidies, "you need to work the corridors of power more than the technology."

IPOs: When a company lists its shares on a stock exchange it usually simultaneously offers some to investors generally to raise capital for expansion. But such offers, called IPOs, or Initial Public Offerings, are controversial.

The legendary American billionaire investor Ken Fisher says those initials really stand for It's Probably Overpriced. "The history of IPOs is very clear" – for investors who buy into them, "they're money-losing activities."

Theo Casey of *The Fleet Street Letter* says that initially such new shares are bought by investment banks involved in the flotation "to prop up the price in the early days." But "when this support subsides, the shares regularly take a tumble."

Later comes "the real selling activity" when the lock-up periods, which prevent insiders from selling their shares after the company first lists, comes to an end. For example Ivan Glasenberg, chief exec of recently-listed Swiss mining giant Glencore, will be allowed to sell a fifth of his multi-billion personal holding every 12 months.

Share prices nearly always fall after lock-up periods expire, Casey says. "Those firms financed by venture capital tend to experience the worst sell-offs."

China's potential: One indication of how much greater potential there is for economic growth in China is that 80 per cent of the population still lives in conditions comparable to the poverty of sub-Saharan Africa, with some 600 million people living in households with incomes below $1,000 a year.

However, there's no doubt that China is going to face a huge problem feeding its people as they grow richer eat better.

I recently came across this interesting item: "A major difference between China and the US… is that 40 per cent of the latter's land can be cultivated, but only 11 per cent in China. The development of a highly mechanized and scientific agricultural sector in the US means that… 80 per cent more farmland than China… translates into ten times more farmland per capita."

America not only feeds its large population, but is also a leading supplier of farm produce to the rest of the world, whereas China is becoming the world's biggest importer of farm produce.

Tax avoidance: When investing internationally, you should be aware that some countries impose withholding taxes on dividend and/or interest income paid to foreign holders usually at rates of 10 or 15 per cent.

If you want to avoid such taxes (and of course assuming that you aren't a taxpayer of such countries), the best – because they don't levy any – are companies that pay out in the UK, the British tax havens such as Isle of Man, Finland, Hong Kong or Qatar.

Among the countries that don't tax dividends paid to foreigners, but do tax interest, are Cyprus, Mexico and Singapore.

Among those that don't tax interest, such as is paid on bonds, are most European countries (including France, Germany and the Netherlands), Kuwait and Oman on the Persian Gulf, South Africa and the US.

US money market risk: The developing crisis in the Eurozone is a threat, not only to European banks, but also to American money-market funds. Paper issued by European financial institutions now accounts for 44 per cent of their assets, according to a recent study by Fitch Ratings.

UK dottiness diary: Two seven-year-old boys have been disciplined by their school for "threatening behaviour" – making pistol shapes with their fingers and pointing them at each other.

Another school has asked parents to clothe their children in loose-fitting uniforms "to deter paedophiles."

Wise words: *Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.* Ronald Reagan.

Martin

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