KEYSTONE

PERSPECTIVE

AUTUMN 2020

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DEAR READERS,

Welcome to the third edition of Perspective – our half yearly newsletter. So much has happened since our last publication in the Spring. The world has been turned upside down by a global pandemic which has dominated headlines the last few months and influenced the actions of governments, corporations and private individuals across the globe. Other significant geopolitical events such as the US elections and Brexit have taken a back seat during this time and only now beginning to make headline news again. Even then the rapid surge in new cases of coronavirus heading into the autumn and winter threatens to claim more lives, derail the economy and overshadow all other news. We hope you and your loved ones have remained safe and well through all of this and despite the incomprehensibly strange times we are living through you have managed somehow to relax and recharge over the summer months. .

In this edition of Perspective, we discuss the strong performance of technology stocks and the impact this sector has on the wider macro picture with asset managers Daniel Curtis and Henry Johnstone of Cazenove Capital; Karim Bazzi of premier property search firm Homes One offers an update on the state of the property market in the Capital; family lawyer Jeffrey Cohen of Mackrell Solictors shares some thoughts on succession planning for family businesses and we take a closer look into financial planning for long term care – a critical but often neglected subject. Finally, a longstanding client and avid watch collector talks to us about his passion for haute horology. Yet again, we are extremely grateful to all our guest contributors in this third edition of Perspective for supplying some original and thoughtful content to share with you in this newsletter. If a particular article piques your interest and you would like to learn more, please get in touch with us. As ever, we welcome your feedback on this newsletter and any previous editions so please do not hesitate to drop us a note with your thoughts at help@keystone-capital.co.uk

For those of you who missed our announcement in the summer, we are really delighted to have completed our first year in business on 1st July this year. Despite the challenges of a pandemic thrown at us in our first year of operation, we have found it a very rewarding experience to set up the business and are really proud of the way it has shaped up and taken on its own identity. A sincere thank you to all those who have supported us in this journey so far. As with any new business the first couple of years of operation are vital to its continued success so please do talk to us if we can help you with any aspect of your finances and do remember us if you find yourself talking to a friend, family member or business associate who might benefit from a friendly chat with us about their finances. We look forward to catching up with many of you over the coming months.

All the best,

Samik & David

Is IT Déjà Vu?

INTERVIEW WITH DANIEL CURTIS AND HENRY JOHNSTONE

Portfolio Managers, Cazenove Capital
www.cazenovecapital.com

It has been widely written how strongly technology stocks have performed during the course of 2020 compared to other sectors, and indeed their performance prior to 2020 has caught the attention of investors and commentators. We take a closer look at the technology sector in an interview with Daniel Curtis and Henry Johnstone of Cazenove Capital to see what the strength in this sector might mean for the wider macro picture.

The largest US technology stocks - Apple, Microsoft, Amazon, Facebook and Google (Alphabet) - known as the "FAMAGs", spearheaded the recovery in the US stock market from the depths of the Covid-pandemic in March. These "superstar" companies have largely benefitted from the economic fallout of the crisis, as more people rely on their technology to work and shop from home. Our ability to host client meetings from the comfort of our own living rooms being the perfect example of this dependency. However, investors are beginning to question the top-heavy composition of the US equity market and the sustainability of the tech rally given the increasing dominance of these firms.

Q. WHAT HAS BEEN THE IMPACT OF BIG TECH SHARES ON THE STOCK MARKET SO FAR THIS YEAR?

HJ. With Apple briefly becoming the first US company to be valued at US$2 trillion, it is necessary to consider the impact of the tech sector on market returns. It is fair to conclude that Big Tech has dominated the returns of the S&P 500 in 2020. When you strip out the returns of the FAMAGs you can see that the US stock market has actually performed more in line with other global equity markets (i.e. a negative return year-to-date). The divergence in the green and blue lines on the chart below emphasises the outperformance of the big technology companies in the period after the brutal sell-off in March.

Interestingly if we exclude the tech giants, at their 2020 peak US equities would have been 11% lower without the FAMAGs. This is how important these firms have become.

Figure 1: At their 2020 peak, US equities would have been 11% lower without the FAMAGs

Past performance is not a guide to future performance and may not be repeated.
Source: Refinitiv Datastream and Schroders. Data as at 14 September 2020. Notes: FAMAG is a market-cap weighted index of Facebook, Amazon, Apple, Microsoft and Alphabet (Google).

Q. SO WHY HAVE THESE FIRMS BECOME SO INFLUENTIAL?

HJ. One reason why these companies have become so significant is because they are the most heavily weighted stocks in the index. Investors' urgency to buy these tech stocks over the last 12 months has propelled the weight of the FAMAGs in the S&P 500 Index to a record high of 25%, more than double their weight from five years ago. This means that the performance of the FAMAGs will clearly impact the performance of the overall market more than a small cap company will.

