

WORLD NEWS

Iran's Stature Grows as Adversaries Quarrel



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

It's been more than five months since President Donald Trump declared that he was putting Iran "on notice."

For the Iranian regime, that is turning out to be a rather comfortable place.

While the Trump administration is still formulating its Iran and Syria policies, a series

of international events have combined to bolster Iran's influence, at least for now.

Top among them is the crisis over Qatar, which erupted days after Mr. Trump's high-profile trip to a summit in Riyadh in May. Saudi Arabia, the United Arab Emirates, Bahrain and Egypt have shut their embassies in Qatar, closed borders and banned travel and trade with the emirate.

The conflict has already turned what used to be a two-way confrontation between the Saudi-led Sunni axis and the Iran-led Shiite camp into a three-way re-

gional fracture that offers fresh strategic opportunities for Tehran.

"The Saudi effort to build a consensus against Iran in the region has hit the rocks with Qatar. This split is something that Iran is enjoying," said Hassan Ahmadian, a senior fellow at the Center for Strategic Research think tank in Tehran. "Iran's ruling elite likes it and believes that the future stability of the region is better served by having more than two axes confronting one another."

In fact, the measures the Saudis and their allies have adopted against Qatar are sometimes harsher than their policies toward Iran. The U.A.E. and Iran, for example, maintain diplomatic and trade relations, and extensive air links.

With regional heavy-weight Turkey taking Qatar's side, the collapse of the Sunni alliance isn't the only good news for Tehran. The growing alienation between the Trump administration and European nations, particularly Germany and France, is also making any new concerted international effort to pressure Iran increasingly unlikely.

Some Iranian leaders appreciate this trans-Atlantic discord "as giving Iran some short-term advantages and breathing space," said Brian Katulis, a senior fellow at the



A banner of Iranian President Hassan Rouhani at an election campaign rally in Tehran in May.

Center for American Progress, a think tank close to the Democrats, who recently participated in informal discussions with Iranian representatives. "America looks distracted and unfocused—and besides the rhetoric of putting Iran 'on notice' and a few tactical policy shifts, Iran right now seems to see the gap between Trump's bluster and actions."

This month, France's Total SA said it would push ahead with a \$1 billion investment into Iran's South Pars gas field, the first major injection of Western money since international sanctions against Iran were lifted as part of a nuclear agreement

last year. Iran and Qatar share ownership of this gas field, the world's largest.

Iran's position has strengthened, too, in the Middle East's actual battlefields. In Iraq and Syria, advances by Iran's Shiite proxies against Islamic State and moderate Sunni rebels are making possible the establishment of an overland "resistance highway" that would link, through friendly territory, Tehran to Damascus and Beirut for the first time since the Syrian war began in 2011—a major geopolitical gain.

The war in Yemen remains at a stalemate, at great cost

to Saudi Arabia and the U.A.E. The Iranian-backed Hezbollah Shiite militia keeps consolidating its influence over the Lebanese state. Even the low-grade Shiite insurgency in parts of eastern Saudi Arabia has flared up of late.

The Saudi-led campaign against Qatar, meanwhile, has allowed Tehran to improve its relationship with the embattled emirate—and with Qatar's main ally, Turkey. Both nations have long backed Sunni rebels fighting against Iranian allies in Syria, a support that could diminish as a result of the current Gulf crisis.

"In the recent past, each

time Saudi Arabia has downsized or frozen its relations with an Arab country, such as Lebanon and Iraq, this has presented Iran an opportunity to strengthen its relations to the local actors at a detriment to Saudi Arabia," said Ellie Geranmayeh, senior policy fellow at the European Council on Foreign Relations.

While Iran and the Qatar-Turkey camp agree on some key regional issues, such as support for the Palestinian Islamist movement Hamas, their rapprochement can go only so far, of course. Turkey and Qatar remain military allies of the U.S., and Turkey in particular views itself as Iran's geopolitical rival and equal. The Sunni Islamist ideology of the Muslim Brotherhood, a Pan-Islamic group that is backed by Turkey and Qatar alike, is also fundamentally at odds with Iran's Shiite theocratic doctrine.

This means that Iran's overriding interest is for both sides of the Qatar crisis to get bruised by the dispute.

"In the long term, both the Muslim Brotherhood and Wahhabism, which is the basis of Saudi Arabia's kingdom, don't accept Shiites as Muslims," said Mohammad Eslami, an Iranian commentator and a fellow at Mofid University in Iran. "And both believe that they should control the power of Iran in the region."

UBER

Continued from the prior page
Uber is investing \$225 million in the company, while Yandex is putting in \$100 million.

Rapid global expansion is no longer the priority at Uber, as investors exert greater pressure on the company to address its cultural and financial challenges. Benchmark, an early investor in the ride-hailing startup, last month pressured co-founder Travis Kalanick to relinquish his role as chief executive in the wake of an investigation into sexual harassment and sexism at the male-dominated company.

Uber began discussing a merger with Yandex in February in talks that were led in part by Emil Michael, the former chief business leader who was a confidant of Mr. Kalanick, and corporate development executive Cameron Poetscher, according to people familiar with the deal. Mr. Michael resigned last month after an investigative report by the law firm of former U.S. Attorney General Eric Holder recommended his ouster to the board.

Uber was able to sign the Russian transaction despite having no CEO, no finance chief or operating chief. A 14-person committee of top executives is currently steering decision-making.

The move in Russia suggests Uber may be willing to capitulate some markets where it is bleeding capital in order to shrink its losses and make the business more palatable to investors in an eventual initial public offering. Uber reported sales of \$6.5 billion last year but its losses swelled to well over \$3 billion.

"Combining Yandex's local expertise in search, maps and

navigation with our leading global experience in ride-sharing will enable us to build the best local services and provide a credible alternative to car ownership across the region," Pierre-Dimitri Gore-Coty, Uber's head of Europe, the Middle East and Africa, said in an email to employees on Thursday.

The combined company will operate in 127 cities in six countries, including Armenia, Azerbaijan, Belarus, Georgia and Kazakhstan. For riders, the Uber and Yandex.Taxi apps will remain unchanged, while the app for drivers will eventually look the same across both services.

Yandex had dominated the market for ride-hailing in Russia, where the firms competed not only with traditional cabs and personal cars, but also with overcrowded public transportation. Yandex had nearly double the amount of rides and revenue as Uber in recent months, according to data the companies provided investors on Thursday.

In June, Yandex expected to be on track to book about 285 million rides a year for roughly \$1 billion in gross revenue, before giving a cut to drivers. In that period, Uber expected to book about 134 million rides for gross revenue of about \$566 million.

Yandex.Taxi was the first taxi-hailing service to launch in Russia in 2011, a year after Uber launched its first app in the U.S. Uber expanded to Russia in 2014.

After the deal closes, expected in the fourth quarter, Uber's U.S. customers who are traveling to Russia will be able to open an Uber app and summon cars from the combined company's pool of drivers, an Uber spokesman said. Russian users of Yandex will be able to do the same in the U.S.

Continued from the prior page
digital maps and a search engine that is more popular in Russia than Google.

When Yandex came to the market, Moscow taxis were dominated by illegal cabs hailed with a wave of the arm, often driven by men from Central Asia with limited Russian knowledge of the city.

Taxis had been considered a luxury in the Soviet Union, where public transport dominated. The Yandex app quickly took a big share of the market ahead of competitors such as Israel-based Gett, and is now available in more than 50 cities.

The arrival of Uber set off a price war, with each company cutting fares in a battle for customers. Uber slashed the price of trips to Moscow airports, for example, but it still lagged behind Yandex. In June, Uber expected to book less than half as many rides for the year as Yandex forecasts for its service.

—James Marson

At Wimbledon, the Stars Have Aligned Thus Far for Venus



ONE TO GO: Five-time Wimbledon champion Venus Williams reached her first singles final there since 2009, beating Johanna Konta, 6-4, 6-2. With sister Serena absent, Venus, 37, was in position to win her first major since 2008. She faces Garbine Muguruza in Saturday's final.

EINHORN

Continued from the prior page
and bid up stocks ever higher. The hedge-fund industry recorded a record six consecutive quarters of investor outflows, according to researcher HFR.

Mr. Einhorn, 48 years old, is among the most well-known hedge-fund managers, attracting attention not just for his investment ideas but for a flamboyant streak in pitching them. His 2011 presentation against Green Mountain Coffee Roasters Inc. was titled "GAAP-uccino."

Mr. Einhorn has repeatedly predicted a yet-unrealized swoon for highflying technology companies such as Tesla Inc.

"Most of his successful calls have been on the short side, and it's been really difficult to make money there in this environment," said hedge-fund investor Ketu Desai of i-squared Wealth Management.

Lately, Greenlight has also found itself the target. General Motors Co. fought back furiously against the firm's push to split its stock, and shareholders sided overwhelmingly with the auto maker. Firmwide, Greenlight manages around \$7 billion, down from \$10 billion in 2014.

Greenlight is just two years removed from its worst year ever, with double-digit losses in 2015 that led Mr. Einhorn to confess at the next annual investor dinner that he had failed miserably.

Mr. Einhorn isn't alone, as hedge funds of all stripes are under sustained pressure.

Some other high-profile funds, such as **Eton Park Capital Management**, have shut down. Many of those that remain are lowering their high fees to appease disappointed backers or retooling their strategies to be more similar to mutual funds or private-equity managers.

Mr. Einhorn's representatives have told investors that the billionaire plans to continue his longstanding practice of seizing on perceived mispricing in stocks.

He has declined requests from backers to alter his relatively high fees. Greenlight collects a performance fee even when it hasn't made back its historical losses, a rare practice in the industry.

The fund made back some of its losses last year but slipped again in 2017. Some of the firm's short positions, or wagers against, in-vogue stocks such as Netflix Inc. that Mr. Einhorn labeled a "bubble basket," have backfired as the

stocks continued to climb, investors said. Meanwhile Greenlight's portfolio includes a relatively low proportion of bets on rising stocks overall, making it a laggard as U.S. stocks recorded their strongest first half since 2013.

The average stock-picking hedge fund was up 6% in the first half, HFR says.

Mr. Einhorn is also in the midst of a divorce, traditionally a sore point for hedge-fund investors wary of any distractions for their highly paid managers. Some hedge-fund investors have automatic policies to withdraw from managers undergoing divorce.

Greenlight has relatively strict withdrawal rules, protecting it from an outright run on the firm at any given point.

Only half its investors are allowed to take out money at midyear, while the remainder are permitted at year-end. The fund also has substantial long-term ballast from Mr. Einhorn's personal fortune, an

arm that farms out money to other hedge-fund managers and a reinsurance vehicle that feeds permanent capital to the main fund. The fund has been closed to new investment since late 2014, people familiar with the matter said.

A prodigious card player who once finished third at the World Series of Poker, Mr. Einhorn was in Las Vegas earlier this week for this year's tournament. He was knocked out early.

"When you jam and lose, you go look for dinner and think about the offseason," he wrote on his Twitter account Monday.

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CORRECTIONS & AMPLIFICATIONS

Single-serve coffee sold by Brandless and Whole Foods' 365 costs 50 cents and 75 cents per serving, respectively; Target.com sells Green Mountain single-serve coffee for 61 cents per serving. A graphic with a Business & Finance article Wednesday about online retailer Brandless incorrectly said those prices were per ounce.

Activision Blizzard Inc.'s stock has more than quadrupled in the past five years. A Technology article Thursday

about an esports league for its videogame "Overwatch" incorrectly said the stock has nearly quadrupled.

Siemens AG said it delivered gas turbines to a Russian customer in August 2016. A Business & Finance article Thursday about the transaction incorrectly said the turbines were delivered in June 2016 because of erroneous information from Siemens.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com.

WORLD NEWS

U.S. Visit Is Chance to Signal ECB Shift

At Jackson Hole meeting, bank chief is expected to suggest less need for stimulus

By TOM FAIRLESS

FRANKFURT—European Central Bank President Mario Draghi is scheduled to address the Federal Reserve's Jackson Hole conference in August for the first time in three years, according to a person familiar with the matter, in a speech that is expected to give a further sign of the ECB's growing confidence in the eurozone economy and its reduced dependence on monetary stimulus.

The future of the ECB's €60 billion-a-month (\$68.5 billion) bond-buying program, which is currently due to run through December, is one of the biggest questions hanging over global markets.

ECB officials say the bank is

likely to signal at its Sept. 7 policy meeting that the program, known as quantitative easing, will be gradually wound down next year.

Mr. Draghi's speech in Wyoming will take place less than two weeks before the ECB's September policy meeting, and will provide an opportunity to signal a policy shift before the blackout window closes a week ahead of the meeting.

His last speech at Jackson Hole in August 2014 was widely seen as heralding the start of the ECB's bond-buying program, known as quantitative easing or QE. Signaling the end of the program at the same event would have a certain symmetry, a person familiar with the matter said.

ECB officials caution that the timeline could yet change if economic data turn out weaker than expected. They will gather in Frankfurt on July 19-20 for the ECB's next policy meeting, but aren't ex-

pected to announce any major changes yet.

Any move to wind down QE will test the strength of the eurozone economy, with less central-bank support to spur spending and investment by households and businesses.

The Jackson Hole symposium, organized by the Kansas City Fed, is an invitation-only event that draws top central bankers and economists from around the world to discuss monetary-policy issues behind closed doors. This year's conference will take place Aug. 24-26.

ECB officials say the most likely scenario is for the bank to reduce QE by €10 billion a month, starting in January. That would follow the pace of the Federal Reserve, which wound down its own QE program three years ago.

ECB officials have been tight-lipped in public about the future of QE after December, as they are wary of triggering an adverse market re-



ECB President Mario Draghi

action that could upset the region's recovery. A hint from Mr. Draghi last month that QE could soon be wound down was enough to roil financial markets and send the euro soaring against the dollar.

If the ECB does change course and starts to reduce its

stimulus program, it would realign the policies of the world's two most powerful central banks for the first time in almost four years. The Fed wound down its own QE program in 2014 and has been nudging interest rates higher since December 2015. Fed Chairwoman Janet Yellen indicated on Wednesday that process would continue.

The need for aggressive stimulus has declined as the eurozone economy has picked up speed. Unemployment in the region has fallen to an eight-year low of 9.3%, growth is accelerating across the 19-nation bloc, and business and consumer confidence indicators are at postcrisis highs.

Given that improvement, many analysts expect the ECB to announce the future of QE at its policy meeting in September or October, and start winding down the program early next year.

Even so, investors appeared

to be taken off-guard when Mr. Draghi indicated in Portugal last month—at the ECB's own version of Jackson Hole—that the bank would reduce its stimulus as the region's economy accelerates. Eurozone government-bond prices have slumped and the euro has risen 2 cents against the dollar since the speech, as investors prepare for the departure of a giant buyer.

The dilemma for the ECB is that, while growth is accelerating, inflation—the bank's real target—remains too weak. It slid to 1.3% last month, some way from the ECB's target of just below 2%.

With that weakness in mind, some top ECB officials have recently called for patience. Peter Praet, the bank's chief economist, said last week that the ECB should maintain "a steady hand" to ensure that inflation picks up. "Our mission is not yet accomplished," he said.

President Takes Regal Approach to His Office

By STACY MEICHTRY
AND NICK KOSTOV

PARIS—The air of regal authority surrounding the young presidency of Emmanuel Macron was on full display Thursday as he played host to U.S. President Donald Trump.

Flanked by Mr. Trump, the 39-year-old French president strode through the courtyard of the Hôtel des Invalides inspecting a line of soldiers before descending beneath the golden dome of the grandiose former military hospital to pay homage at the tomb of Napoleon Bonaparte.

The visit's martial overtones were no accident for a president who has called for more imperious leadership, inviting comparisons to Louis XIV, the "Sun King" who held court at the Palace of Versailles, and even to Jupiter, the king of the gods in Roman mythology.

Mr. Macron's penchant for pomp and monarchical authority has surprised many supporters who hailed him upon his election in May as a champion of Western liberal democracy for defeating Marine Le Pen of the far-right National Front.

Since then, however, the president has eschewed the consensus-seeking approach of his former boss and immediate predecessor, François Hollande, who memorably described himself as a "normal" president.

Normalcy isn't Mr. Macron's style.

"He has a lot of authority. He's perhaps authoritarian,"

said Jean-Hervé Lorenzi, an adviser to previous governments who worked alongside Mr. Macron on the 2012 Hollande campaign.

Mr. Macron has adopted what he once described as a "Jupiterian" posture: remaining above the fray and un-

leashing an occasional thunderbolt to impose order.

In an interview with business magazine Challenges in October, Mr. Macron said the presidency needed to embody "a new form of democratic authority."

"François Hollande didn't believe in the Jupiterian president. He thought the president had become a figure like any other in the political and media firmament," Mr. Macron said, adding: "I don't believe in the 'normal' president."

The regal bearing isn't merely a question of style. In tackling what has long been the third rail of French politics, labor reform, Mr. Macron

'I don't believe in the "normal" president,' Emmanuel Macron said in October.



Emmanuel Macron, left, with Donald Trump on the steps of the Élysée Palace. Mr. Trump called Mr. Macron a 'great leader.'

Trump, Macron Stress the Positive

By REBECCA BALLHAUS
AND WILLIAM HOROBIN

PARIS—U.S. President Donald Trump and his French counterpart, Emmanuel Macron, lavished praise on one another on Thursday as they touted the growing bond between their two nations, in a pointed effort to move past the deep divisions on display at last week's Group of 20 summit.

Speaking at a joint news conference at the Élysée Palace in Paris, Mr. Trump said the two allies are "together, perhaps more so than ever" and called Mr. Macron a "great leader" and a "tough president." Mr. Macron said the two leaders would "dine as friends" at the lavish restaurant Le Jules Verne on the second floor of the Eiffel Tower later in the evening.