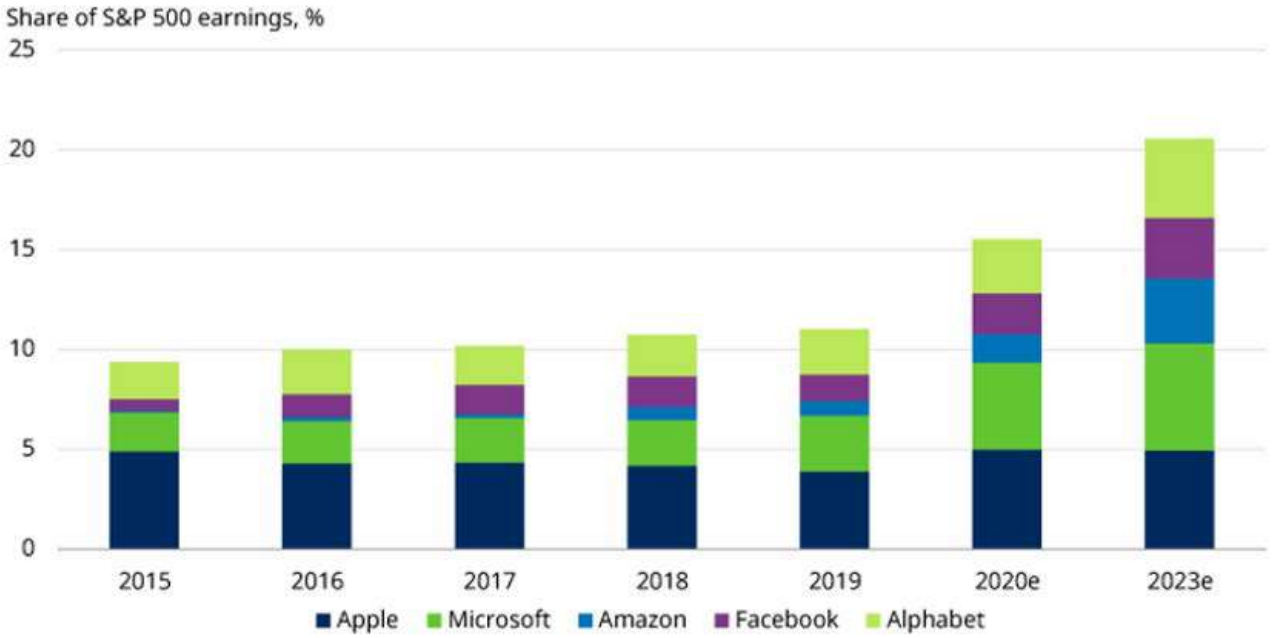
To illustrate this, let's suppose hypothetically that the FAMAGs collectively fell by 10%. That would mean that all remaining 495 stocks in the S&P 500 would need to increase by at least 3.3% just for the whole index level to stay the same.

Q. DO YOU THINK THAT STOCK MARKET VALUATIONS ARE RINGING ALARM BELLS?

HJ. This is the question that confronted investors at the height of the dotcom bubble in 1999 before it burst. We find that comparisons between the 1999 dotcom and today are often oversimplified. They tend to ignore the fact that many of the fast-growing internet companies back then were not generating significant profits or cash flows.

Figure 2: FAMAGs generate 20% of projected 2023 S&P 500 earnings

Schroders



Forecasts included should not be replied upon and are not guaranteed. Any references to securities are for illustrative purposes only and not a recommendation to buy and/or sell.
Source: Refinitiv Datastream and Schroders. Data as at 31 August 2020.

In contrast, the current tech giants are highly profitable. They account for 15% of trailing 12-month S&P 500 earnings and an even higher proportion of forecast earnings, e.g. 20% of projected 2023 earnings. When benchmarked against their market cap weight of 23%, which reflects all future earnings, their valuations no longer look as extreme.

Q. HOW ARE BIG TECH COMPANIES REACTING TO REGULATORY AND POLITICAL PRESSURE?

DC. Faced with the threat of regulatory action to limit their market dominance, Amazon, Facebook, Apple and Alphabet's Google are spending millions of dollars each year trying to influence regulators and politicians on policy issues ranging from data privacy to taxes.

For example, according to the Centre for Responsive Politics, Amazon and Facebook spent a record $17 million each in 2019. This was more than any other US company. This is not just a tech phenomenon, however. Academic studies show that corporate lobbying has been a key explanation for the decline in competition across numerous US industries.

In a recent Bloomberg interview, the chairman of the US House Antitrust panel, which is leading investigations into Amazon, Facebook, Apple and Alphabet's Google, stated that these firms were abusing their market power to maintain their industry dominance. The chairman was critical of the government's track record on policing anti-competitive behaviour, such as Facebook's acquisition of Instagram.

Investors should stay on guard if decisive regulatory action is taken against the tech giants. Given their high benchmark weights, it could drag returns for the overall US market lower if confidence in them deteriorates for any reason. The closer a portfolio's weights are to the benchmark, the bigger this risk. As alluded to earlier, passive strategies are most exposed.

In conclusion, the FAMAGs have grown ever more influential, whether through index concentration, stock price performance, earnings generation, and money spent lobbying.

Q. IN CONSIDERATION OF ALL OF THIS, HOW MUCH EXPOSURE DO YOU HAVE TO BIG TECH IN CLIENT PORTFOLIOS?

HJ. It is our job as Portfolio Managers to be mindful and comfortable with the risk that we are running in our client portfolios, and importantly we must assess whether we are being rewarded for taking those risks. Currently in our portfolios we maintain a strong allocation to technology - both through exposure to some of the FAMAGs as well as technology companies that are working in other areas such as gaming and biotechnology - as we believe the long-term structural trends surrounding the sector outweigh the aforementioned risks. Whilst we acknowledge that there may be some volatility, we think our clients will continue to be compensated with strong returns over the longer term.

Daniel Curtis and Henry Johnstone have been working together at Cazenove Capital for the last 5 years, both managing portfolios for private individuals, trusts and charities. Prior to Cazenove Capital, Daniel was a Portfolio Manager with Brewin Dolphin whilst Henry started his career with RBC Wealth Management. Daniel holds the CISI Masters in Wealth Management and graduated from Durham University with a BA (Hons) in Economics. Henry meanwhile holds the CISI Chartered Wealth Manager qualification and also graduated from Durham with a BA (Hons) in Geography.

Succession & Continuity of a Family Business

BY JEFFREY COHEN

Head of Private Clients, Mackrell.Solicitors
www.mackrell.com

Passing on the reins of a family business remains a subject of serious contemplation for many entrepreneurs. How one deals with a business asset such as a company or partnership interest and whether this is dealt with in one's lifetime or in a Will contains within itself some very special considerations. How does a patriarch of a family business pass that business on to the next generation? Does the next generation actually want to take on the running of that business? It could well be that the children have never been part of the business and they have their own careers so inheriting responsibilities of the family business may not be appropriate. What happens if a business owner leaves behind shares that happen to be a minority holding in a private company? The beneficiary may, on paper, have a substantial asset but in fact, no access or control over distribution of income and to dispose a minority holding in a private company may not be so easy. There are many solutions that a business owner can explore when considering succession planning in their lifetimes.

BUSINESS POWER OF ATTORNEY

If a person is running a sole practice, they should consider what would happen if they were to lose capacity. They may have, for example, a Lasting Power of Attorney appointing their spouse or maybe one of the children. However, they may have had nothing to do with the previous running of the company and therefore not be the most appropriate people to run the company during the business owner's incapacity. A person should therefore consider having a separate Business Power of Attorney which will deal with these aspects. For example, they may like to appoint a manager from the business who would be able to make decisions concerning the running of the business or indeed bringing an outside professional to help while they lack the necessary capacity.

DOUBLE OPTION AGREEMENT

The owner of a business may well decide to pass on the shares in the business to a surviving spouse or indeed the children. However, one should be mindful of the various issues that may arise. If this happens to be a minority holding, they may not have a say over the decisions made by the company, such as declaring dividends. Also, because it is a private company and a minority shareholding, the market for sale of those shares may be quite limited, making it difficult to raise capital. Although on paper the family may have inherited a valuable asset, the reality is that it may not really be much use to them if they have no control over either the capital sum or an income stream from that asset.

This can be dealt with in a number of ways. For example, a double option agreement under which the surviving spouse would be able to call upon the other shareholders to buy out their shares so that they end up with a capital sum. It may also benefit the co-shareholders as they may not want to be in partnership or have a minority holding in a company with someone they have not previously dealt with. This will then enable the remaining shareholders to buy out those shares. This can also be coupled with a life assurance policy so that the co-shareholders have sufficient cash to purchase the shares from the beneficiaries. The best part of a double option is that they do not have to exercise it if they want to continue in business together. Looking at this from an inheritance tax point of view, if it is an option it is not treated as an actual contract and therefore will still get full business relief for inheritance tax.