The two sought to use Mr. Trump's whirlwind trip in honor of Bastille Day to bolster what has been a short but sometimes rocky relationship. Doing so serves both leaders, as Mr. Macron seeks to cultivate a

powerful ally and Mr. Trump seeks a bridge out of his growing isolation abroad.

In perhaps the clearest sign of newfound bonhomie between the two leaders, Mr. Trump dangled the prospect of rejoining the Paris Climate Accord in the future after deciding earlier this year to withdraw the U.S. from the international pact.

"Something could happen with respect to the Paris accord, but we'll see what happens," Mr. Trump said. "The U.S. remains committed to remaining a leader in environmental protection."

French officials interpreted the proclamation as more of an olive branch than an actual policy announcement. "It's not completely new, but it's a bit more balanced than what he said June 1," a French official said, referring to the date Mr. Trump announced the withdrawal.

The two also touched on other issues that have divided them, including trade, but emphasized their joint efforts on counterterrorism and in Syria.

The two nations have encountered no trouble finding common ground on combatting terrorism, Mr. Macron said, adding he hoped the countries could in coming months increase their cooperation to fight a "global threat."

The two leaders appeared, at least for now, to have made an effort to move past disagreements, as Mr. Macron said world leaders must do. "Does that mean we have to stop talking about the other subjects? No, resolutely and in no case," he said.

At one point, Mr. Trump clapped Mr. Macron on the back as he described an "unbreakable" friendship between the two nations—"and ourselves." Later, the French leader threw a wink at his U.S. counterpart as Mr. Trump praised him for his plans to shrink the French bureaucracy.

Mr. Trump's diplomacy efforts extended to the French first lady, Brigitte Macron, too. "You're in such good shape," he told her after their joint tour of the museum at the Hôtel des

Invalides, in comments captured by a video on the French presidential Facebook account. "Beautiful."

Mr. Trump said early last month he would begin negotiations to either re-enter the Paris agreement under new terms or craft a new deal that he judges fair to the U.S. and its workers—an assertion viewed skeptically by the nearly 200 countries that signed the pact, many of which have said they aren't interested in renegotiating.

On Thursday, Mr. Trump called for "reciprocal and fair" trade deals but stopped short of his typically harsh rhetoric on countries with which the U.S. has trade deficits. "Both President Macron and I understand the responsibility to prioritize the interests of our country and at the same time be respectful of the world in which we live," he said.

At last week's G-20 summit, Mr. Macron took swipes at Mr. Trump and others for equating fair trade with avoiding bilateral deficits.

intends to make rare use of powers granted to his office under the French constitution.

Instead of using the traditional route—passing legislation through parliament—Mr. Macron is seeking a mandate from the lower house to create new labor laws by presidential decree.

Jean-Luc Mélenchon, the far-left firebrand who leads an opposition group in parliament, accused Mr. Macron of "Pharaonic drift" as he refused to attend his joint session of parliament in Versailles.

"We are rebelling. We won't submit," Mr. Mélenchon said.

Still Mr. Macron is likely to get his way, officials say, because he commands a large majority of freshman parliamentarians whom he hand-picked in founding his fledgling political party, La République en Marche.

BRUSSELS BEAT | Stephen Fidler

U.K.'s Seeming Serenity on Brexit Leaves Brussels Baffled

British government ministers are keeping calm and carrying on, in public at least, in the face of the many challenges posed by Brexit negotiations.

This apparent lack of urgency has created bewilderment in Brussels. And among British businesses, there is growing anxiety over the absence of a clear vision of the government's desired future trade and economic relationship with the European Union.

Britain's Brexit Secretary David Davis was at his most serene this week when he spoke to Parliament. Yes, the U.K. can get a preferential trade deal and customs arrangement concluded before it leaves the EU in March 2019, he said.

He acknowledged that there might need to be a transition or implementation

phase after Brexit day but that, he said, would be mostly to give the French, Dutch and Belgian customs time to get their procedures in place.

Mr. Davis gave no sign that he was taking seriously what his negotiating partners have been saying: Such a trade and customs arrangement is impossible to negotiate in that time frame, even though some broad principles about the future relationship may be agreed.

Fabian Zuleeg, chief executive of the Brussels-based European Policy Center think tank, says agreement on an interim arrangement is possible. But regarding a long-term trade deal, he said, "I don't think we'll agree anything in the two years."

It isn't clear either how closely Mr. Davis listened to what businesses were telling him last week when he met them at the govern-

ment's country retreat. The Confederation of British Industry, for example, spelled out that it wants a multiyear transition—with the U.K. ideally remaining in the EU's single market and customs union—to avoid a cliff edge 21 months from now.

But while they are sympathetic to an implementation

phase of some sort, British ministers are currently ruling out those two options even as an interim step, remaining true to the unyielding vision of Brexit set out by Prime Minister Theresa May before the election in June. There have been some signs of a softening of language since last month's

election, but the official government line remains unchanged. If that position holds, trade friction at the U.K.'s borders will rise sharply and quite soon.

Britain's customs and revenue service estimates that it will have to handle as many as 255 million customs declarations annually from March 2019, compared with 55 million now. There is a risk, the U.K.'s National Audit Office said Thursday, that the agency's computer systems won't be able to cope.

Pulling out of the customs union in March 2019 would increase the urgency of some other unresolved questions, such as how to avoid creating a hard border on the island of Ireland, which will become the site of a new external EU border.

Citing their planning horizons, businesses say they need to know the nature of a



Theresa May has pushed a tough plan for Britain to exit the EU.

SIMON DAWSON/BLOOMBERG NEWS

transitional deal soon; otherwise they will be compelled to make investment choices on a worst-case basis. Setting on the nature of a transition deal late in 2018, they stress, would be too late.

The government apparently hasn't abandoned a hope expressed in its Brexit policy paper in May: that a "comprehensive, bold and ambitious" post-Brexit free-trade agreement "may take in elements of current Single Market arrangements in certain areas."

Many EU officials and politicians say the British government is delusional to suggest that the U.K. could preserve its membership in the single market in some business sectors—say automobiles and banking—and abandon it in other areas it considers less appealing. From their standpoint, it is this "cherry-picking" approach that most sticks in their craw.

WORLD NEWS

Brazil's Defiant da Silva Vows Comeback

By SAMANTHA PEARSON
AND JEFFREY T. LEWIS

SÃO PAULO—Former President Luiz Inácio Lula da Silva, Brazil's most popular politician, said he was innocent of corruption charges on Thursday and declared his intention to overturn the conviction and run again for president in 2018.

Mr. da Silva was found guilty a day earlier of corruption and money laundering as part of the vast Car Wash graft investigation and sentenced to 9½ years in prison. The sentence threw Mr. da Silva's plans for a political comeback into disarray.

Speaking at his first public appearance after his conviction, the former metalworker turned working-class hero told reporters that the verdict against him is part of a plan to prevent him from being re-elected next year.

"They want to take me out of the game," he said at a raucous event in São Paulo that was also attended by supporters. "I'm still in the game."

Mr. da Silva acknowledged that, with him, his party would have a candidate saddled with legal problems. But he asserted that the only people who can put an end to his political career are the Brazilian people.

Sergio Moro, the crusading judge heading the probe, on Wednesday sentenced the 71-year-old to prison, sparking outrage on the political left. Mr. Moro has repeatedly said the investigation of Mr. da Silva and other politicians isn't political but based on evidence.

Former President Dilma Rousseff, Mr. da Silva's protégée who was impeached for budget-related irregularities last year, called her mentor's conviction a "flagrant injustice and judicial absurdity...that

profoundly damages democracy."

Brazil's Socialism and Liberty Party and the Brazilian Communist Party joined together to attack Mr. Moro and his verdict. Left-wing backers of Lula, as the former president is universally known, took to social media early Thursday to voice outrage over the sentence.

"Lula represents the poor and workers, and they want to prevent him any way they can from being a candidate next year," said Mateus Santos, 35 years old, an information-technology worker, at a demonstration late Wednesday in São Paulo.

Demonstrations both for and against Mr. da Silva were relatively small. Some Brazilians donned the national yellow-and-green colors and gathered across several cities Wednesday night to celebrate



the appeal—a process that could take as long as a year—he would be expected to go to prison and be barred from public office.

The conviction deepened Brazil's political turmoil days ahead of a congressional vote that could oust the current president, Michel Temer. Mr. Temer took office last year after Ms. Rousseff, his running mate in 2014, was removed from office.

Mr. Temer has been charged with accepting bribes, and the lower house of Brazil's congress could vote as early as Friday on whether to send his case to the Federal Supreme Court for trial. Mr. Temer has denied any wrongdoing.

If the chamber votes to permit the trial, the president would be removed from office for up to six months, and would be removed permanently if convicted by the high court.

The convicted former president spoke in São Paulo on Thursday.

the verdict as some of Mr. da Silva's backers staged protests against the move.

Mr. da Silva had been considered the front-runner for next year's elections. Much of Brazil's political establishment has been tarnished by corruption scandals, and there are

few other obvious presidential candidates besides him.

Mr. da Silva has repeatedly denied wrongdoing and his lawyers said late Wednesday he would appeal the verdict.

Under Brazilian law, Mr. da Silva can remain free while he appeals the ruling. If he loses

Venezuelan President's Power Play Sparks a Backlash

By RYAN DUBE

CARACAS—Venezuela's opposition plans to hold a vote on Sunday that its leaders hope will reject President Nicolás Maduro's strategy to rewrite the constitution and possibly dissolve the national legislature, giving him what critics say would be near-dictatorial powers.

The vote, open to Venezuelans at home and abroad, is unauthorized and will almost certainly be denounced by the government. But opposition leaders are betting that a mass repudiation of Mr. Maduro's plan will undermine its legitimacy.

Polls show that 80% of Venezuelans are against the Socialist government's plan for a national vote to be held on July 30 that would pick a 545-member special assembly. The body would have powers to remake Venezuela's charter and its political system, including dissolving the opposition-held National Assembly.

"What is at play is freedom and the future," said Attorney General Luisa Ortega, who recently broke with the government and has warned of its authoritarian drift. Ms. Ortega, who called the assembly illegal and a violation of the



CRISTIAN HERNANDEZ/EFE/ZUMA PRESS

Opposition supporters blocked a Caracas street this week to protest the plan to rewrite the constitution.

Constitution, said, "We can't lose Venezuela."

The rival votes come as Venezuela suffers a debilitating economic crisis that has led to a shrinking economy, soaring inflation, food shortages and rampant crime. More than 90 people have died in confrontations with state security services since April as the highly unpopular Mr. Maduro faces violent antigovernment protests.

The president says the new assembly would help resolve the country's deepening political and economic crisis by giving him the powers to take decisive action. "I need the constituent assembly, give me the constituent and we will definitely have economic victory," he said recently.

The Venezuelan government didn't respond to requests for comment.

Opposition members say Mr. Maduro's disguised purpose is to retain power. Polls show he would decisively lose in the next scheduled presidential election in October 2018, and the opposition worries the new assembly will cancel the election, arguing the country can't be distracted by a vote while it is debating a new constitution. The ruling Socialist party has about 20%

support, polls show.

The government has already said the new assembly will dissolve the country's existing National Assembly and remove legal immunity for lawmakers, posing the threat of prison for the body's opposition members.

Election experts and academics say the way the vote's design almost guarantees a majority for the ruling party.

"They've fixed it a way where it is impossible for them to lose," said Antonio Canova, a law professor at the Andrés Bello Catholic University.

The published voting rules call for each of the country's 340 municipalities to elect one assembly member. So large cities, where the opposition has greater support, will elect the same number of delegates as small, rural towns where the ruling Socialist party tends to retain backing. The state capitals will get two assembly members but not from the same party, limiting any opposition gains.

Another 181 assembly members will come from government-approved candidates that represent eight sectors, including unionized workers, students, fishermen and peasants, for which voting is limited to memberships chosen

by the government.

Former President Hugo Chávez, who died four years ago, also rewrote the country's constitution after winning power in 1999. But in that case, he held one referendum to approve a constitutional convention and another to approve the wording once it was finished.

"It will be an illegal constituent assembly," said Gabriela Ramírez, a former government official and Chávez loyalist who opposes rewriting the constitution.

No opposition figures are expected to run on July 30 because they are boycotting it. Official candidates include Diosdado Cabello, a ruling party congressman; former Socialist Party Foreign Relations Minister Delcy Rodríguez, and Adán Chávez, brother of the late former leader. Relatives of Mr. Maduro are also prominent, including his son Nicolas, 27 years old, and his wife Cilia Flores, a powerful ruling party official.

When they sit down to redraw the constitution, "there won't be much in the way of free discussion," said Phil Gunson, who tracks Venezuela for the International Crisis Group.

—Mayela Armas contributed to this article.

China Activist Sought Peaceful Change

By JOSH CHIN

BEIJING—Nobel Peace laureate Liu Xiaobo, who embodied the hopes of China's 1989 Tiananmen Square democracy movement long after the protests were crushed, died in detention on Thursday after a battle with liver cancer, according to a government statement. He was 61 years old.

Mr. Liu, who was serving an 11-year prison sentence for inciting subversion, had been granted medical parole in early June and was receiving treatment under police guard at a hospital in northeastern China.

Mr. Liu had been in custody since late 2008 for his role in drafting and promoting a manifesto calling for peaceful political change. Censors have scrubbed any mention of him from China's media and internet since, and while his 2010 Nobel brought Mr. Liu international acclaim, he was virtually unknown in his own country.

China's government described Mr. Liu as a criminal, and said international calls for his release amounted to interference in the country's judicial affairs.

A brash writer and literary critic, Mr. Liu was an influential figure at Tiananmen Square. He wrote prolifically about the value of individual freedom and nonviolent resistance, despite being banned from publishing inside China. He spent most of his last 28 years in prison or another form of detention.

Over time, many in Chinese pro-democracy circles came to see Mr. Liu as a potentially transformative leader, likening him to South Africa's Nelson Mandela and Czech dissident-turned-president Václav Havel. Mr. Havel supported Mr. Liu's



Liu Xiaobo addressing a crowd in Tiananmen Square in 1989.

Nobel Prize nomination.

At the award ceremony in Oslo, Mr. Liu was represented by an empty chair. Norwegian actress Liv Ullmann read the final statement he gave in court, in which he proclaimed, "I have no enemies and no hatred."

The award infuriated Chinese authorities. Although the Norwegian Nobel Committee is independent, Beijing blasted Norway's government and curtailed imports of Norwegian salmon. It also placed Mr. Liu's wife, the poet Liu Xia, under de facto house arrest.

Until the revelation in June that Mr. Liu was diagnosed with late-stage cancer, there had been little news of the dissident. He was the first Nobel Peace laureate to die in custody since Carl von Ossietzky, a journalist and critic of Adolf Hitler, succumbed to tuberculosis in a prison hospital in Nazi Germany in 1938.

Mr. Liu's death was announced in a statement posted to the website of the judicial bureau in the city of Shenyang, where he was being treated. It said he died of multiple organ failure.

Born in northeastern China's Jilin province in 1955, Mr. Liu was part of the first

generation of intellectuals to emerge after the Cultural Revolution. He received a Ph.D. in literature at Beijing Normal University, and earned a measure of fame with sharp, sometimes savage, attacks on the writing of the time, saying it was too slavishly rooted in Chinese tradition.

He was a visiting scholar at Columbia University in New York in 1989 when students filled Tiananmen Square calling for democratic reforms. He soon boarded a flight to join the protests.

Once on the square, the scholar helped organize a pivotal student hunger strike and, near the end, participated in one of his own. With tanks and soldiers closing in on June 4, he helped persuade the remaining students to leave the square to avoid more bloodshed.

Rather than follow many other protest leaders into exile, Mr. Liu stayed in Beijing. On June 6, plainclothes police knocked him off his bike and bundled him into a white minivan. Official media labeled him a "key organizer of the counterrevolutionary insurrection" and he was shipped off to maximum-security Qinching Prison on the outskirts of the capital.

He was released with other

Tiananmen prisoners two years later as Beijing sought to repair its international reputation. He soon returned to pushing for democratic reforms—driven, friends said, by anger and guilt over the students who had been killed.

"Before, he was a literature guy. He was always courageous, but he didn't really care about politics," said Liu Suli, the founder of an independent bookstore and a Tiananmen participant who occupied the Qinching cell next to Mr. Liu's.

Mr. Liu wrote voluminously on political topics for overseas Chinese-language websites.

In 2008, Mr. Liu worked with a small group of activist writers and scholars to draft and promote Charter 08, which advocated free elections and separation of powers. The document was signed by more than 300 human-rights activists, journalists, lawyers, scholars and former Communist Party officials.

"It was the first time since 1989 that you had so many intellectuals united together and organized behind one initiative. That's what scared the government," said Yu Jie, an activist writer who helped draft the text.

Mr. Liu was detained by police on Dec. 8, 2008, two days before the release of the charter. On Christmas Day the following year, he was declared guilty of inciting subversion.

Mr. Liu is survived by his wife. The two married in 1996, in a ceremony at the labor camp attended by half a dozen friends. He has a son, Liu Tao, from a previous marriage.

Veteran activists say the opposition movement Mr. Liu helped build is now scattered and weakened.

"In the last seven years, he's been forgotten," said Mr. Yu, the dissident writer. "I think we were overly optimistic."

EUROPE

Russia, NATO Argue Over War Games

Ambassadors to the North Atlantic Treaty Organization squared off with Russian diplomats in Brussels over Moscow's planned military exercises scheduled for September, partly on Belarus's border with Lithuania and Poland.