CREATING A FAMILY TRUST

A person may well wish to pass the business on to a surviving spouse. This transaction is of course free from any inheritance tax. A trading business may well be free from inheritance tax too and therefore passing on an asset that is free from inheritance tax to a beneficiary who will not be liable to inheritance tax may be wasting the valuable tax exemption. One option would be for the business owner to leave the shares in the trading company to a family trust in their Will. The family trust could then sell that asset back to the surviving spouse who would then buy it with any cash assets from the rest of the estate. The trust will then have cash in it but will only pay 6% inheritance tax every 10 years, as opposed to 40% every generation. The trust will have to last more than 60 years for it to pay more tax. The surviving spouse will now have back in their estate shares in a trading company and if they retain those shares for a minimum period of two years it will once again qualify for full business property relief. This would lead to very substantial savings and at the same time pass on those business assets to the next generation.

GOLDEN SHARES & FAMILY CHARTERS

It is not uncommon in a family business that one of the children is working for the company and has made material contributions to its success, whereas the other children have not been involved with the business. Is it fair to divide the company equally between all the children, in which case those who are not working for the company almost certainly would want their money out? The child working for the business may also feel it is not equitable for them to continue to work for the business when it is their siblings who will benefit. Of course, they may feel otherwise. In such a case when handing on the business the patriarch should consider if they want to share it equally or give a greater share of the business to the child who has been working in the business. They also may be able to create what we call a "golden share", i.e. a share with special rights, which they would leave to the person working in the business so that they are able to retain control over important issues. All these matters, of course, will need to be discussed in detail with the client and often the wider family in order to reach the right solution for them. It may be sensible to put in place a Family Charter in order to ensure a smooth transition of the business through generations.

Jeffrey Cohen is Head of the Private Client department at Mackrell.Solicitors. He is a highly experienced private client lawyer and focuses on all aspects of private client law, wealth management, tax and trust law including estate and inheritance tax planning. Jeffrey is a member of the Society of Trust and Estate Practitioners (STEP) and is often asked to speak on trust and tax planning matters.

Property in the Capital – Hot or Not?

BY KARIM BAZZI

Founder & CEO, Homes One
www.homes-one.com

The state of the property market has always been a subject of much interest and debate. Regardless of whether the mood is upbeat or all doom and gloom as a nation we are fascinated by property prices. London property is experiencing a real shift in demographics right now as more international buyers are tempted to invest in brick and mortar by both the present Sterling weakness and attractive prices whilst domestic buyers prioritise comfort and quality of living over any potential returns from property.

LOW INVENTORY FORCES PRICES UP

No one is feeling forced to sell because money is cheap with so much stimulus around leading to a lot of competition for the best properties. Some buyers are even paying over the asking price. There is also a lot of pent up demand after the triple whammy of EU referendum, the general election, and now the pandemic. I suspect that there may be a price surge if stock levels get any lower as inventory is already scarce. I also noticed recently that the overall number of discounts have been dropping, which suggests competition amongst buyers is improving. Low levels of stock have the same effect in all industries - prices are likely to go up if supply does not keep up.

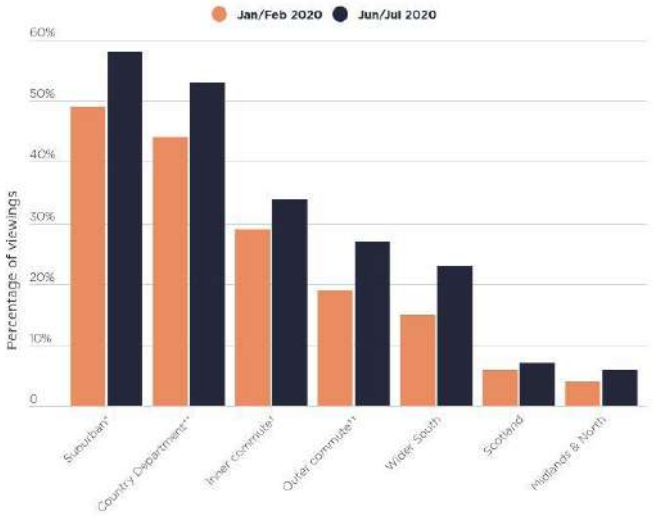
STERLING WEAKNESS MAKES UK AN ATTRACTIVE DESTINATION

We have a strong belief at Homes One and that it is always a good time to be buying for somebody. Right now, that somebody is quite likely to be an international buyer, although this too has proved tricky due to the travel restrictions this summer. At a time of great geo-political instability, polarity and extremism, the UK has been dealt a particularly difficult hand. The last recession was swiftly followed by Brexit, then a General Election, and now Covid-19. All this has meant that our currency is particularly vulnerable against the dollar and the euro, enticing foreign buyers to consider investing in London property.

TRADITIONAL VALUES OF FAMILY, SPACE AND GREENERY HAVE NEVER BEEN MORE IMPORTANT

In many ways the notion of 'home', particularly in Prime Central London, had been reduced to an abstraction pre-Covid-19. We saw it as a place to eat and sleep in. Children went to school, adults went to work, and home was more about convenience for those two ends... it was all about helping us to 'do' rather than being a place to 'be'. Post-lockdown people's requirements have completely changed, with leafy suburbs and gardens (Fulham, Battersea, Chiswick) - or even a move to the home counties – holding greater attraction. People now desire family homes - somewhere green and spacious, where the whole family can relax, exercise, work and live together.

Proportion of viewings by Londoners Interest in property outside London is increasing



Source: Savills Research using TwentyCi | **Note:** *Within the M25 **Country Department consists of £2 million+ country houses †Within a 30-minute commute ††Within a one-hour commute

SIGNIFICANT DISCOUNTS AND EVEN SOME BARGAINS IN CENTRAL LONDON

Following this increased demand for space and greenery, traditionally sought after postcodes such as Mayfair, Knightsbridge, Belgravia and even Bayswater and Maida Vale have all seen their desirability fade - as space in these neighbourhoods is a rarity and gardens are all but non-existent. As well as the 23% price drop in Knightsbridge & Belgravia, prices in Bayswater & Maida Vale have fallen by 19% from their heights six years ago. I recall setting up Homes One back in 2007, just before the Financial Crisis which resulted in a 'double dip' recession or a W shaped recovery. Between 2008-2011 house prices were largely flat and deals were very hard to come by, it was then followed by three years of stellar performance. I expect this recovery to be quicker – many are predicting it will be a V shape this time around - which would imply a sharp drop followed by a bounce and then new momentum. It may well be an opportune time to invest in these postcodes for that reason alone.

STAMP DUTY HOLIDAY ENCOURAGE THOSE SITTING ON THE FENCE

£15,000 savings on stamp duty on the first £500,000 of purchase price is good news for everyone, so we have seen a surge in enquiries from people coming off the fence enticed by such incentives. From a buyer's point of view, £15,000 could pay for some renovations, removals, furniture etc and most of us appreciate such extras. Between now and March next year when the stamp duty holiday ends, I predict many who have been sitting on the fence will swing into action and it will not be limited to just first-time buyers either. This scheme has already had a positive impact on the property market and could breathe further life into it over the Autumn.

Karim Bazzi is CEO and Founder of Homes One. Homes One is a premier London based property search company with a client focussed and personalised offering, helping people with all aspects of their property purchase. Karim specialises in high value transactions as well as investment and residential property developments.