Alexander Grushko, Russia's representative to NATO, afterward refused to say how many soldiers would take part in the games. A European official said Russian officials in the meeting put the number at 12,700. Deploying more than 9,000 would require notifying international authorities. More than 13,000 would require it let observers attend the drills.

—Julian E. Barnes

RUSSIA

Nemtsov Killer Gets 20-Year Prison Term

The man convicted of killing Russian opposition leader Boris Nemtsov on a bridge within

sight of the Kremlin was sentenced to 20 years in prison.

Prosecutors had asked for life imprisonment for Zaur Dadayev in the 2015 killing that shocked the opposition. Prosecutor Maria Semenchenko said a decision on whether to appeal the sentence would be made after studying the judge's decision. Four others convicted in the assassination were sentenced to terms ranging from 11 to 19 years. Mr. Nemtsov was a top opponent of President Vladimir Putin.

—Associated Press

UNITED KINGDOM

III Child Can Improve, U.S. Doctor Says

A U.S. doctor offering to treat Charlie Gard, the terminally ill British baby whose case has generated international attention, told a court new evidence suggested an experimental therapy could give the immobile and brain-damaged child as much as a 10% chance of improvement in his muscle strength.

The judge on Thursday invited the doctor, who can't be named for legal reasons, to visit Charlie in London and to meet with other experts on the baby's condition as well as those treating him, as part of the hearing.

—Joanna Sugden



Zaur Dadayev, center left, Anzor Gubashev, center, and Shadid Gubashev, center right, hear their sentence in a Moscow court.

U.S. NEWS

Surveillance From 2015 Gets Revisited

Russian officials overheard discussing meeting with Trump associates, advisers

By SHANE HARRIS

WASHINGTON—Investigators are re-examining conversations detected by U.S. intelligence agencies in spring 2015 that captured Russian government officials discussing associates of Donald Trump, according to current and former U.S. officials, a move prompted by revelations that the president's eldest son met with a Russian lawyer last year.

In some cases, the Russians in the overheard conversations talked about meetings held outside the U.S. involving Russian government officials and Trump business associates or advisers, these people said.

Russian officials are routinely monitored by U.S. intelligence agencies and it wouldn't be unusual for them to discuss people who have business interests in Russia.

Mr. Trump held the 2013 Miss Universe pageant in Moscow, was a globally recognized celebrity and sold properties to Russians. The intelligence gathering wasn't aimed at Mr. Trump or people in his circle, and it isn't clear which Trump advisers or associates the Russians referred to, or whether



DAVID BECKER/GETTY IMAGES

Donald Trump Jr., center, in November. Investigators are re-examining conversations detected by U.S. intelligence agencies in 2015.

they had any connection to his presidential aspirations.

The 2015 conversations were detected several months before Mr. Trump declared his candidacy for the White House. The conversations have been in investigators' possession for some time, but officials said the Donald Trump Jr. news this week prompted them to look at them again.

In 2015, intelligence agencies weren't sure what to make of the surveillance reports, which they viewed as vague

and inconclusive, the current and former officials said. But the volume of the mentions of Trump associates by the Russians did have officials asking each other, "What's going on?" one former official said.

A lawyer for Mr. Trump didn't respond to a request for comment on the 2015 conversations.

Now, in light of the release of emails Tuesday by the president's eldest son, describing a 2016 meeting with a Russian lawyer, investigators are going

back to those early reports. They are seeking new leads as they probe whether the Trump campaign colluded in what several U.S. intelligence agencies say was a Russian government-sponsored effort to meddle in the election to benefit Mr. Trump.

Mr. Trump has denied any collusion and called the probes a "witch hunt."

The meeting Donald Jr. arranged in June 2016—as his father was on the verge of clinching the Republican nomination

involved a Kremlin-connected lawyer to discuss allegedly incriminating information about Democratic candidate Hillary Clinton obtained by the Russian government.

Donald Jr. and the Russian lawyer said no information on Mrs. Clinton was disclosed in the meeting. But the emails offer the first clear public evidence that senior officials in Mr. Trump's camp were open to offers of assistance from Russia in his quest for the presidency.

Democrats Push Bill On Russia Sanctions

WASHINGTON—House Democrats are increasing pressure on Republicans to pass a bill punishing Russia for its alleged interference in the U.S. election by introducing their own sanctions bill matching one that the Senate already passed overwhelmingly.

Rep. Eliot Engel (D., N.Y.), the top Democrat on the House Foreign Affairs Committee, introduced a bill Wednesday with Democratic leadership that an aide said duplicates the text of a measure that passed with a bipartisan 98-2 vote in the Senate.

The Senate bill has stalled in the House of Representatives over procedural issues. The legislation would impose new sanctions and make it tougher for President Donald Trump to lift sanctions on Russia by inserting a congressional review provision to prevent unilateral action by the White House.

"I don't believe that having the president's party in a position to protect him from any oversight is good policy for our country and, in fact, could be dangerous to our country," House Minority Whip Steny Hoyer (D., Md.) said.

—Natalie Andrews

HEALTH

Continued from Page One
a summary of the bill released Thursday by Republicans alongside the legislation, include changes sought by conservative Republicans, including a proposal from Sen. Ted Cruz of Texas to permit insurers who sell plans that comply with ACA regulations to also offer plans that don't, according to a document provided by people close to the negotiations and confirmed by Hill aides.

"It's very significant progress," Mr. Cruz said.

Conservatives had said this would help them attain their goal of lowering premiums, but moderates have been concerned it would raise costs for people with pre-existing conditions who need the more comprehensive health plans.

To help assuage the moderates' concerns, the bill would establish a fund to give federal money to insurers.

The funding would help offset the cost of covering people with expensive medical conditions who buy ACA-compliant plans on the exchanges and could blunt some premium increases.

"They're trying to find a way to make his approach workable within the context of the other, broader insurance marketplace," Sen. John Thune (R., S.D.) said of GOP leaders' inclusion of Mr. Cruz's measure, though he cautioned nothing was final. The CBO score next week could affect final decisions, he said.

It wasn't yet clear Thursday whether the additional funds for high-risk people would ease senators' concerns over Mr. Cruz's proposal.

"It could," said Sen. Bill Cassidy (R., La.). "It depends how robust it is."



Pressure has mounted on Senate Majority Leader Mitch McConnell (R., Ky.) to pass a health bill.

PABLO MARTINEZ MONSIVAIS/ASSOCIATED PRESS

Letting insurers offer basic, cheap health plans would lead healthy people to buy them rather than the more-comprehensive and expensive plans. As a result, premiums for comprehensive coverage would rise because there would be fewer healthier people to offset costs.

An estimated 1.5 million people in the individual market with pre-existing conditions and incomes over 350% of the poverty line may be left with no affordable insurance options under the Cruz proposal, according to the Kaiser Family Foundation.

"Whether the proposed fund for high-risk patients can offset that will depend on how much money is in it," said Larry Levitt, a senior vice president at Kaiser.

The revised bill also seeks to appeal to moderates by injecting billions of dollars into shoring up the shaky individual market and reducing pre-

miums.

An additional \$70 billion would be funneled to states to help them lower premium costs in addition to \$112 billion in the original bill. The legislation also gives an additional \$45 billion to help combat the opioid epidemic—another change sought by moderates.

To help pay for some of the increased spending, the legislation preserves two Obama-care taxes on upper-income households: a 0.9% Medicare tax and a 3.8% tax on investment income.

Just as Senate leaders were unveiling their revised measure, Sens. Lindsey Graham (R., S.C.) and Cassidy on Thursday pitched an alternative health plan as a fallback if Mr. McConnell is unable to secure enough votes for his bill.

Their plan would retain more of the ACA's taxes, though it would drop the penalty for individuals who don't

purchase insurance and a levy on medical devices.

It would use that money, which currently pays for ACA subsidies and other federal health-care spending, and send funds to states in the form of block grants.

The plan wouldn't touch the ACA's protections for people with pre-existing conditions or the law's suite of 10 required medical benefits.

The senators hope their alternative might appeal to centrist Republicans and possibly some Democrats, as states could use the money any way they like, including re-creating a state-level model of the ACA.

But Democrats have said they wouldn't work with Republican senators as long as Mr. McConnell's repeal plan is still under consideration.

—Michelle Hackman,
Siobhan Hughes
and Louise Radnofsky
contributed to this article.

U.S. WATCH

TRUST FUNDS

Entitlement Programs Facing Depletion

The nation's two largest entitlement programs remain poised to exhaust their trust funds in coming decades, according to the latest estimates from their trustees.

Under the latest projections, Medicare's hospital insurance trust fund will be depleted 11 years from now in 2028, and the trust fund for Social Security's retirement and disability benefits will run out in 17 years, in 2034.

The annual report card on the finances of the nation's two largest entitlements, which are responsible for about 42% of federal spending on programs, serves as a reminder that they may need changes to remain solvent. Spending on the programs is poised to grow as the nation's

population continues to age.

"To help make these programs sustainable into the future we should focus on strengthening the economy today," Treasury Secretary Steven Mnuchin said in a statement.

"Compounding growth will help ease projected short-falls."

The year in which Social Security will run out is the same as the estimate in last year's report. The estimate for Medicare was extended by one year.

—Josh Zumbrun

COLLEGE CAMPUSES

DOE Holds Hearings On Sexual Assault

The Department of Education on Thursday hosted a closed-door summit on sexual assault on college campuses to re-evaluate increased enforcement brought to bear under the

Obama administration.

The listening sessions included meeting with sexual assault survivors and students who the department says have been falsely accused and disciplined under the Title IX federal civil rights law.

The inclusion of men's rights

groups has raised the ire of some women's advocates.

"On both sides of this issue there are serious complaints," said Education Department spokeswoman Liz Hill. "Something is not quite right; we want to get it right."

—Douglas Belkin



The trust fund for Social Security's retirement and disability benefits will run out in 17 years. The program's main campus in Woodlawn, Md.

Deficit Would Fall, CBO Finds

By KATE DAVIDSON

President Donald Trump's budget proposal would shrink deficits by nearly a third over the coming decade, but not nearly as much as the White House projects, the Congressional Budget Office estimated Thursday.

Under Mr. Trump's proposed budget, the federal deficit would total \$720 billion by 2027, compared with a \$16 billion surplus estimated by the White House, according to the CBO's analysis of the GOP president's budget.

The deficit could fall to between 2.6% and 3.3% of gross domestic product over the next 10 years, the CBO said. The report also estimated that debt held by the public would total 80% of GDP by 2027, 11 percentage points below the CBO's projection under current policy, due in large part to significant proposed cuts to government spending.

But its estimates of the deficit are larger than the White House's estimates in every year over the next decade, primarily because the administration has assumed the budget will generate much higher revenue, stemming from faster economic growth than the CBO assumed.

The CBO said it also didn't have enough information about many of the president's economic policy proposals to calculate their effects.

fects on the budget.

"The president's proposals would affect the economy in a variety of ways; however, because the details on many of the proposed policies are not available at this time, CBO cannot provide an analysis of all their macroeconomic effects or of the budgetary feedback that would result from those effects," according to the report.

'The president's proposals would affect the economy in a variety of ways.'

In some cases, the CBO and the Joint Committee on Taxation relied on administration cost-saving estimates for policy proposals that it deemed "achievable targets." But in other cases when proposals lacked specificity, including a plan to save \$139 billion by reducing improper government payments and \$35 billion by easing financial regulations, the CBO and JCT didn't count the potential savings in their estimates.

The CBO also said the White House proposal for a tax overhaul "lacked the specificity necessary to evaluate any [economic] effects from such a change."

Yellen Sees Inflation Downturn as Transitory

By NICK TIMIRASOS

WASHINGTON—Federal Reserve Chairwoman Janet Yellen said a strong labor market and rising prices of imported goods supported her expectation that a recent downturn in inflation would prove transitory.

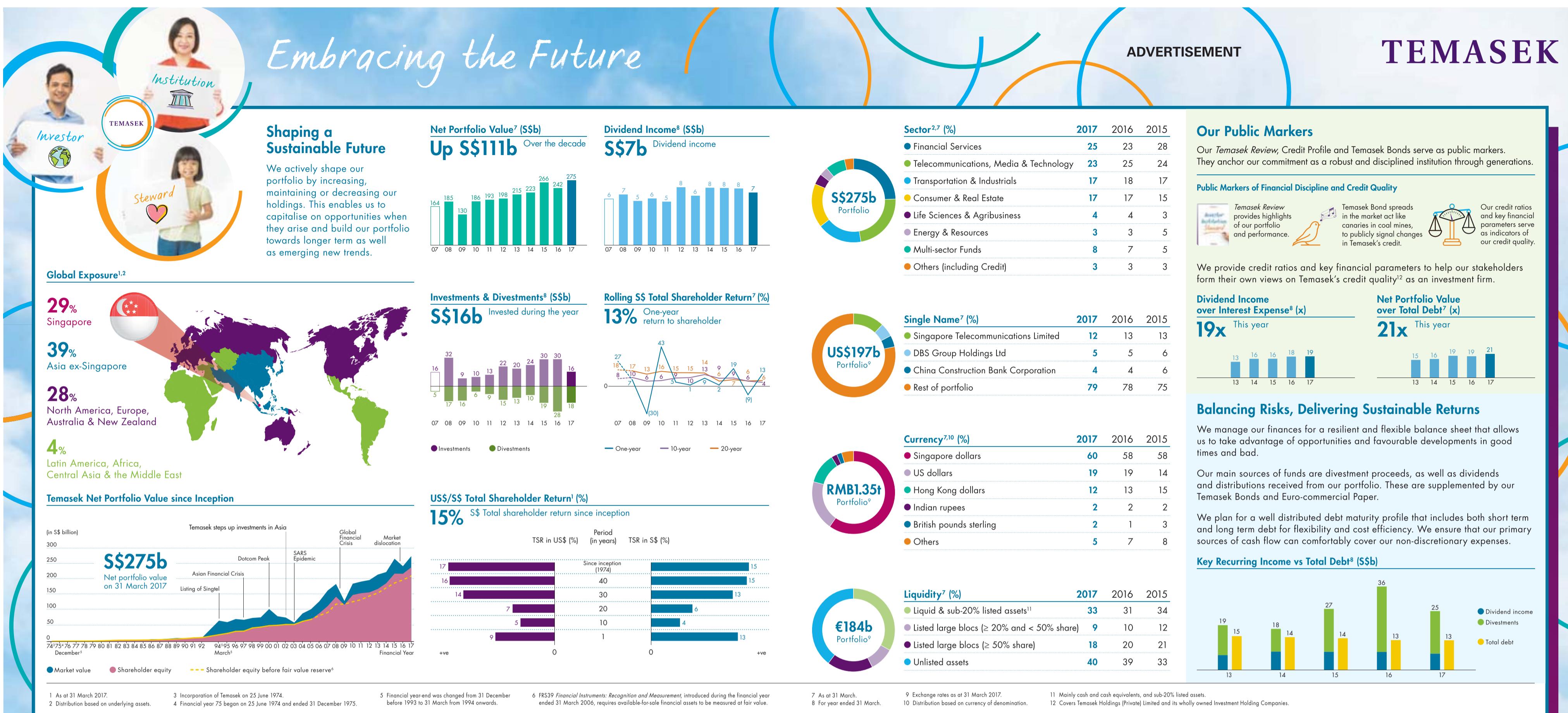
In raising interest rates last month and penciling in one more increase this year, Fed officials have so far looked past recent soft inflation readings by pointing to several idiosyncratic price declines, such as for wireless phone plans.

Ms. Yellen cited rising import prices on Thursday as one reason why global factors aren't "mainly responsible" for the low inflation readings. She also pointed to continued declines in labor-market slack, which would traditionally point to rising wages. "We're not seeing very substantial upward pressure on wages, but we may begin to see upward pressure on wages and prices," she said.

reached such a conclusion." Fed officials next meet July 25-26 and are likely to leave short-term rates unchanged.

While the economy has largely performed in line with the central bank's forecasts, inflation has been weaker than expected. Excluding volatile food and energy categories, the Fed's preferred inflation gauge slowed to a gain of 1.4% over the year ended May, versus 1.8% in February. The Fed has fallen short of its 2% inflation target for most of the past five years.

Ms. Yellen cited rising import prices on Thursday as one reason why global factors aren't "mainly responsible" for the low inflation readings. She also pointed to continued declines in labor-market slack, which would traditionally point to rising wages. "We're not seeing very substantial upward pressure on wages, but we may begin to see upward pressure on wages and prices," she said.



Investing for Generations

To remain nimble and ensure that our portfolio can capitalise on opportunities and withstand shocks, we have continued to rebalance our holdings to align with our four investment themes.

Transforming Economies

Tapping the transforming economies of China, India, South East Asia, Africa and Latin America

- Crompton Greaves Consumer Electricals**: Indian manufacturer of consumer products and household appliances
- Moncler**: Luxury goods company specialising in high-end outerwear and apparel

Growing Middle Income Populations

Meeting the needs of a growing middle income population

- Amazon**: Online commerce and cloud computing company
- Ceva Santé Animale**: Global veterinary health company based in Libourne, France; specialising in pharmaceutical products and vaccines for pets, livestock, swine and poultry

Deepening Comparative Advantages

Identifying game changers

- PPG Industries**: Global manufacturer of paints, coatings and fibreglass
- Trivago**: One of the largest travel websites and online travel agencies in China

Emerging Champions

Investing in companies that show growth potential

- VoloAgri Group**: Vegetable seed technology and breeding company headquartered in San Francisco
- Impossible Foods**: US-based company developing next-generation plant-based meat and dairy products

Strengthening Our Institution

Temasek's role and reputation as a trusted steward depends on our people and values, and our conduct and governance.

Relating to the President of Singapore
We are required to seek the President's approval before a draw occurs on Temasek's past reserves.