Care for the Long Term

BY DAVID MCLELLAN

Director & Co-founder, Keystone Capital
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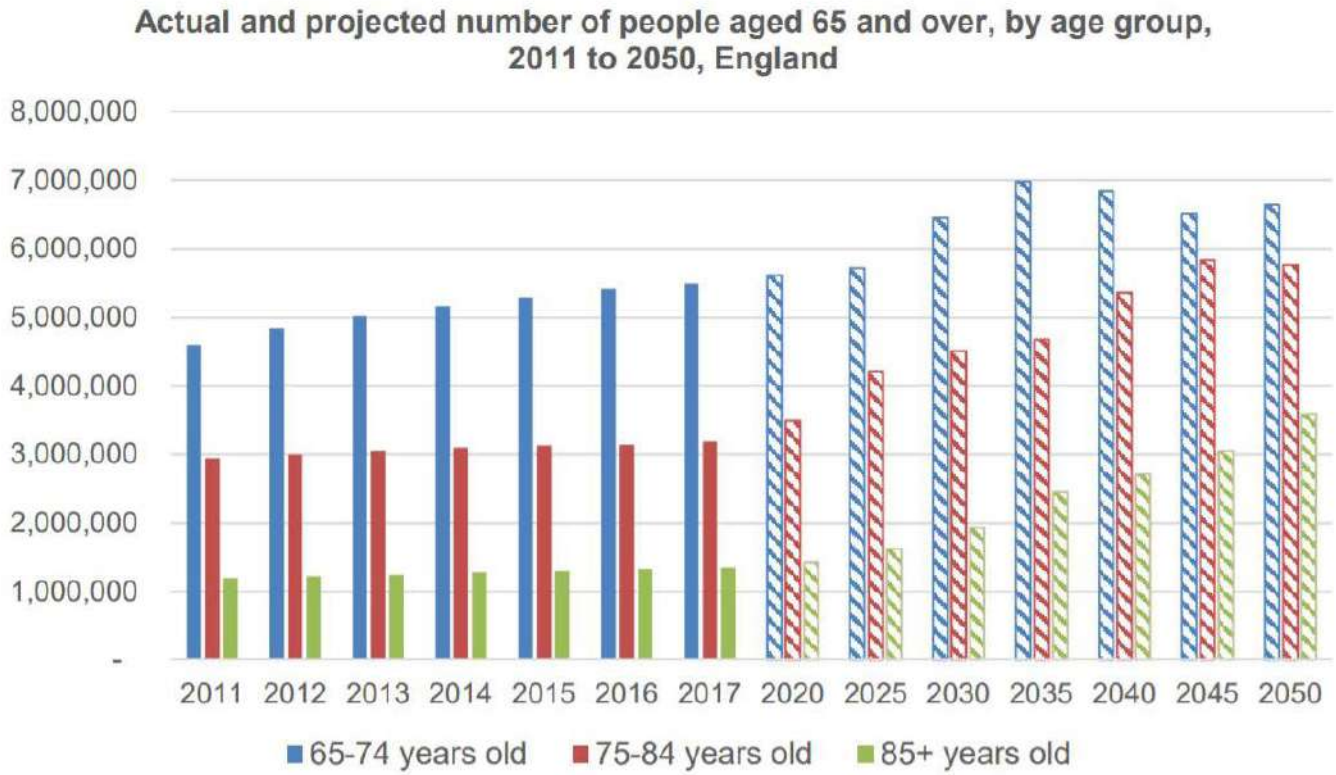
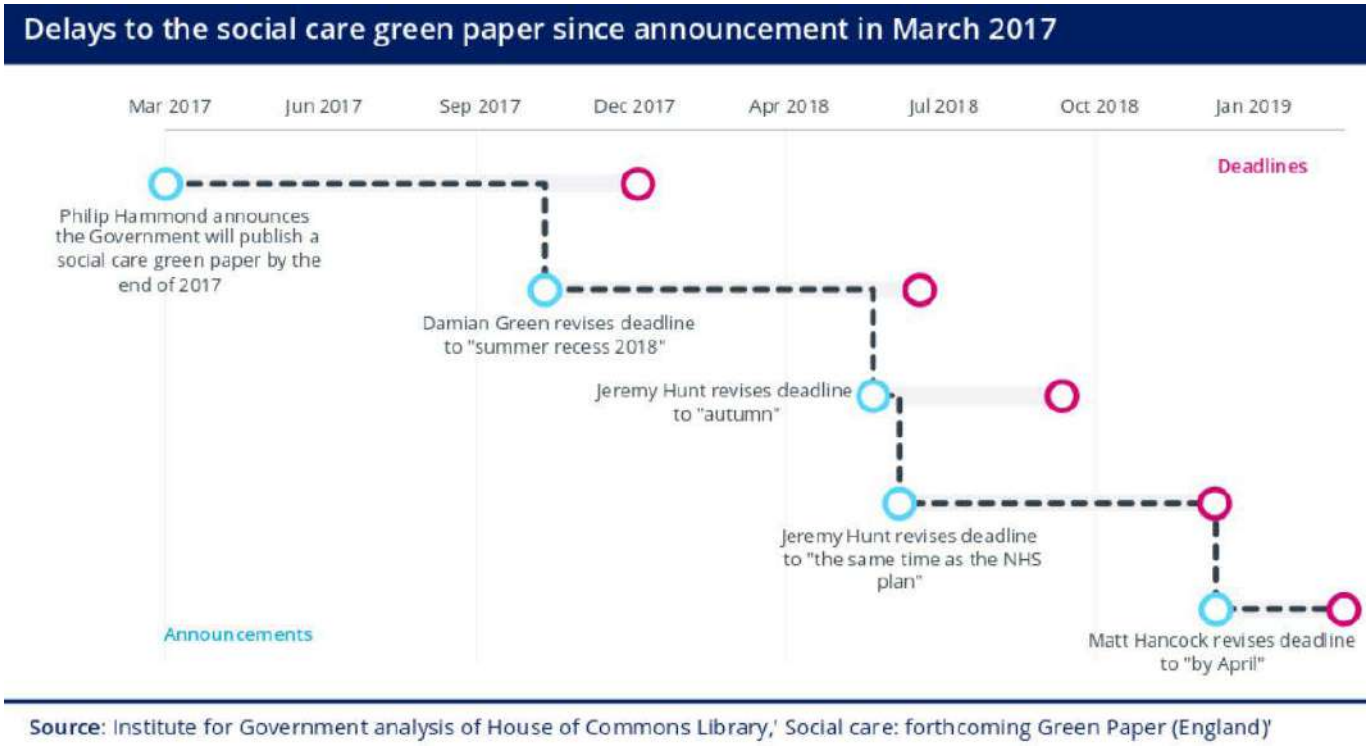
Over 1.4 million people in the UK are aged 85 or older and this number is expected to treble in the next 30 years. Around 800,000 people in the UK suffer from dementia and it is estimated that 400,000 adults are in residential care. One in ten of us will end up paying more than £100,000 in care costs and it is a topic which most of us will be affected by, if not already then at some stage during our lifetimes. This article explores the financial implications of needing long term care and some of the solutions that are currently available.



Source: ONS, Analysis of population estimates tool; Mid-Year Estimates 2011-2017 among those 65+

GOVERNMENT DILEMMA

Assistance available for long term care, or rather lack thereof, has been debated in Parliament for years and any attempts to find a fair solution to the conundrum have eluded governments to date. A comprehensive report by the economist Andrew Dilnot in 2011 (the Dilnot Commission) recommended a cap on lifetime total care costs of £35,000, after which people would be eligible for state support. The Conservatives went into the 2015 election pledging a £72,000 capped level after a humiliating U-turn when their initial means tested approach was dubbed a 'dementia tax'. Its introduction was subsequently deferred. A Green Paper was proposed in 2017, but is constantly being kicked into the long grass due to the complexity and lack of cross-party consensus. Even with a renewed spotlight on social care due to the pandemic, the daily crisis management of the pandemic itself and, of course, Brexit are consuming the government's energy. This combined with record government debt makes it seem unlikely we will see significant reform any time soon.



Source: Institute for Government analysis of House of Commons Library,' Social care: forthcoming Green Paper (England)'

STATUS QUO

Presently anyone with more than £23,250 in assets is expected to meet the full costs of their residential care. Assets for consideration include the main residence unless a spouse or partner still lives there, but Discretionary Trusts are not usually treated as capital unless the local authority believes the Trust was established deliberately to avoid paying care costs. In fact, the capital of any act of 'deliberate asset deprivation' is likely to be regarded as notional capital or income and taken into account when assessing an individual's contribution towards the cost of their care.

So, for most of our readers it is likely that self-funding would be the only real option, and the huge costs involved can be very disheartening, sometimes running into the hundreds of thousands of pounds over one's lifetime. Costs are also geographically wide ranging shown in the national average weekly cost chart below. One also needs to bear in mind that the annual rises in these costs comfortably outstrip inflation.

Area	Residential Care		Nursing care	
	Frail Elderly	Dementia	Frail Elderly	Dementia
North East England	£563	£575	£674	£697
North West England	£519	£530	£792	£820
Yorkshire and the Humber	£561	£572	£761	£787
East Midlands	£589	£601	£754	£780
West Midlands	£577	£589	£854	£883
East of England	£670	£684	£980	£1,014
London	£721	£736	£922	£954
South East England	£732	£747	£1,017	£1,052
South West England	£662	£676	£955	£988
Wales	£574	£586	£767	£794
Scotland	£674	£689	£823	£851
Northern Ireland	£519	£530	£669	£692
UK	£617	£630	£844	£873

Source: *LaingBuisson, Care of Older People UK Market Report*, 29th edition, published May 2018

SOLUTIONS

The dilemma is that it is difficult to predict whether or not you are going to need long term care, and if so when and for how long. As is typical, there is no silver bullet solution and any discussions should form part of a wider holistic long-term planning exercise, for example in conjunction with Inheritance Tax planning.

For anyone who lacks an income stream sufficient to cover the ongoing cost of care (and given the significant costs involved that is most of us!), some of the solutions we are able to discuss are: -

PRE-FUNDED LONG-TERM CARE INSURANCE

This provides a level of benefit designed to meet an individual's anticipated care costs in return for an initial lump sum payment or regular premium. The level of cover is selected from the outset and can be indexed for future increases in costs. This can provide peace of mind but will only pay out if there is an actual requirement.

IMMEDIATE NEED CARE PLANS

Pays individuals immediately a set income in return for an initial payment into an annuity. Deferred care plans may also be used where there is a care need at the outset, but the care benefit is not paid immediately. This may be suitable where there are sufficient funds to cover for the first few years of care and help keep the cost of the annuity down. Both can be index-linked and are paid tax free if paid directly to the registered care provider. The payments continue for life, the downside being it is possible you may not get back in payments what you have paid to purchase the plan.

INVESTMENT PORTFOLIOS

An alternative is to invest in a well-diversified balanced multi-asset portfolio. The benefits of this approach are full flexibility to meet the potential fluctuations in annual care costs and changing levels of care required with the possibility that some of the assets will still be available for your estate to distribute on death. There would be an element of investment risk and the chance that the assets are completely depleted in your lifetime, at which point state assistance would become necessary.

It is important to have these discussions as part of a wider review as everyone's circumstances, concerns and priorities differ. It could be that no action is recommended or a combination of the above or alternative solutions would be appropriate. Something everyone should consider, however, is putting in place Lasting Power of Attorneys (LPAs) for both Property and Financial Affairs and for Health and Welfare. These are legal documents that allow someone (or multiple people), usually a close family member or a professional adviser, of your choice to make these important decisions for you, or act on your behalf, if you are no longer able.