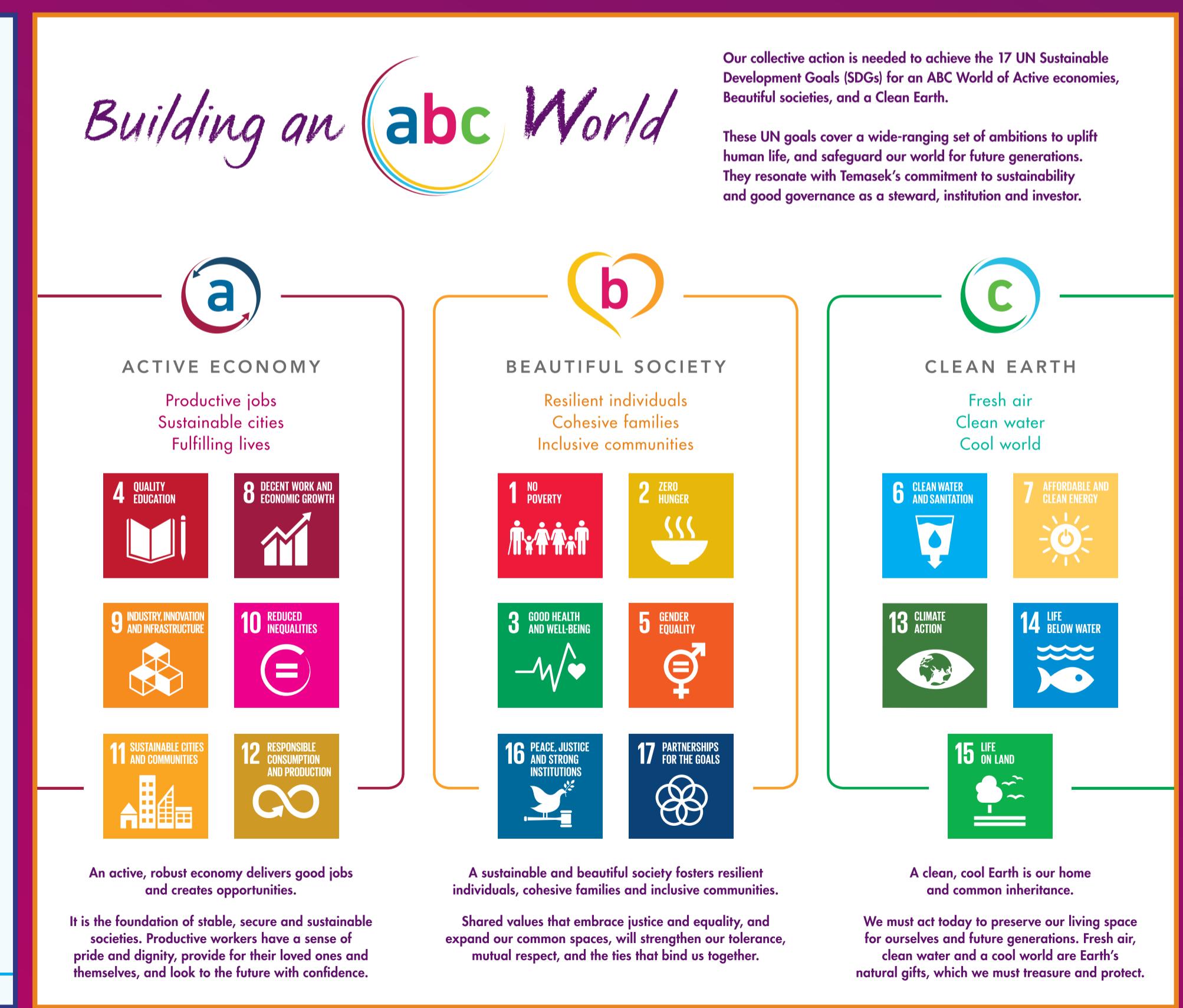
Relating to Our Shareholder
We declare dividends annually to our shareholder, based on the profits we earn, in accordance with our dividend policy.

Relating to Our Portfolio Companies
The companies in our portfolio are responsible for their day-to-day business and operations. Temasek does not direct their business or operational decisions.

Relating to Our Communities
Our family of Foundations supports a broad range of programmes to build people, build communities, build capabilities and rebuild lives.

We manage our assets and portfolio as a long term investor and owner under the strategic guidance of our Board. Our business decisions are independent of the President of Singapore and the Singapore Government.

We do not manage Singapore's Central Provident Fund (CPF) savings, Singapore's foreign exchange reserves, or the budget surpluses of the Singapore Government.



IN DEPTH

STOCK

Continued from page A1

In a reverse split, a company with a low share price forces it higher by making each share represent a larger piece of the company.

On Nov. 1, for example, DryShips did a 1-for-15 reverse split. A holder of 15 shares now had just one, but that one share would have a higher price, roughly 15 times the price of one before the split.

Behind these maneuvers were two men with seemingly little in common. One is George Economou, DryShips' founder and chief executive, a resident of Athens who also owns a private fleet of some 100 ships and has gained notice in the art world for his collection of German expressionist paintings.

The other is Marc Bistricer, a member of Toronto's tight-knit Orthodox Jewish community and a man with almost no public profile. One of the rare media mentions of him was a 2015 report by Canadian Broadcasting Corp. on a rundown Ontario apartment building owned by a company that lists him as an officer and director. Neither man responded to requests for an interview.

The DryShips saga began early last year when a British Virgin Islands firm called **Kalani Investments** Ltd. began approaching companies in the ocean-shipping business with a radical idea to help them raise money.

Many companies could use help in that hard-hit industry, including those such as DryShips that operate "dry bulk" ships carrying goods such as coal and ore. A glut of such vessels drove shipping rates to a 30-year low in February 2016.

Kalani's idea was that it would buy newly issued shares directly from the shipping companies at a discount to the stock-market price, thus injecting cash into the companies. Executives of three Greek shipping companies described such an approach by Kalani. All three said Kalani was controlled by Toronto's Mr. Bistricer.

Among the three executives approached was Anthony Kandylidis, DryShips' chief financial officer. He is a nephew of Mr. Economou, the founder of DryShips, which has offices in Athens but is domiciled in the Marshall Islands. The CFO said he met with Mr. Bistricer in New York a little over a year



A ship in the DryShips fleet. Investors who bought shares in the firm last fall and held on have lost almost all of their investment.

sounds like a "pseudo-underwriting."

Kalani isn't registered with the Securities and Exchange Commission as an underwriter. That means it is possible "both the company and the intermediary are on the hook for violating securities laws," Ms. Fisch said.

Mr. Kandylidis, the DryShips CFO, said "our understanding is different" but he preferred not to comment on legal matters. There is no indication the SEC is investigating DryShips or Kalani, and the agency declined to comment.

The tens of millions of new DryShips shares created have hammered long-term investors through stock dilution on a grand scale, because far more shares now have a claim on the company.

Investors who bought DryShips shares last fall and held on have lost almost all of their money. A \$10,000 investment in DryShips stock at the beginning of November was valued at \$167,000 two weeks later, during the brief price spike, but only about \$2 today.

For DryShips, however, the cash that poured in from Kalani for new shares put the shipper on a strong financial footing. Its net assets have soared. It has used the money from Kalani to roughly double the size of its fleet to about 36. Mr. Economou, who was buying ships from DryShips last year when it was hurting for cash, lately has been selling it ships from his private fleet.

Paid to maintain DryShips' expanding fleet are offshore companies DryShips refers to collectively as the **TMS Entities**. Mr. Economou controls them, securities filings show.

In addition, a firm Mr. Economou controls purchased most of DryShips' bank debt late last year, and this spring Mr. Economou said DryShips was raising the interest rate it pays on this debt.

Though DryShips' value has surged, at least on paper, its shares would seem unlikely to rally unless the company stops issuing a host of new ones.

A civil suit filed on July 3 seeks to halt further issuance. Filed in the Marshall Islands by a U.S. shareholder, the suit accuses Mr. Economou of unjustly enriching himself by having DryShips issue millions of new shares at a "devastating loss" to existing shareholders.

"The mechanism," the suit says, was that DryShips sold discounted shares "to co-conspirator Kalani Investments, a shell corporation run by Mark Bistricer...which would then dump them on the market regardless of price."

DryShips said the suit was "without merit." The plaintiff, Michael Sammons, couldn't be reached for comment. The court has set a Monday hearing on a request for a preliminary injunction.

Mr. Kandylidis, the DryShips CFO, said Mr. Economou doesn't need the cash he is reaping from DryShips. He hinted that his uncle could stop the share issuance soon.

"I know that, obviously, George has a lot of control," Mr. Kandylidis said, "but I think that the interests of George and the stockholders will converge."

—Jacquie McNish contributed to this article.

it rapidly sold many of these new DryShips shares. And in succeeding weeks, DryShips' stock tumbled.

By September, DryShips was preparing paperwork to do two things: execute a reverse stock split and issue a far larger batch of securities to Kalani.

Issuing so many new shares would normally be unrealistic for a company with a tumbling stock, but on Nov. 9 DryShips' stock suddenly tripled, ending the day up 133%. The Nasdaq Stock Market, where the stock trades, temporarily halted trading four sessions later with the shares up 1,500%.

What caused the rally is unknown; there is no evidence Kalani, DryShips or their principals took any steps to trigger it.

When trading resumed two days later, DryShips said it would sell a second batch of securities to Kalani, securities the offshore firm could convert into \$100 million of new DryShips common stock.

That was nearly 20 times what the entire company was valued at before its stock's mysterious rally.

DryShips gave no information about Kalani in securities filings or public statements when it sold the firm shares, except to say that Mr. Economou wasn't affiliated with the firm. Details of Kalani's ownership are protected by secrecy laws in the British Virgin Islands.

Despite this extreme common-stock dilution, Mr. Economou was in no danger of losing his control of DryShips. Just two months earlier, he had converted some loans to the company into a new class of preferred shares that carried 100,000 votes apiece.

DryShips shares by this time were plunging, thanks to the news that many more of them were being created.

Even so, investor chat rooms lighted up with speculation that another epic rally could be in store, given the sudden inflow of cash to the company's coffers. Mentions of DryShips on an investing site called **StockTwits**, which had totaled only about 77 a week before the November rally, soared to an average of

ago about helping DryShips raise capital.

On June 8, 2016, DryShips sold Kalani securities convertible into new DryShips common shares valued at \$5 million, which was equivalent to a little under 10% of the shipping company's market value then. It was a small foretaste of what was to come.

Kalani didn't report a 5% or more stock ownership, as U.S. regulations require, indicating

work if she pushed their speed to as fast as 2.3x. Ms. Nichols proselytizes the joys of speed-listening on **Twitter**. "I like pushing the cause," she says.

Ms. Nichols was a guest recently on "The Lowe Post," a show hosted by ESPN colleague Zach Lowe, and she made a plea to the audience as soon as she was introduced: "I'm going to ask everyone to now go to their app and speed up the rest of this podcast."

Mr. Lowe says: "It's insane that anyone listens to podcasts at that speed."

Pádraig Ó Cinnéide, co-founder of the podcast app Castro, agrees with Mr. Lowe. "We once got a request for 4x," he says in an email, "from a (presumably) insane person."

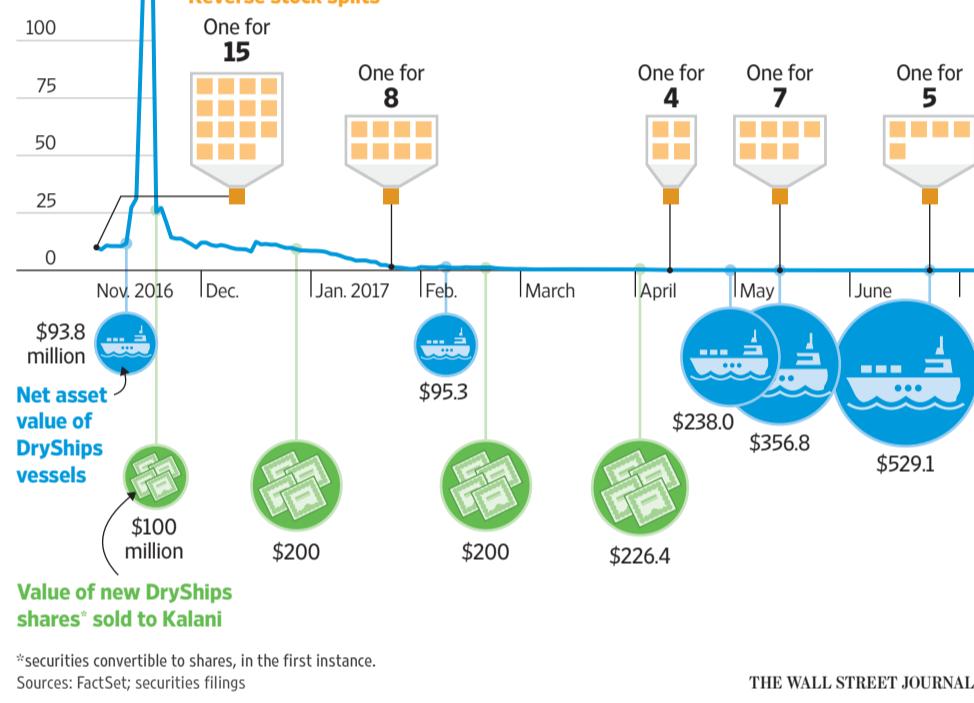
Castro still offers playback speeds only up to 3x.

A fourfold speedup sounds entirely sane to Max Deutsch, 24, who says he has speed-listened to 69 audiobooks this year. The faster the speed, he found, the more engaged he was. "That's when I asked myself: I wonder how fast I could actually listen?"

The San Francisco tech-product manager, unable to find apps with speeds over 3x, created Rightspeed, a \$2.99

Sinking Feeling

Shipping company DryShips has taken investors on a wild ride since November, repeatedly issuing new shares to an offshore firm, called Kalani, and also repeatedly reducing shares outstanding through reverse stock splits.



*securities convertible to shares, in the first instance.

Sources: FactSet; securities filings

about 18,000 a week over the following four months.

The enthusiasm allowed DryShips to create and sell still more shares. In three additional deals with Kalani, the shipper agreed to sell it securities convertible into \$626.4 million of new DryShips common shares.

That was equal to about 100 times DryShips' stock-market value in early November.

To keep its stock price from falling below \$1, necessary to avoid delisting, DryShips kept doing reverse stock splits—not only one on Nov. 1 but also one on Jan. 23, one on April 11, one on May 11 and one last month, on June 22. All had the approval of Nasdaq.

Ingmar Bueb, a 48-year-old opera singer, invested \$220,000 in DryShips over the years, the bulk of his nest egg. The High Bridge, N.J., resident had hoped to use the profits from this long-term holding to build a small opera house,

he said.

Already nursing losses by early November of last year, Mr. Bueb noticed the sudden price surge. "I went to the cafe to sell it, but then it was halted and crashed," he said.

He didn't look again until he was doing his taxes this year and was shocked to discover that, because of the many reverse stock splits, he then owned only two shares. The investment now is worth less than \$1.

"I would rather have given that money to poor, hungry people," Mr. Bueb said.

For Kalani—the offshore firm that paid hundreds of millions of dollars to DryShips for shares—did the stock drop punish it, too?

Evidently not; Kalani appears to have earned tens of millions of dollars by immediately selling the stock, which it purchased at a discount to the stock-market price.

The quick sales were by de-

sign, because Kalani's agreement with DryShips didn't permit Kalani's stake in the shipper to go above 4.9%, according to a securities filing.

Kalani had to sell quickly to stay below that level.

Kalani didn't respond to requests for comment. In addition, emails and calls to a Toronto investment partnership Mr. Bistricer runs, **Murchison Ltd.**, weren't returned.

Legal observers said the quick sales raise questions for regulators. "If [Kalani] is buying it with the intent to resell, then they're acting as an underwriter and this is a public offering," said Jill Fisch, a University of Pennsylvania law professor who specializes in securities regulation.

In an underwriting, a licensed entity, normally a bank, sells shares to the public and gives the proceeds to the company.

James Angel, who studies financial markets at **Georgetown University**, said the deal

comment.

Andy Bowers finds speed-listening useful as chief content officer of the podcast network Panoply in Brooklyn, N.Y., where it is his job to listen to podcasts. (The Wall Street Journal belongs to the Panoply network.) "I have to say very emphatically that I do not think it's an insult in any way," says Mr. Bowers, 53. "I think it's actually a compliment that you want to find ways to continue to fit them into your day."

It does feel sacrilegious, say several podcast listeners, to rush highly produced shows like "Serial" or "Radiolab." The sound, pacing and silence are crucial. Same for "Song Exploder," in which musicians deconstruct their work. Its host, Hrishikesh Hirway, says he hears from listeners assuring him it is the only podcast they want to hear unaltered.

Mr. Hirway's podcast is the rare show Mr. Reyes enjoys at normal speed. Any faster, he says, "would be almost disrespectful."

There's one smartphone button he won't touch. "What I can't figure out is why they have a 1/2x," he says. "I can't imagine a person who needs to listen to these things slower."

work if she pushed their speed to as fast as 2.3x. Ms. Nichols proselytizes the joys of speed-listening on Twitter. "I like pushing the cause," she says.

Ms. Nichols was a guest recently on "The Lowe Post," a show hosted by ESPN colleague Zach Lowe, and she made a plea to the audience as soon as she was introduced: "I'm going to ask everyone to now go to their app and speed up the rest of this podcast."

Mr. Lowe says: "It's insane that anyone listens to podcasts at that speed."

Pádraig Ó Cinnéide, co-founder of the podcast app Castro, agrees with Mr. Lowe. "We once got a request for 4x," he says in an email, "from a (presumably) insane person."