David and Samik both hold necessary qualifications to advise on Long Term Care planning. In addition, David has personal experience of managing the personal and financial affairs of his Uncle, who is in a nursing care home with advanced stages of Alzheimer's. If this is a matter close to your heart, please do reach out to discuss the issue even if it is simply to hear about our experience in dealing with these situations.

A conceit about time

BY CALCULO TEMPORIS

Calculo Temporis is an avid collector of fine watches and a long-time friend and client of Keystone Capital. Despite holding a very senior role in the City, he found the time to put together a formidable collection of timepieces that would make many industry professionals sit up and take notice. Here he tells us how it began, briefly recollecting his journey as a collector and the joy he has found from following his passion.

For all my time I have been fascinated and beguiled by its measure, watches and clocks. Many others have shared this passion, including Eric Clapton, Plato, The Dalai Lama, Dr. Iris Ko, Derek and Rodney Trotter, Albert Einstein and Vladimir Putin. More precisely my first serious watch, like Einstein's, was a Longines: although mine did not prompt me to explore special relativity and it certainly did not sell for $600,000. Whilst on vacation with my wife-in time-to become in Switzerland I embarked on a permanent affair with Rolex (there remain three of us in this relationship: she favours Pearlmasters and I Daytonas; we both love the gorgeous dials). The Dalai Lama of course has a more spiritual relationship with his Rolex Day Date even when he is doing his own repairs.

We buy mostly new from reputable dealers like our friends at Wempe in New Bond Street or occasionally second hand, but unworn, from dealers with whom we have had a long relationship. Not for us the frisson of the auction houses enjoyed by many: the bidding on items of particular interest is enough to make even hard-nosed traders faint! Nor the collection of value vintage models beloved of many aficionados: fashionable power dressing might be less serious, but it is a lot of fun (be careful though). Even for Russian Presidents it can be the whole point.

Abraham Louis Breguet

Soon enough my passion became more complicated - mechanically that is (horologically defined as more than hours, minutes and seconds) and so I turned to the old master. Plato might have invented it but Abraham Louis Breguet came up with a watch version of the alarm time-keeper called Le Reveil du Tsar for Alexander I of Russia. He also patented the so-called Tourbillon, amongst many other inventions, a rotating cage to offset the effect of gravity on parts of the watch movement; to own one was to enjoy the exquisite fired blue hands, ribbed case, and guilloche dial with the tourbillon itself proudly visible through it.

First Tourbillon

Sometimes the urge to acquire can be overwhelming. Dr. Iris Ko in the middle of an operation in 2017 is famed to have commented:

> "The patient's asleep on the table; I've got to get this watch"

it was a Vacheron Constantin Special Edition with a scale designed to measure heartbeats per minute. So it was with my Vacheron Perpetual Calendar Chronometer - except I had no practical excuse. My brief history passes over perpetual calendars which measure from seconds through to leap years without needing adjustment and to the grand complication of choice for connoisseurs which adds to this movement the stopwatch function often exact to one fifth of a second. Beginning with Patek Philippe all the great manufactories produce these masterpieces. Eventually, I acquired examples from A Lange & Sohne, and Patek to compare with my Vacheron. Learned essays are to be found on which is best; these three make up the heart of my collection.

I watch indices that say I should have done well financially over the last 25 years. They or I are wrong. Of the 40 or so watches my wife and I have owned none has been sold at a profit; and only one I have is worth more than I paid, my prized Patek Philippe 5970P Perpetual Calendar Chronometer - only around 100 were made and it has doubled in value over 10 years. Overall, in nominal terms I am close to break-even after running at a loss for most of this time, although this compares closely enough with the FTSE 100 over the same period if you ignored the dividends.

Eric Clapton's Patek

Patek Phillipe 5970P

My personal conclusions are:

- Patek Philippe and Rolex are brands nonpareil, vintage or new.
- Serious exclusivity value generally only arises when there are less than 100 pieces made.
- Strong provenance adds to the desirability of a watch making it truly collectible.

The cream of Eric Clapton's watch collection, a platinum Patek Philippe 2499 Perpetual Calendar Chronograph, one of only two made was sold at Christies in 2012 for $3.6m. Another significant sale was Paul Newman's Rolex Daytona which fetched $17.7m at the Phillips New York auction in 2017.

In this digital age there is extensive market intelligence available to all; online trading platforms such as Chrono24 have almost 500,000 listings of watches for sale from 121 countries, so it is very difficult for non-experts to deal at a profit in the short-term.

What though of my total return from these marvellous encasements of physics and philosophy, history and geography, fashion and fun? I am infinitely richer than I would have been and only as rich as I could afford to be. Time is eternal and beyond value…. is it not?

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