Castro still offers playback speeds only up to 3x.

A fourfold speedup sounds entirely sane to Max Deutsch, 24, who says he has speed-listened to 69 audiobooks this year. The faster the speed, he found, the more engaged he was. "That's when I asked myself: I wonder how fast I could actually listen?"

The San Francisco tech-product manager, unable to find apps with speeds over 3x, created Rightspeed, a \$2.99

app that accelerates podcasts in nearly unnoticeable 0.1x increments every two minutes. A one-hour podcast that begins at 2x ends at 5x and takes 17 minutes.

It's sort of like the Roger Bannister, four-minute-mile effect," Mr. Deutsch says. "Until you're told it's possible for a human to listen at this speed,

you just decide you can't."

When Andy Mullan, a government employee in San Francisco, checks out a library book, he downloads the audio version. He listens at 3x and follows in print. Mr. Mullan, 32, says his reading consumption has increased and his comprehension has improved.

Hundreds of thousands of

people who listen to audiobooks do the same thing, says Audible spokesman Matt Gosselin. "It's a great way to catch up on books you might not have time for otherwise," he says.

When Mr. Mullan makes his speed-listening rounds, he says, he finds he can get through more books in less time.

Audible listeners use higher speeds, according to the audiobook company's data. Audible says speed-listeners prefer nonfiction but do binge on mysteries and thrillers.

"The 'Game of Thrones' guy," Mr. Mullan says. "Oh my god. He speaks so slowly." A daughter of "the guy," 94-year-old Tony Award winner Roy Dotrice, said he wasn't available for comment.

Mr. Mullan listens to podcasts more slowly, at 1.5x. "Fast enough so they're a little faster," he says, "but not so fast they sound like Alvin and the Chipmunks."

Ben Carlson, 35, a Grand Rapids, Mich., portfolio manager, believes speed-listening may offer performance-enhancing benefits. When he began using podcasts on lunchtime runs, he found them so slow they nearly put him to sleep.

When he made them faster, "I felt like I was running faster," he says. "I was more in sync with being sped up. Which is crazy. But I think there's something to it."

He did slow down for an interview with Silicon Valley venture capitalist Marc Andreessen, who spoke too fast. Mr. Andreessen declined to

comment.

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BOOKS

'With less genius for writing than Charlotte Brontë, she got infinitely more said.' —Virginia Woolf

A Jane for Every Reader

For 200 years Austen has proved adaptable to the changing sensibilities of her ever-avid audience

The Genius of Jane Austen

By Paula Byrne
William Collins, 334 pages, £20

Jane Austen at Home

By Lucy Worsley
Hodder & Stoughton, 387 pages, £25

Jane Austen, The Secret Radical

By Helena Kelly
Icon, 318 pages, £8.99

The Making of Jane Austen

By Devoney Looser
Johns Hopkins, 291 pages, £22

BY D.J. TAYLOR

NOT LONG AGO the Times Literary Supplement decided to advertise its review of a clutch of Jane Austen-related material with an unusually striking cover image. Poised intently on the gray stone terrace of some stately home stood three immensely beautiful young women. Each came nattily dressed in the fashions of the early 19th century; one, at least, was wearing a bonnet. There, however, the connection to Regency-era decorum ended, for each, mysteriously, wore an expression best described as "feisty," had her stony eyes trained on an unseen assailant, and was brandishing a drawn sword. These, it turned out, were three of the Bennet sisters, played by the actresses Bella Heathcote, Lily James and Millie Brady, in the 2016 feature film "Pride and Prejudice and Zombies."

While the average Austen enthusiast—a "Janeite," to use the technical term—will straightforwardly mark this down as a travesty of everything he or she holds dear, it should be pointed out that bygone fans were quite as bewildered by some of the liberties taken by the film publicists of the mid-20th century. Even now it can come as rather a shock to discover that the shout-line for the 1940 version of "Pride and Prejudice," scripted by Aldous Huxley and starring Laurence Olivier and Greer Garson, ran "Bachelors beware! Five Gorgeous Beauties are on a Madcap Manhunt." Purists, naturally, were outraged, and yet the unifying theme of each of four new books on Austen and her reputation is an insistence that the visions of Bath and Pemberley peddled by die-hard Janeites are often quite as false to the original texts as any member of the undead disturbing Mr. Darcy in his dressing room.

If Austen's status as an English classic currently rests somewhere between Shakespeare and Dickens, then she is also—here on the 200th anniversary of her passing in July 1817—a handy illustration of the ancient truism that what happens to writers after their deaths is nearly always quite as fascinating as the life itself. Eighty years ago, for example, Dickens, that champion liberal and free spirit, was being hailed by left-wing writers as "almost" a Marxist and by religious apologists as "almost" a Catholic. In much the same

way, two-thirds of a century after its author's miserable death, a browser of the newspaper op-ed pages could be forgiven for assuming that George Orwell's "Nineteen Eighty-Four" (1949) was expressly written to satirize the Trump presidency. It is the same with Jane. Is she a romantic, a satirist or even a proto-feminist? What do her women want? And—perhaps even more important—what do we want from them?

Efforts to fit long-dead writers into the behavioral straitjackets of the present may very often involve huge amounts of special pleading or grotesque misrepresentations of historical fact, but the impetus behind them is perfectly understandable. It is a mark of how much the 21st century values such literary colossi as Orwell, Dickens and Shakespeare that it should want to use them as spiritual litmus paper: If they weren't so important to us, we would leave them behind and find other lanterns to guide us through the contemporary murk. Even more significant, perhaps, is that we should almost invariably find in them things that sometimes aren't there, magnify some of their authors' preoccupations and diminish others to the point of marginality. And so, reaching the end of "The Genius of Jane Austen: Her Love of Theatre and Why She Works in Hollywood," and reflecting on Austen's endless transitions to the wide screen, Paula Byrne can only conclude that, had she lived, Jane would have been "baffled" that most of the film adaptations emphasize the romantic aspects of her fiction when her real intention was "to subvert and undermine the romantic."

There is a great deal in all these books about subversion and undermining, so much so that it occasionally can make Miss Austen, scribbling surreptitiously away in the drawing room while family life ebbed and flowed around her, look like the wildest of postmodern cryptographers rather than a youngish woman of the reign of George III—she was born in 1775—filling amused reports on the somewhat restricted middle-class world in which she flourished. At the same time, the temptation to over-read her—to zealously re-examine the positions she may, or may not, be supposed to have taken up—is exacerbated by how little we know about her, an absence of hard fact that, as all four of her latest interpreters acknowledge, encourages mythmaking.

We associate Austen with the West Country town of Bath, with hearths and homes and domestic solidity, but as television history presenter Lucy Worsley points out in her new biography, "Jane Austen at Home," much of her life was spent in transit, living out of suitcases. Nearly all her heroines are, in some sense, displaced persons, in search of comfort and security.

As for that absence of hard fact, we might think that we can approach Austen through her letters, but they, it tends to be argued, are less revealing than they seem: Many of the original texts are missing; those that remain are sometimes more a smokescreen than an illumination.



GETTY IMAGES

The novels, Helena Kelly assures us in "Jane Austen, the Secret Radical," are "as close to Jane as we're ever going to get."

But how close is that, given the obfuscations and seductive reimaginings of the novels by the cineastes? Nearly everyone here is convinced that the damage was done by Andrew Davies's highly praised 1995 BBC adaptation of "Pride and Prejudice" starring Colin Firth and Jennifer Ehle, which, Ms. Kelly insists, faithlessly manipulates and sanitizes its source. Mr. Darcy's comparatively modest estate at Pemberley is upgraded to the Duke of Devonshire's Chatsworth pile. Mr. Bennet's affability and eccentricity trump his incompetence, ineffectuality and neglect of his family's interests. And so, incriminatingly, on, with romance replacing social tension and chatter filling in for the political hint.

"The Secret Radical" is a provocative, if impressionistic, study, which alternates fictionalized episodes from Austen's life ("Sunlight and shadow chase each other across the sea ramparts, while the waves dance, mischievous, sparkling, to welcome in the yearly miracle of an English spring," runs one picturesque lead-in) with some convincing arguments about Austen's interest in, or at least awareness of, the radical underpinnings of the Georgian age. "Pride and Prejudice" is reimagined as a dispatch from a country at war with its cross-Channel neighbor and "Sense and

Sensitivity" redefined as a book about greed and need and "the terrible, selfish things that families do to each other for the sake of money." These are novels, in Ms. Kelly's reading, about locked cabinets, jealously guarded mysteries and emotional concealments. Hunky Mr. Darcy plunging into his lake then running into Elizabeth Bennet (a scene that Austen never got round to writing) is given the shortest of shrifts.

As the example of Colin Firth in his figure-hugging swimwear reminds us, much of Austen's periodic reinvention has to do with the pictorial representation of her characters. One of the most fascinating sections of Devoney Looser's "The Making of Jane Austen," a study of Austen's near-continuous post-death reinvention, consequently takes in the wildly different approaches of her early illustrators. The first collected editions of her novels in the 1830s brought her sartorially up to date by putting her heroines in early-Victorian clothing and playing up the familial, female and sensational elements, only to be replaced, come the 1870s, by a hankering for the Wordsworthian sublime that tied them to nature and geographical place. Then came the artist Hugh Thomson (1860-1920), who drew attention to the social criticism implicit in Austen's attitude to matchmaking and produced a famous illustration of the five Bennet sisters seated in a line of high-backed chairs

and being inspected by their parents. Elizabeth is accompanied not by a drawn sword but by a sign bearing the words "Not for Sale."

By the later 19th century, Ms. Looser argues, Austen was already a chameleon-like figure, simultaneously regarded as a traditionalist and as the advocate of social change, praised by conservative gentlemen in their clubs for being apolitical while the suffragists promenading outside their windows had her name woven into their banners. Half a century later, the placid comfort of her domestic interiors was balm to a readership traumatized by war, while half a century after that her gossiping sororities awaiting their suitors' calls looked like a less sophisticated version of a Hollywood teen movie.

Celebrating the many faces of Jane: the genius, the homebody, the radical, even the zombie slayer.

If all this suggests that, 200 years after her early death (over which, as in nearly every other aspect of her life, hangs a fog of mystery), Austen is a literary version of one of John Wyndham's Triffids, capable of colonizing every territory to which she is introduced, then several unifying factors remain. One of them is the intensely proprietorial air brought to her by her fans. Lucy Worsley confesses to having "searched for my own Jane, and naturally I have found her to be simply a far, far better version of myself: clever, kind, funny, but also angry at the restrictions of her life." The suspicion, alas, is that "my own Jane" may actually be in part someone else's, for the appearance of "Jane Austen at Home" in the U.K. was met by accusations (which Ms. Worsley denied) that she had borrowed some of her conceptual armature from an earlier book by Paula Byrne titled "The Real Jane Austen."

Another unifying factor, curiously enough, is a descent into idiomatic chattiness. Devoney Looser may be a professor of English at Arizona State, but that doesn't stop her, in "The Making of Jane Austen," from wanting to get down with the kids by rapping about "monikers," "direct riffs" and "knockoffs." Ms. Worsley, too, leaps in her preamble to take issue with what she regards as misreadings of Austen's texts ("Wrong, wrong, wrong... Big mistake!" etc.). But perhaps this, too, is a testimony to Jane's enduring appeal. So eager are fans of "Emma" and "Persuasion" to explain what really matters about her to an impressionable new audience that literature professors and TV presenters alike turn quaintly demotic in her presence. Like her ability to inspire zombie films in which Miss Elizabeth Bennet lays about the undead with a flailing sword, this is quite an achievement.

Mr. Taylor is the author, most recently, of "The New Book of Snobs."

Game Theories

Knowing the Score

By David Papineau
Constable, 285 pages, £14.99

BY MICHAEL SHERMER

AMONG CYCLING aficionados, Peter Yates's 1979 film "Breaking Away" was a welcome vehicle to convey the elegance of the sport to a largely oblivious American audience. Like most sports films, it was also something more: the story of a man struggling to break away from the provincialism of family and friends, along with a morality tale about how everyone lies a little and some people cheat a lot.

In "Knowing the Score," King's College philosopher David Papineau uses bike racing and other sports as metaphors for lessons about the most important issues in philosophy and life. He confesses his ignorance of cycling and admits that he did not understand, when watching the 2012 Olympic road race, why four women cyclists from different countries would work together after they broke away from the peloton. Mr.

Papineau finds an answer in game theory, the analysis of competition and cooperation between rational actors in a conflict situation. Cyclists drafting one another create a significant savings in energy and an increase in speed, so solo breakaways are unusual and almost always fail.

Drafting in the middle of the pack for the entire race is very efficient, but then you have to sprint for the

Any coach or philosopher will tell you that the rules of sport mirror those of life (and vice versa).

win against the entire field. Ideal is a small breakaway with, say, four riders: Each can conserve energy and only has to beat three others to win. In game-theory terms, it pays for each of the four racers to cooperate with one another until the very end. If one rider "defects" (in game-theory terms) and refuses to take a pull at the front, the others will punish her, verbally or by other means.

Occasionally, in the final kilometer, everyone in the breakaway refuses to pull through in order to conserve energy for the sprint, and the group gets caught by the hard-charging peloton, an example of selfishness

by a sport, and links it to phenomena in the wider world. The author finds cyclists' conflicts between self-interest and group interest to be mirrored in relations between nations: Agreements attempting to combat climate



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surmounting selflessness to the detriment of all. On the other hand, knowing that this can happen discourages early defection and keeps the provisional mutualism going.

Each chapter in Mr. Papineau's engaging book takes a look at a philosophical problem like this, presented

change, for instance, face a collective-action problem that must contend with "breakaway" nations that desire greater economic growth. In other sections, failure to meet political obligations in a society is equated to fouls in an athletic contest; sporting competition among nations is

connected to geopolitical rivalry (George Orwell once commented that sport "is war minus the shooting"); nature and nurture are discussed in terms of athletic performance and life (gifted athletes have gifted children, but not equally so). Mr. Papineau also applies economic concepts, like Coase's theorem—stating that free markets with well-defined rules lead to relative efficiency—to sports, in which the best players migrate to the best teams and earn the most money unless an artificial mechanism like a draft is devised so as to level the playing field.

Another lesson that Mr. Papineau's book imparts is that athletic contests are not just another form of play. Most people want more than just a happy existence. We want challenges to face and obstacles to overcome. Our ancestors got more of those from daily life than we do today, so we need artificial trials. Sports are, in that sense, the very embodiment of the human striving that brings meaning to life.

Mr. Shermer is the author, most recently, of "Skeptic: Viewing the World With a Rational Eye."

BOOKS

'Skiffle was . . . in essence, American folk music with a beat.' —Van Morrison

Roots, Radicals and Rockers

By Billy Bragg
Faber & Faber, 431 pages, £20

BY TONY FLETCHER

READERS OF THIS book are less likely to be drawn to the title ("Roots, Radicals and Rockers") than its musician author. Billy Bragg came of age in 1980s Thatcherite Britain singing tales of romance and politics in a nasal cockney voice accompanied by equally harsh electric guitar. He became an occasional hitmaker while remaining a committed left-wing polemicist, frequently mining the rich repertoire of international protest songs. In recent years he has turned author. In 2006, Mr. Bragg published "The Progressive Patriot," an examination of British identity, and now follows with a hugely ambitious account of the post-war style known as "skiffle," thereby filling a gaping hole in the literature of 20th-century music.

All musical genres of merit have clear-cut images that we associate with the moment from which there was no turning back. For rock 'n' roll, it might be Elvis Presley shown from the waist up on "The Ed Sullivan Show" in January 1957; for rock music, Bob Dylan turning electric at the Newport Folk Festival in July 1965; and for punk rock, at least in the U.K., the Sex Pistols swearing on prime-time live TV in December 1976. For "skiffle," to the extent that such a moment is celebrated at all, it is probably with an image of the Quarrymen, as the future Beatles were then known, performing in November 1957, with John Lennon and Paul McCartney each on acoustic guitars as part of a five-piece band that includes someone playing a "broomstick bass" behind them.

That image is included in Mr. Bragg's book as evidence of skiffle's enormous influence. As with the other aforementioned genres, skiffle had a long and convoluted prehistory. It emerged out of what Mr. Bragg calls the "drearly parsimonious atmosphere" of postwar Britain, where rationing continued until 1954, the lone television station (the BBC) was blatantly paternalistic, pop radio simply did not exist and a mutual ban by British and American musicians unions forestalled all trans-Atlantic tours between 1935 and 1955. As such, when an enthusiastic jazz musician, trumpeter Ken Colyer, went to New Orleans by ship in 1952 to hear and perform the music at its source, his journey was the musical equivalent of an Everest expedition. Within weeks of his return, his new group, Ken Colyer's Jazzmen, were the hottest ticket in the U.K.

The Jazzmen engaged in "break-down sessions" in between sets, performing American folk, spiritual and blues songs on guitar, stand-up bass and a "washboard" for percussion. In the summer of 1953, Ken's brother Bill, a playing member and the Jazzmen's manager, first applied to this music the term "skiffle"—1920s American slang for a rent party.

In May 1954, Ken Colyer sought to fire his rhythm section, exasperated in



TRENDSETTERS Lonnie Donegan (center) and his band in 1957.

part by its young guitarist, Scottish native Tony "Lonnie" Donegan. Donegan was a singer who had a voice like a runaway steam train and a personality to match, and Colyer had forgotten that the group had been established as a cooperative. In the end, it was the Colyers who were exiled instead. Trombonist Chris Barber took the helm, and when the group was short of material at a Decca Records session in July 1954, he, Donegan and a washboard player recorded four songs, including a rendition of Lead Belly's "Rock Island Line" that started as a spoken story and ended as a musical riot.

As so often is the case with popular culture, it was an afterthought that subsequently proved seminal. (Mr. Bragg notes how, a week earlier, at Sun Studios in Memphis, Elvis Presley recorded an off-the-cuff, "skiffle"-like version of "That's All Right Mama" when the session's original mandate, Ernest Tubb's "I Love You Because," failed to ignite.) "Rock Island Line" was finally released as a single in late 1955, credited to Donegan. Much to the disdain of the stuffy music-business establishment, the song was quickly adopted by Britain's first generation of postwar teenagers, desperate for music they could call their own.

Mr. Bragg works valiantly to join the disparate dots that rendered "Rock Island Line" so vital. He devotes chapters to the Anglo-American

folk and jazz scenes, American rock 'n' roll, the Angry Young Men of British stage and screen, the effects of the coffee bar, and the trendsetting roles of both off-shore "pirate" station Radio Luxembourg and American Forces Network radio. He is ebullient describing scenes at British movie houses during 1956 when Bill Haley and His Comets were shown performing in the film "Rock Around the Clock"—dozens of "teddy boys" would "jive" in the aisles and, after being ejected for unruly behavior, continue to dance in the streets.

Yet Haley was a portly middle-aged man, as audiences discovered when the union bans were finally lifted and the Comets toured Britain. Donegan, by comparison, was in his mid-20s, raffishly handsome and refreshingly provincial. The skiffle sound he popularized offered not just an alternative to American rock 'n' roll but greater accessibility. The only purchase necessary to make it was an acoustic guitar: The washboard and "tub bass" were essentially household items. With the same few songs performed across the land, aspiring musicians only needed enthusiasm to attempt to play skiffle, and just about all of them did.

The influence of this music in Britain cannot be overstated. As Donegan piled on the hits, and contemporary groups like the Vipers and youthful imitators like Tommy Steele followed him onto the charts, acoustic-guitar sales

went through the roof. "I have twenty thousand on order and wish I could get more," offered one of Britain's bigger national retailers in mid-1957. Among those lining up were future members of the Rolling Stones, the Who, the Kinks—and the Beatles. Mr. Bragg tells of 13-year-old George Harrison attending all six of Donegan's first Liverpool

shows in November 1956, and 14-year-old Paul McCartney saw at least one. John Lennon, whether or not he saw the same concerts, acquired a guitar in the weeks that followed to form his own skiffle group, the Quarrymen. In 1957, Mr. McCartney witnessed the Quarrymen at a village fête and the rest, as they say, is history.

Though Lonnie Donegan did become an American pop star for a while, Mr. Bragg readily admits that "skiffle never took hold" in America. As such, his book's subtitle—"How Skiffle Changed the World"—is misleading. Skiffle only really changed Britain. And while the Quarrymen may not have formed without skiffle, they would never have progressed but for

American rock 'n' roll, which formed the core of the Beatles' live shows long after Donegan fell out of fashion.

Mr. Bragg's British worldview is frequently evident, as in his use of the personal possessive when referring to his home country, though such occasional intrusions of personality and opinion serve to enliven a book that can otherwise seem almost scholarly. And his personal touch adds vitality to other sections, as when he likens the skiffle explosion of 1956-57 to that of punk rock precisely 20 years later. Of Donegan's "Frankie and Johnny," Mr. Bragg notes: "By the climax of the song, he's near-hysterical, exhibiting the loss of vocal control that would later become the hallmark of Joe Strummer's performances with the Clash."

"Roots, Radicals and Rockers" contains more detail than necessary; even the most attentive reader will likely lose track of the many players on the scene. But Mr. Bragg's knowledge of these personalities, and of the shifting cultural tides that brought them together in skiffle, is nothing short of masterly. It would be hard to cite another historical book of such depth, quality and reasoned analysis by a working, nonacademic musician.

Mr. Fletcher is the author of "All Hopped Up and Ready to Go: Music From the Streets of New York 1927-77," among other books.

Salumi Coast to Coast

Salted and Cured

By Jeffrey P. Roberts
Chelsea Green, 275 pages, £22.50

BY MAX WATMAN

ALTHOUGH I'M SURE it is only vaguely related to any real historical event, the myth concerning the origin of ham is one I love. Supposedly, people buried joints of pork by the seashore—to hide them, keep them cool, keep the bugs off—and when they dug the pieces up later they had been transformed. The salt water had washed over the meat, the pork had drawn in the salt and expelled moisture, and the result, a happy accident, was proto-prosciutto.

In "Salted and Cured: Savoring the Culture, Heritage, and Flavor of America's Preserved Meats," Jeffrey P. Roberts doesn't repeat this bit of mythology. But in his opening chapter he traces an origin story that goes back even further. Swine were among the first domesticated animals, he notes; they started hanging around the moment we had stationary kitchens. Hunter-gatherers followed seasons and herds, leaving behind whatever they'd used up. Once they settled down, though, piles of trash quickly began to appear.

"Wild pigs recognized potential foodstuffs in these communities," Mr. Roberts writes. Pigs can eat everything, after all, and we offered a cor-

nucopia. A man's kitchen midden is a pig's buffet. And, properly prepared or preserved, a pig is a meal for a man. Confucius' students paid cured pork as tuition, Mr. Roberts reports. A few centuries later, Cato the Elder explained how to salt hams in "De Agri Cultura" ("On Farming"). "The techniques he described," Mr. Roberts says, "are still the basic recipe used today to make both prosciutto di Parma and prosciutto di San Daniele."

From pastrami and corned beef to artisanal charcuterie, a celebration of American cured meats.

After this historical primer, we're on to the stories of America's chefs and charcutiers, the real meat of this book. Although Mr. Roberts makes it clear that he didn't talk to every single person with a butcher knife and a curing program in America, he seems to have given it a good try. If, like me, you build food-based travel itineraries, you need a copy of "Salted and Cured."

American charcuterie begins on the banks of the Pagan River in Virginia, in the town of Smithfield. The Powhatan tribe treated fish and game with sea salt harvested from tidal flats. From early colonial times, Mr. Roberts writes, "their techniques meshed with

British traditions, and cured, smoked ham became a staple throughout the South." Mr. Roberts covers the growth of the industrial Smithfield Packing Co. before bringing us two tales of tradition and brilliance in the stories of S.

New Orleans for Cajun boudin sausage, chases spicy 'Nduja in Chicago and tracks down salami in Denver. He is just as comfortable in the Jersey Pork Store as he is in New York's Gramercy Tavern.



Wallace Edwards & Sons and North Carolina's Johnston County Hams.

Mr. Roberts can be authoritative but loves each plate of charcuterie more than the last and frequently peppers his text with writerly hand claps and exclamation points: "Holy flying pig!" he exclaims when confronted with a Johnston-cured haunch of Mangalitsa hog.

After Virginia, he goes to Kentucky (dropping in on Col. Bill Newsom's and Broadbent's) and then Tennessee (Benton's Smoky Mountain Country Hams). He heads to

It's delightful that so many craftspeople and cooks are keeping alive these traditions. But why do they do it? In a technical sense, preservation techniques are no longer needed. "Until the twentieth century," writes Mr. Roberts, "dry curing, pickling, cooking, and smoking hams were the available preservation techniques. With most farmers putting up meat, no one looked to country ham as a major money maker; it was simply part of the culture of farming and rural life." Today, though, we can cryovac and refrigerate and freeze. We do not require the ungainly, exacting process by which fresh meat becomes cured meat.

For a while it seemed as if the entire tradition might be sunk and that, as it faded, the American *cucina povera* might fade along with it. Now the questions are different: how to make production viable, how to raise pigs in the right way, how to train people to process the meat and carry on the traditions laid down by generations. Most important, perhaps, is how to find people willing to pay for the luxury item that charcuterie has now become.

To his credit, Mr. Roberts asks tough questions as he tours the landscape, such as: What happens to country ham if we elevate it "to a pedestal similar to what prosciutto or jamón are on, with their associated price tags? What happens when we shift the ham from its cultural and historic roots?" Yet the hallmark of this book is his gustatory enthusiasm. It makes Mr. Roberts a spirited traveling companion even if it lands the text in a strange middle ground: At times "Salted and Cured" vacillates between guidebook and memoir. While the reader's consumption might be smoother if the author had settled on either a narrative or encyclopedic tone, rather than attempting a hybrid, "Salted and Cured" has all that's needed to help you fill your larder.

Mr. Watman is the author, most recently, of "Harvest: Field Notes From a Far-Flung Pursuit of Real Food."

BOOKS

'Photography is . . . an art that excites the most astute minds—and one that can be practiced by any imbecile.' —Nadar

Parisian Dynamo



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MAN IN FULL Frames from Nadar's 'revolving self-portrait,' created in 1865, for which the photographer took a dozen images of himself as his chair was rotated 360 degrees.

The Great Nadar

By Adam Begley
Tim Duggan, 248 pages, £18.99

BY TOBIAS GREY

AT THE AGE of 37, Gaspard-Félix Tournachon, more commonly known as Nadar, went up in a hot-air balloon for the first time. It was a life-changing experience for the Parisian portrait photographer, whose unstinting activities had moved his friend Charles Baudelaire to describe him as "the most astonishing expression of vitality" he had ever seen.

The year was 1857, and Nadar was desperate for something to take his mind off his earthly concerns, or at least put them into some kind of perspective. For the past two years he had been waging a bitter—and eventually successful—legal battle against his younger brother, Adrien (himself a photographer), to prevent him from appropriating his pseudonym and using the name "Nadar jeune."

In Nadar's delightful ragbag book of memoirs, "When I Was a Photographer" (which was finally given a sparkling English-language translation two years ago), he recalled his feelings of drifting above the clouds for the first time: "Everything is far away: cares, remorse, disgust. How easily indifference, contempt, forgetfulness drop away from on high—and forgiveness descends."

For Nadar it was the beginning of a lifelong, frequently perilous love affair with ballooning that resulted in his becoming the first person to take and develop aerial photographs. He

also established the world's first aerial postal service during the Prussian siege of Paris (1870-71).

These airborne adventures are given a regrettably brief, if lively, recounting in Adam Begley's "The Great Nadar." Mr. Begley's primary focus, in this first English-language biography of the French polymath (he was also a gifted writer and caricaturist), is on Nadar's considerable merits as a portrait photographer. Mr. Begley suggests that, by the time Nadar took up photography in the mid-1850s, his half-dozen years of work as a caricaturist had given him a head-start as a portraitist. Nadar also "understood intuitively the emerging celebrity culture, the desire to be publicly known, to be visible and recognized now and in the future."

With his 2014 biography of John Updike, Mr. Begley showed that he is a writer who likes to work his way from the outside in. This approach, in "Updike," involved nailing down the autobiographical resonance of the author's novels, short stories, literary criticism and poetry. For "The Great Nadar," Mr. Begley has combed through an array of literature, letters, guest books, invitations, drawings and other miscellany to tease out a nuanced portrait of one of the world's first celebrity artist-entrepreneurs.

Above all, though, it is Mr. Begley's careful study of Nadar's portraits of famous writers, artists, actors and composers (many of them reproduced here) that recommends "The Great Nadar" as a window on an era of extraordinary artistic endeavor.

Nadar's first photographic studio was an outdoor one on the Rue Saint-Lazare (wags rechristened it Rue

Saint-Nadar). Visitors crossed a reception room, decorated with a half-dozen romantic paintings by Gustave Doré, before stepping out into a "ravishingly beautiful" courtyard garden.

It was here that Nadar learned to appreciate all the different ways that natural light could imbue a photograph. As he wrote: "It's the artistic appreciation of the effects produced by various qualities of lighting alone or combined—it's the application of this or that effect according to the nature of the physiognomy that as an artist you aim to reproduce."

One of Nadar's first celebrity subjects was Baudelaire, whom he photographed over an eight-year period. Mr. Begley describes these photographs as an "eloquent" study of the poet "refining his persona and coping with [the] notoriety" that arose from the publication, in 1857, of "The Flowers of Evil," six poems of which were banned in France for decades for their depiction of decadence run amok.

Nadar had become friendly with Baudelaire and his fellow poet Gérard de Nerval during his days as a garret-hopping bohemian. It was during this period that his biting political cartoons earned him the nickname "tourne à dard" (later shortened to Nadar), meaning one who scores with a dart. Mr. Begley notes that Nadar—one can't help thinking of Andy Warhol a century later—"cultivated an antiestablishment chic meant to entice not only the cultural elite but also anyone who hoped to mix with artists, radicals and . . . bohemians."

Nadar was equally adept at photographing women and men. One of his most provocative photographs shows the middle-aged author Théophile

Gautier, shirt unbuttoned and a hand tucked lewdly down the waistband of his trousers. Nadar's exquisite pictures of the actress Sarah Bernhardt, at the age of 20, capture a sense of both her toughness and vulnerability, while his portraits of George Sand delighted the 60-year-old writer so much that they became firm friends.

The true pioneer of portrait photography was also a writer, balloonist, cartoonist and bohème.

By that point—despite the support of his ever-loyal wife, Ernestine—Nadar seems to have grown disillusioned by his métier. What he started out by calling "an art that sharpens the wits of the wisest souls" became for him an "idiot job."

But Nadar was nothing if not a master of reinvention. He pioneered the practice of aerial photography and became the first photographer to use artificial lighting below ground in the Paris catacombs. With his friend Jules Verne, he formed the Society for the Encouragement of Aerial Locomotion to promote the development of so-called heavier-than-air machines.

These were all considerable achievements, but Mr. Begley is not convinced. He suggests that "the sad consequence of [Nadar's] extracurricular activities in the 1860s is that all these frenetic adventures kept him away from the studio, the place where his true genius had flourished." Perhaps so, but what made Nadar such a compelling personality—what drew so many disparate personalities toward him—was his range of passionate engagement, his fervor. Nadar's "true genius" could not be limited to the confines of portrait photography.

What made Nadar so entrancing, it seems, was his Wildean propensity for putting talent into his works but genius into his life. One need only read Nadar's chapter on his first attempt at aerostatic photography in "When I Was a Photographer" to grasp the true nature of the man: "Who or what can stop me," he writes, "once I have given in to one of my sudden bursts of enthusiasm?"

Mr. Grey is a writer based in Paris.

The Hated Enemy

Hannibal

By Patrick N. Hunt
Simon & Schuster, 362 pages, £21.81

BY JAMES ROMM

ANCIENT HISTORIANS gave the name "Hannibalic" to the war between Carthage and Rome at the end of the third century B.C.—known to us as the Second Punic War—to acknowledge that one man had set it in motion and defined the course it

What drove Hannibal's lifelong crusade against the Roman republic?

took. Hannibal Barca, a general of unparalleled skill and determination, invaded Italy in 218 B.C., hauling a vast army, including a corps of war elephants, over the snow-clad Alps. Hannibal led that army, a polyglot assemblage of African and Iberian peoples, to three successive victories over numerically superior Roman forces. He inflicted horrific casualties on the Romans and nearly ended their rise to imperial dominion when it had barely begun.

The third of Hannibal's wins, at the Battle of Cannae in 216 B.C., was among the most devastating military blows ever struck; perhaps 50,000 Romans were killed in a few hours of fervid fighting. Yet somehow Rome refused to give in. With newly recruited legions and a new general, Scipio, whose brashness and brilliance were a match for those of Hannibal, the Romans chased Hannibal out of

southern Italy and back to his native North African haunts.

The great duel between Hannibal and Scipio was finally resolved near a town with the stirring name of Zama,

near the border between today's Algeria and Tunisia. Rome's forces

trounced Hannibal there in 202 B.C.

and imposed a humiliating surrender on Carthage, though their final

destruction of that city, the notorious

"Carthaginian peace," came more

than 50 years later at the end of the

Third Punic War.

Although beaten, Hannibal remained unreconciled to the triumph of Roman arms. In the second phase of his remarkable career, he became a kind of international *condottiere*, lending his strategic brilliance to rulers in the Greek east who opposed Roman expansion. He remained innovative and entrepreneurial to the end. While leading the naval forces of a certain Prusias of Bithynia, a province in northwest Asia Minor, Hannibal is said to have won a sea battle by tossing baskets of poisonous snakes onto the decks of his adversary. When, late in the 180s B.C., the Romans pressured Prusias into turning Hannibal over, he took poison himself (according to most sources) to avoid being marched captive through the streets of his hated enemy.

What was it that drove Hannibal's lifelong anti-Roman crusade? According to a tale told by the historians Polybius and Livy, Hannibal himself described to a king who employed him, late in life, how his father Hamilcar—another general who had fought Rome and lost—had taken him, at age 9, to a solemn sacrificial rite and bade him swear eternal enmity to Rome. Patrick Hunt, an archaeologist who

teaches in Stanford's continuing-studies program, reimagines this scene in the first chapter of "Hannibal," a chapter titled "The Vow," and seems to find in it an explanation of Hannibal's later career. "The child Hannibal died that day," Mr. Hunt writes. "He would increasingly come to know thereafter that he lived only to see Rome's destruction."

"Hannibal" includes many such risky moves. The book is labeled a biography but would have been better

conceived as a history of the Sec-

ond Punic War. Hannibal's life

before the war started is little

known from primary sources,

so Mr. Hunt is forced to rely

on supposition and guesswork in his early chapters.

Then, in his penultimate chapter, he speeds through

Hannibal's post-bellum exile,

in fact the longest phase of

his adult life, in only a few

pages. The war is thus the

book's real subject, a conflict that

spread into several theaters and did

not always involve Hannibal himself.

Mr. Hunt is a passable war correspondent but his efforts to keep Hannibal in the spotlight result in some questionable choices. He often claims to know what his main character was thinking or perceiving, or what he "would have" thought or perceived. The phrase "must have" is also sometimes deployed, as in: "Young Hannibal must have adored and worshipped his father" or "The frustration in Hamilcar's voice must have now carried through his house" as he contemplated a humiliating peace settlement. Only the hypothetical verb moods stand between such passages and historical fiction.

"Hannibal" stays closer to the record in its descriptions of military ma-

neuvres and battles, material that is more fully documented in the sources. Even here, though, Mr. Hunt's impulse to import color sometimes results in peculiarities. He speculates, on no evidence, that a Roman general's corpse was beheaded after Hannibal's victory at Lake Trasimene in central Italy, then writes: "This possible decapitation was eerily symbolic of the now-headless Roman army." A beheading that is only "possible" but still "eerily symbolic" is the sort of contortion that results from serving two masters, responsible history and romance.

Mr. Hunt could perhaps pull off this straddle if he were a better prose artist, but many of his sentences are as ungainly as African elephants lumbering over the Alps. Some are poorly constructed: "The Romans now had another masterful tactic working well to keep [Hannibal] running to put out fires among his shrinking allies." Others are simply bizarre: "Old king Syphax had a young trophy wife to fan both his ardor and his Punic alliance." In describing the horrors of an all-out infantry clash, Mr. Hunt too often resorts to cliché sound effects (screams, moans and the clashing of spears on shields are heard at regular intervals).

The cover of "Hannibal" features an equestrian statue of a dashing cavalryman, with the title superimposed like a label. Readers be warned: There are no surviving ancient portraits that preserve Hannibal's features; this image is actually an 18th-century line drawing that only looks like a Roman marble. The illusion is all too much in keeping with Mr. Hunt's approach throughout the book.

Mr. Romm is the author of, most recently, "Dying Every Day: Seneca at the Court of Nero."



SILVER A Carthaginian coin, found in Spain, from the third century B.C.

Mr. Hunt's portrayal of this oath-swearing scene is vivid and stirring, but he prefacing it with a quiet reminder that it cannot be substantiated ("if the story is true"). There are indeed good reasons to doubt its veracity. Even if Hannibal related this tale in the way our sources claim, he did so at a moment when he was suspected of treachery and his life depended on his anti-Roman bona fides; he had good reason to invent it. Or his recounting of the pledge, in a private conversation, might itself have been invented by some later writer.

OPINION

REVIEW & OUTLOOK

ObamaCare Freedom and Failure Options

As U.S. Senate Republicans begin their final drive to a vote later this month on the revised health-care bill unveiled Thursday, this is a moment to take stock of some of the larger political dimensions of the ObamaCare debate.

Legislative progress has been slower and more difficult than it might have been for a party that ran for seven years on a repeal-and-replace agenda. The benefit is that Senate Republicans are better educated about health-care substance and prepared to make hard governing choices—if they can persuade the remaining Bartlebys.

* * *

One remaining debate is over Ted Cruz's "freedom option." The Texas Senator's amendment says that any insurer that offers at least one ObamaCare-compliant plan could also sell other types of coverage off the exchanges. The expectation is that a more competitive and dynamic insurance market will emerge outside of ObamaCare. Released from federal mandates and price controls, insurers could offer many more innovative products designed for individuals, rather than standardized coverage planned in Washington.

Mr. Cruz acknowledges that insurance markets could "segment," meaning that younger and healthier people would gravitate to the Cruz option, where premiums are likely to be much cheaper. Older people with more health expenses would remain on ObamaCare, which bars insurers from charging higher premiums based on health risks and bans exclusions for pre-existing conditions.

ObamaCare's logic is that low-cost people must be charged more so that high-cost people may be charged less. But these transfers aren't a good value for low-cost people, which is why enrollment in ObamaCare has been so disappointing. This in turn has led to a cycle of higher premiums and less enrollment.

The logic of the Cruz proposal is that there is a rough consensus among Republicans that government should guarantee access to coverage for people with pre-existing conditions. In that case, government should pay for this guarantee, in the form of a de facto high-risk insurance pool, rather than hiding the cost in cross-subsidies imposed on private citizens.

The virtue of this approach is transparency and honesty. In a bifurcated market, premiums would be much higher for ObamaCare plans. But they'd be offset for consumers by much higher federal subsidies that rise with premiums, and the Senate bill also includes at least \$50 billion for market stabilization and probably more once this exercise concludes. Federal spending might be higher as a result, but at least the taxes to pay it aren't indirect and unfairly distributed.

One danger is that the Cruz amendment could precipitate a wave of market failures, where the ObamaCare side becomes so expensive that insurers quit even if they have to quit the deregulated side too. People whose incomes are too high to qualify for ObamaCare subsidies and then develop medical problems would also get a worse deal.

Ted Cruz's idea is good policy, but is it a political hill to die on?

The political disadvantage is reopening the emotional pre-existing conditions brawl, which the GOP doesn't want to fight. But under the Cruz plan, they could point out that ObamaCare protections would remain in place while adding more options for people who want them.

Mr. Cruz's amendment has the makings of a sensible political compromise between conservatives and moderates—i.e., free-market prices in health care, with subsidies for those who can't afford free-market prices. But if moderates make the Cruz plan a red line, conservatives will have to decide if they want to insist on it. Is the freedom option worth losing the other gains of the overall bill, including the first major Medicaid reform since 1965, repealing the individual and employer mandates, reversing a chunk of ObamaCare's tax hikes and other types of deregulation such as state waivers?

* * *

Meanwhile, some GOP centrists are still pretending that if the bill dies, both parties will come together and pass some glorious compromise. This ignores the vast philosophic differences between conservatives and liberals on health care and the role of government, and it assumes that Chuck Schumer and the Democrats who have pledged total resistance to Donald Trump will negotiate in good faith. There will be no such mercy.

GOP moderates have already moved the health bill toward the political center and earned zero Democratic interest in return—not even from Joe Manchin, though Mr. Trump carried West Virginia by 42 points, or Heidi Heitkamp, though Mr. Trump won North Dakota by 36. On Monday Mr. Schumer sent a letter laying out his price to start negotiations, citing four bills as the basis for his "bipartisan" terms—all sponsored by Democrats alone.

Politically, a grand bargain would throw a lifeline to the likes of Missouri Democrat Claire McCaskill, whose home state is facing an exodus of ObamaCare insurers. She'll claim she voted to solve a problem Republicans caused, even if the practical effects are nil.

Republicans running for re-election in 2018 will see no similar upside, because no deal the GOP could cut with Democrats can repair the ObamaCare exchanges before the election while their pro-repeal voters will be demoralized. The trade Mr. Schumer is offering is political insulation for Democrats while inviting Republicans to accept the blame for surging premiums and diminishing coverage.

* * *

Once Senators have time to inspect the new bill, better to vote for the motion to proceed and bring the legislation to the floor. That will start a robust debate and the amendment process. Every idea will get a vote and the public can see which command a majority.

Republicans are fast approaching a binary choice. They can either repeal and replace ObamaCare with a center-right reform, or they can collapse in failure and throw power to Mr. Schumer. Republicans who issue ultimatums over this or that detail are supporting the failure option.

China's Empty Nobel Chair

Liu Xiaobo, the 2010 Nobel laureate, died on Thursday, only weeks after he was moved to hospital from a prison cell. The Chinese government bears responsibility for failing to diagnose and treat his liver cancer. To Beijing's shame, the only other Peace Prize winner to die in custody was Carl von Ossietzky, a prisoner of Nazi Germans who won in 1935 and died in 1938.

Liu played a pivotal role in the 1989 student protests in Tiananmen Square, helping to negotiate the peaceful departure of the last students to occupy the square. He kept the spirit of that movement alive in 2008 when he helped to write Charter 08, a democracy manifesto. Shortly thereafter he was sentenced to 11 years in prison for "subversion."

China's rulers have worked hard to make sure their citizens learned little about Liu's ideas. That fear of one man's courage testifies to the illegitimacy of their power. Liu could have played an important role in China's transition to

democracy, but his example will serve as an inspiration to future generations.

Beijing has used the fruits of economic reforms started by Deng Xiaoping in 1979 to prolong authoritarian rule far longer than most thought possible. But its obsession with social control is hampering further moves toward a free-market economy.

The resulting tensions are building and increase the risk of instability.

At the Nobel prize ceremony in 2010, Liu was represented by an empty chair. His death is a reminder of the world's obligation to keep attention on China's rights abuses. Without political reform, China will continue to use its growing economic and military clout to spread its authoritarian model. Pressuring Beijing to free the imprisoned human-rights lawyers who have taken up Liu's freedom fight would serve the interest of China's people, as well as the rules-based international order that its illegitimate government seeks to subvert.

U.S. Marines and Risk

On Monday 15 U.S. Marines and one Navy sailor died when a Marine KC-130 crashed, with debris covering a field in Mississippi. It's too early to draw conclusions about what caused the transport plane to suffer a catastrophic failure on its flight from North Carolina to California, reportedly at cruising altitude. But such tragedies are becoming more routine and deserve some attention.

It is unknown what led to the crash, and it could be anything from equipment malfunction to human error. The plane appears to have been loaded with munitions that might have caused or contributed to the crash.

One reality is that Marine aviation has recently experienced a rise in "Class A Mishaps," which are incidents that carry a body count or result in more than \$2 million in aircraft damage. U.S. House Armed Services Chairman Mac Thornberry pointed out at a hearing last year that the rate for the Marine aviation community has "been increasing significantly."

Over the past decade the rate has hovered around 2.15 events for every 100,000 hours flown, Mr. Thornberry noted. But in 2015 the figure increased to 3.29 and 3.39 in 2016; that year 12 Marines died when two helicopters crashed into each other off the coast of Hawaii. The rate so far for 2017 is 4.47, including Monday's crash.

One hypothesis that deserves to be examined is a combination of old equipment and the fact that pilot hours have been reduced in recent years because of funding cuts. Planes like the F/A-18 are stretching past their lifetimes. Earlier this year Navy officials testified to Congress about a number of pilot "physiological episodes"—e.g. oxygen deprivation—that compound the risk of human error.

None of this will come as news to Defense Secretary Jim Mattis, who has made addressing readiness problems a central part of his agenda. But Marines and other service members sign up for duty knowing the risks of combat, and they shouldn't have to endure an increasing threat to their safety from routine training or transport.

Trump in Defense Of Western Values



WONDER
LAND
By Daniel
Henninger

If Donald Trump recited "The Star-Spangled Banner" before a baseball game, it would be criticized as an alt-right dog whistle. So naturally spring-loaded opinions rained down in Poland after he delivered a defense of Western values.

Only this particular American president could say, "Let us all fight like the Poles—for family, for freedom, for country, and for God," and elicit attacks from the left as sending subliminal messages to his isolated rural supporters, and from the anti-Trump right as a fake speech because he gave it. We live in a cynical age.

Angela Stent, a professor at Georgetown University, provided the *reductio ad absurdum* analysis: "He wants to show at least his domestic base that he's true to all of the principles that he enunciated during the election campaign."

The Trump "base." It's still out there, isn't it?

It was conventional during the presidential campaign to think of the Trump candidacy as a beat-up bus caravan of marginalized American citizens, who someone called the *deplorables*. In the event, about half the total U.S. electorate somehow voted for the man who in Warsaw gave a speech that his opponent, Hillary Clinton—or any current Democrat—would never give.

To simplify: One side of this debate will never be caught in anything it considers polite company using that phrase of oppression—"the West." Ugh.

For an enjoyably trenchant takedown of the left's revulsion at the Trump speech, I recommend Robert Merry's essay in the *American Conservative*, "Trump's Warsaw Speech Threw Down the Gauntlet on Western Civilization." As Mr. Merry says, this is a big, worthy debate, and one I think the Trump "base" instinctively understood in 2016.

In fact, that Warsaw speech on Western Civ was really about the current edition of the Democratic Party and its two-term leader, Barack Obama. Mr. Trump momentarily suppressed the urge to call out his opposition, so allow me.

The Trump "base" knew the 2016 presidential election—the contest between Mr. Obama's successor and whoever would run against her—wasn't just another election. It was a crucial event, deciding whether America would go on in the Western tradition as it had developed in the U.S. or continue its steady drift away from those ideas.

Progressives have an interest in ridiculing the Trump speech as a stalking horse for the heretofore obscure and microscopic alt-right because it deflects from their own political values—on view and in power the past eight years.

If there is one controlling Western idea developed across centuries in Europe, including by resort to war, it is that the individual person deserves formalized protection from the weight of arbitrary political authority, whether kings, clergy or dictators.

In our time, the struggle is about an aggressive elevation of central authority over the smaller units of American life.

The progressive Democrats are the new

King George, ruling 50 postcolonial states from distant Washington. The

"base" objects.

Bernard Bailyn, the great historian of the prerevolution politics of the U.S. colonies, showed through a deep reading of colonial pamphleteering that the early Americans were ardently resentful of distant, central authority.

The Founders were obsessed with this idea—and for that see Jefferson's "He has" bill of particulars against King George in the Declaration of Independence. They designed a government explicitly to protect smaller units—individuals, local governments—from being overwhelmed by too-powerful political authority.

The American left has never been altogether comfortable with America's decentralized, "difficult" political system. Once it identifies a universal political good, it is impatient to put it in place. One of the first American ideas resisted by the left was federalism: The states, they believe, can't be trusted to do the right thing.

His speech in Poland was one that neither Hillary Clinton nor any Democrat would give.

In the 1950s and '60s, this had to do with remedies for racial discrimination. With Mr. Obama, the federalist disdain accelerated. His Environmental Protection Agency imposed regulations on behalf of universalist climate claims. The Eric Holder Justice Department filed lawsuits alleging racial disparities against police departments, towns and local school systems. The Obama Labor Department did the same to coerce private employers; its secretary, Tom Perez, now leads the Democratic National Committee.

No more settled part of the West's tradition exists than due process and presumption of innocence, which are embedded in the Universal Declaration of Human Rights. Believing this Western tradition impeded sexual abuse allegations at colleges, the Obama Education Department issued "guidance" that reversed due process and legitimized the presumption of guilt.

Eventually, the "base" somehow intuited that a permanent reformulation of their political traditions was happening here.

The progressive alternative to the Western experience extends to culture, especially religion. When Donald Trump, of all people, says the Poles in Victory Square chanted "We want God" in 1979, it was like nails on a blackboard to postmodern progressives.

One way to understand American politics today is to think of its divisions as resonant of the decade before the Revolutionary War, when rebellion's trigger was King George and his Parliament in London.

In our time, the struggle is about an aggressive elevation of central authority over the smaller units of American life. The progressive Democrats are the new King George, ruling 50 postcolonial states from distant Washington. The "base" objects.

LETTERS TO THE EDITOR

Charlie Gard in the Age of Universal Health Care

You are quick to blame Britain's single-payer health-care system for a recent court decision that denies experimental treatment and removal from the hospital of a terminally ill infant ("Saving Charlie Gard," Review & Outlook, July 10). Yet these same types of decisions are made in America under our fractured, fragmented, patchwork-quilt system of health care.

Usually these decisions are made by nameless bureaucrats working deep in the bowels of insurance companies to deny new/experimental (read: costly) treatments for very sick or terminally ill patients. In addition, from time to time, U.S. courts pass judgment in equally wrenching cases regarding ending treatment for patients or removing them from life support.

TERRY McNAIR

Framingham, Mass.

We can fight to save the Piping Plovers, baby blue whales and most any species except baby humans.

U.K. judges direct the plug to be

pulled on baby Charlie Gard against the wishes of his parents and international supporters. U.K. "universal" health-care doctors say his disease is terminal. The European Court of Human Rights refuses to take the case. Pope Francis weighs in. Many contributors raise almost \$2 million for experimental treatment. A New York hospital offers to send an experimental drug to the U.K. Two New York hospitals and doctors agree to treat Charlie. President Trump tweets, we will be "delighted" to help. He will intercede with British Prime Minister Theresa May.

St. Mother Teresa has the last word: "In the final analysis, it is between you and God. It was never between you and them anyway."

Do it anyway.

MICHAEL VELSMID

Nantucket, Mass.

Not Your Father's Saudi But Is Islam Still the Guide?

Like many covering the next Saudi king, Karen Elliott House focuses on economic revival and world role ("This Is Not Your Father's Saudi Arabia," op-ed, June 23). A telling quote from Mohammad bin Salman: "with Islam as its constitution and moderation as its method." I hope I misunderstand it. If my interpretation is correct, then half of the population—women—will remain second-class citizens, and the men's attitude toward non-Muslims will remain a stumbling block.

MICHAEL P. CARTER

Savannah, Ga.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

U.S. Marines and Risk

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One hypothesis that deserves to be examined is a combination of old equipment and the fact that pilot hours have been reduced in recent years because of funding cuts. Planes like the F/A-18 are stretching past their lifetimes. Earlier this year Navy officials testified to Congress about a number of pilot "physiological episodes"—e.g. oxygen deprivation—that compound the risk of human error.

None of this will come as news to Defense Secretary Jim Mattis, who has made addressing

readiness problems a central part of his agenda. But Marines and other service members sign up for duty knowing the risks of combat, and they shouldn't have to endure an increasing threat to their safety from routine training or transport.

OPINION

The Dangers of the Macron Model

By Carlo Invernizzi-Accetti
and Francesco Ronchi

In the wake of Emmanuel Macron's stunning electoral victories, many in Europe believe they have found in France the defensive strategy they need to fight back against the onslaught of nationalist populism sweeping across the Continent. It's not so simple.

The core of this strategy is an enormous concentration of power in a charismatic leader willing to move beyond the traditional Left-Right opposition and incorporate elements from both in an embrace of economic liberalization and European integration.

The French President's consolidation of power, cheered by mainstream politicians, is a risky bet.

The theory is that voters crave strong leaders who can steamroll opposition; if the mainstream can't provide this sort of leadership, the fringe movements on the left or right will.

On constitutional reforms, Mr. Macron proposes to diminish the influence of Parliament by introducing an element of proportional representation into the National Assembly. This would weaken the institution by fragmenting the opposition without giving it real powers. It's more a "divide and conquer" strategy than a genuine effort to bolster democracy, and it opens up the country for the president to rule by decree.

By Jeffrey A. Sonnenfeld

Searing CEO compensation can make it hard to feel sorry for the boss, especially when eye-popping pay packets are not matched by performance. While Uber founder Travis Kalanick's questionable conduct got him ousted, anxious corporate boards facing short-term investor pressures recently have sent unprecedented numbers of virtuous and transformational CEOs packing well before their times.

The Wall Street Journal reported last week that 13 companies with market capitalizations greater than \$40 billion replaced their CEOs during the first five months of 2017. This list includes AIG, Arconic, Buffalo Wild Wings, CSX, Ford, General Electric, U.S. Steel and Yahoo. Many fell victim to a short-term mind-set fueled by activist hedge funds. Meantime, some top-performing CEOs—such as Michael Dell, Whole Foods founder John Mackey and Panera Bread's Ron Shaich—have led their companies away from short-term financial markets to focus on long-term business investments.

Today's corporate bosses aren't the robber barons or country-club networkers of yesteryear. Modern CEOs are generally smart, diligent and committed to their jobs. They can easily travel hundreds of thou-

There are, however, good reasons to believe that the Macron model will be difficult to export and may end up exacerbating the very problems it is meant to solve.

First, this strategy is dependent upon the peculiarities of the French electoral system. Mr. Macron and his party only won around 24% of the vote during the first round of presidential elections, and around 30% during the first round of the Parliamentary election. Factoring in the high rate of abstention in both cases, that's consistently less than 20% of the electorate. Even with that meager level of popular support, Mr. Macron was able to secure complete control over the country's executive branch and an absolute majority in Parliament.

Experience elsewhere shows mainstream parties and candidates require broader support to win power. In Britain, the Labour party won more than 40% of the vote in June's election and yet fell short of the Conservatives in parliamentary seats. In Spain, a vote percentage similar to Mr. Macron's for the Socialist party has triggered a profound crisis for the party.

By electing Mr. Macron, the French electoral system is doing exactly what it was designed by Charles de Gaulle to do: buying strong leadership at the expense of democratic representation and removing conflict from governing institutions in the name of national unity. This strategy of concentration may have been effective when French politics was characterized by strong ideological conflict and resilient political parties. Faced with the



AGENCE FRANCE PRESSE/GETTY IMAGE

Emmanuel Macron at the G-20 Summit in Hamburg on Saturday.

inefficiencies and indecisiveness of the Fourth Republic, strong leadership was widely held to be necessary to break the logjams of ideological polarization.

Today, however, both ideologies and parties are in crisis. Trust in the old mainstream parties has plummeted. Membership is declining, and both the Socialist and center-right Republican parties appear ideologically confused.

That leaves them increasingly dependent on mechanisms such as state funding to hobble along on the strength of the party structures they built in better times. The parties have a structure—officers and offices, bank accounts, funding, and a certain cachet in the media. But they lack a clear ideological point in terms of either a fully formed governing program or supporters

on whose behalf to advance that program.

As a result, Mr. Macron now faces the prospect of virtually unimpeded government. While this might sound appealing both to him and to other mainstream politicians across Europe, it's a major risk for both France and its new president.

If there is one consistent result across all the recent elections throughout Europe, it's the increasing volatility and fragmentation of the electorate. In the face of such a landscape, a leadership that aims to unite everyone behind a single, overwhelmingly popular leader such as Mr. Macron means that certain social groups and interests will inevitably be left out. Simmering social conflicts will be exacerbated.

Without adequate expression at the institutional level, these tensions

are bound to be transferred into opposition against the institutions themselves. Antiestablishment populism thrives when there is a lack of open, institutional and adversarial politics. Democratic representation isn't just a matter of high-minded principle. It's an effective way to contain and manage social conflict. As Friedrich Engels famously put it, it serves to "convert stones into paper ballots."

A unilateral or insufficiently representative leadership is often too rigid to adapt to a changing political environment and is therefore bound to foster antidemocratic opposition. Dialogue and conflict with a thriving opposition, in contrast, can benefit majorities by making them more responsive and reactive.

Effective government requires a strong opposition. For this, fair, democratic representation and conflict are pragmatically useful. By channeling political opposition into the governmental process, majorities can correct and adjust their positions. The decision-making process may be messier and lengthier as a result, but the outcomes will be more legitimate, credible and widely appealing.

Instead of fantasizing about a decisive yet establishment-friendly leadership to stem the tide of nationalist populism, Europe ought to foster fair, democratic representation and vigorous institutionalized opposition.

Mr. Invernizzi-Accetti is an assistant professor at the City University of New York. Mr. Ronchi is a lecturer at the Institut d'Etudes Politiques de Paris (Sciences Po).

The CEOs Who Didn't Deserve the Boot

sands of miles a year. Eighty-hour weeks are the norm. Many report that the professional demands are so intense that they have little time for family or personal friendships.

Mark Fields worked for the Ford Motor Co. for 28 years, rising to become its CEO in 2014. During his three-year tenure at the helm of America's second-largest auto maker, the company was profitable. Ford's recent success was due in part to the popularity of the redesigned F-150 truck, which became America's best-selling vehicle on Mr. Fields's watch, and to other major product relaunches, including the legendary Mustang. In 2015, the company enjoyed the best earnings year in its 113-year history.

But since Mr. Fields took the reins, Ford's stock price had plummeted by 36%. He had warned investors that the pace of technological change meant Ford needed to sink some of its recent profits into long-term research and development. Ultimately the company's family-controlled board decided it could no longer resist pressure from investors to reinflate the stock price. Mr. Fields was let go in May.

Board panic is a feature of the current corporate environment. The board of retail giant J.C. Penney fell victim to activist pressure and pushed out the highly successful CEO Myron Ullman in 2011. Two years later they sheepishly had to lure him back.

Ellen Kullman's brilliant six-year reign at DuPont produced a 266% total shareholder return. In early 2015, she beat back a challenge from an activist hedge fund with a 2.7% stake in the chemical manufacturer. But while Ms. Kullman survived that battle, she couldn't hang on for long. Later that year DuPont suffered two

From Ford to DuPont to Honeywell, leaders are being punished unfairly for long-term thinking.

weak quarters due to the strength of the dollar against Brazil's currency and a downturn in Chinese demand for agricultural chemicals. Before the company could recover from this modest setback, the board panicked and let Ms. Kullman go. A subsequent decision to merge with Dow Chemical has cost jobs, destroyed shareholder value and ruined the reputation of this 215-year-old global icon.

Honeywell's Dave Cote left a proud legacy when he retired this spring in a classic internal succession. In a decade at the helm, Mr. Cote grew the Morris Plains, N.J.-based conglomerate's global market share and spurred a stock-price gain of nearly 200%. During the same period, the Standard & Poor's

500 index gained only 63%. Yet two months into the reign of successor Darius Adamczyk, activist investor Dan Loeb pushed for change. So much for a honeymoon at Honeywell.

Activist proxy campaigns are on the rise as hedge funds hunt for short-term stock returns. In the 1960s investors held stocks on average for eight years. Now the average is eight months. Fearing the cost of engaging in proxy battles, not to mention the bad press, directors often wrongly settle with activists, just as many settled with the leveraged-buyout artists of the 1980s. Corporate boards settled 45% of proxy battles in 2016, with many settlements involving invitations to activists to join the board. Fifteen years ago only 17.5% of proxy battles were settled in this way.

These settlements often lead to disproportionate activist representation on corporate boards. It's not unusual for a 4% ownership stake to net an activist as much as a third of the seats on a board. The research and consulting firm FTI looked at 300 activist campaigns between 2012 and 2015 and found that CEOs were three times as likely to be replaced within 12 months after activists joined the board.

All of this activist agitation hasn't translated into soaring performance. According to a 2015 Fortune magazine study, activist funds beat the S&P 500 index in only

three of the previous eight years. Prequin's Hedge Fund Spotlight found that 100% of the institutional investors it surveyed were disappointed with their activist hedge-fund investments.

The hedge funds aren't the only ones to blame for the short-termism stalking corporate America's corner offices. Institutional investors such as public pension funds and university endowments fuel the activists' war chests. Eager to make up for faltering performance and lacking the resources for in-depth research on targeted companies, hundreds of such funds delegate their judgment to proxy raters and activists solely focused on short-term share price.

Some institutional investors have begun to push back. Companies targeted by activists have seen high rates of management turnover and communities devastated by large-scale job losses. Behemoth funds such as BlackRock, Calpers and Vanguard have begun to see how contrary these trends are to their own investors' longer-term interests.

Corporate boards need backbone, something that is unfortunately in short supply. Without it, many more CEOs will fall victim to the terror of short-termism.

Mr. Sonnenfeld is senior associate dean and a professor of leadership practice at the Yale School of Management.

The Trouble With Sanctioning Chinese Steel

By Frank Lavin

The Trump administration is due to release its findings shortly on whether steel imports threaten U.S. national security. It is reportedly considering imposing "232" sanctions, referring to an article in the 1962 Trade Expansion Act that allows the president to impose tariffs. This provision has been invoked only five times in its 55 year history, as past presidents preferred to use antidumping and countervailing duty cases to impose more targeted sanctions.

Historically, the U.S. hasn't been shy about helping the steel industry.

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The issue is further complicated by long-term trends of automation and product substitution that put more downward pressure on the industry than trade issues. Steel plants need fewer workers than they used to. Cars use less steel. Advances in material sciences allow for specialty plastics and polymers in industrial use.

The American Iron and Steel Institute (AISI) states that the U.S. steel industry employs some 140,000 workers, which might include total company employment such as accountants, warehouse staff and cafeteria workers. AISI also notes that in 30 years, the industry has enjoyed a five-fold increase in productivity. In other words, even if the Trump administration is completely successful in its efforts, steel employment will almost certainly continue to shrink.

Here are a few points to keep in mind in contemplating a steel strategy.

First, tariffs are more useful as a means than as an end. The threat of tariffs can help in negotiations, but they are more likely to backfire if put into effect. A wise negotiator will use the prospect of tariffs to break down trade barriers.

The goal is to get the other country to lower tariffs, not to get the U.S. to raise them. If you must raise tariffs, keep the hike modest and short-term to minimize the cost to the U.S. economy and the prospect of retaliation.

That's why targeted tariffs are preferable to the blanket 232 variety. The more selective approach allows the government to fight unfair trade practices on a case-by-case basis.

Not only are tariffs a dead-weight cost that will hike U.S. costs and in-

flation, but they will also open the door to retaliation. Some of America's trading partners might accept the tariffs with equanimity, but if history is a guide, most will feel compelled to respond with their own tariffs. This is how trade wars start.

Besides risking backfire, the Trump strategy may be a suboptimal approach to aiding the U.S. industry.

Mr. Trump has stated that the Trans-Pacific Partnership is unacceptable, but he has yet to state what would be acceptable. The more countries we have playing under rules that the U.S. has negotiated, the better off the steel industry, and the U.S. economy in general, will be.

Third, keep cost-benefit analysis in mind. I am not in favor of foreign subsidies, but we should note that they can help the U.S. economy, even as they put pressure on the U.S. steel industry.

It's not just that imported steel has a 30% share of the U.S. steel market. The imports constrain pricing across the entire market. So the U.S. steel industry might be worse off with more imports, but industries that use steel, such as autos, appliance manufacturers and construction, might be better off. Measured in aggregate, tariffs will likely hurt the U.S. as much as the target countries.

Not only are tariffs a dead-weight cost that will hike U.S. costs and in-

crease, but they will also open the door to retaliation. Some of America's trading partners might accept the tariffs with equanimity, but if history is a guide, most will feel compelled to respond with their own tariffs. This is how trade wars start.

Fourth, fight micro problems with macro solutions. If employment in the steel industry will continue to shrink, let's get serious about economic growth. The U.S. needs tax reform and an aggressive growth culture to make job creation as easy as possible. A 57-year-old steel-worker is unlikely to learn computer code, but he can learn to operate shaping machines for specialty polymers, not radically different from metal-bending.

Finally, be aware of rent-seeking. Companies' competitiveness is constantly changing, and those which are failing to keep up with the market may ask for government help. Acceding to their request for tariffs would not only be the wrong policy, but it would make the U.S. as a nation less competitive.

President Trump has a tough set of decisions in front of him. Can he push back against illegal subsidies while avoiding collateral damage to the U.S. and other economies? Knowing when to throw a punch might be part of the solution, but knowing when to hold a punch might be even more important.

Mr. Lavin is CEO of Export Now, which helps U.S. brands in China e-commerce, and served as U.S. undersecretary of commerce for international trade from 2005 to 2007.

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LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

'Apes' Evolves to Deep Feelings, High Drama

The latest trilogy in the series of simian-human conflict crosses plenty of action with complex themes and emotions

IF YOU LISTENED to "War for the Planet of the Apes" with your eyes closed, the music alone would let you know you were in the presence of a grand adventure. This improbably magnificent film and Michael Giacchino's majestic score are a perfect match. The apes are the good guys here, but the humans who made the movie do our species proud. (Matt Reeves, who directed the previous episode, returns for this one; he also wrote the screenplay with Mark Bomback.)

It's been almost half a century since the first "Planet of the Apes" hit the big screen. After eight iterations we've come to accept the conventions of the series—apes on horseback, apes with weapons, clever apes, talented apes and, more recently, in the first two parts of a rebooted trilogy, genetically enhanced apes with startling intellects and evolving powers of speech. This ninth feature, which completes the trilogy, asks us to accept some of the apes speaking more eloquently than the human creatures who want to kill them (though others still use sign language), and makes that easy to do by giving the animals vibrant souls. "They will see we are not savages," says the apes' leader, Caesar, whose intelligence is exceeded only by his naivete.

Caesar is played, as he was twice before, by the medium's pre-eminent practitioner of motion capture, Andy Serkis. Volumes have been written about Mr. Serkis since he appeared as Gollum in "The Lord of the Rings" films. I've written my share too, but this time around his performance, enhanced and transformed by ever more elegant technology, is so subtle, complex and convincing that I caught myself wondering at one point where they'd found an ape capable of conveying such an extraordinary range of emotions.

The whole production is complex, both emotionally and thematically, and sometimes moves



Woody Harrelson (center right) stars as the Colonel in 'War for the Planet of the Apes.'

at a deliberate pace, but the narrative line is luminously clear. Co-existence between man and ape has failed. Humanity has been decimated by a simian virus and may not survive. Unless Caesar and his fellow apes can escape from a forest that once served as their refuge, they face extermination in their turn at the hands of an American special forces unit and its commander, a mad renegade and self-styled godhead known only as the Colonel. Woody Harrelson makes the Colonel a commanding figure in more ways than one, with seething ferocity that functions as a grand-opera homage to Marlon Brando's Colonel Kurtz in "Apocalypse Now."

That's not the only resemblance to the Francis Coppola classic. The "Planet of the Apes" series has always had overtones of racial con-

flict, but this film uses imagery straight out of the Vietnam War to summon up a vision of cultural dominance, and there's no mistaking the culture in question. The Colonel is obsessed by building a wall with slave labor. The stars and stripes wave over a vast concentration camp that houses ape slaves in subsimian, never mind subhuman, conditions. (In addition to filming a succession of shattering combat scenes, Mr. Reeves and his colleagues, including the cinematographer, Michael Seresin, and the production designer, James Chinlund, have staged a huge prison break in classic style.)

The apes are consistently affecting—as sharply drawn individuals, not just en endangered species—yet they're never sentimentalized. One of their number, Koba, has already turned

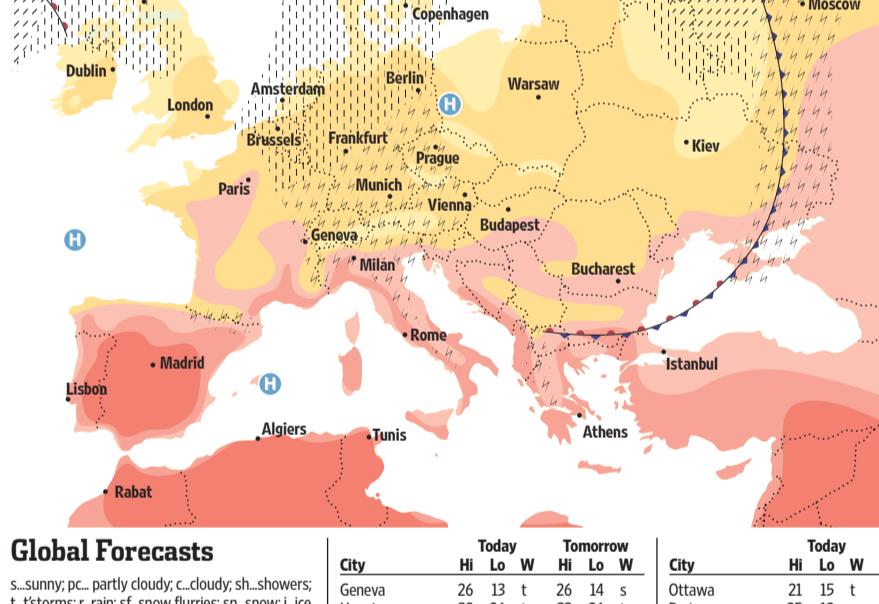
on Caesar, started a war with the humans and paid the price for his betrayal; other defections loom. And the apes' leader must confront not only the crazed Colonel, but his own rageful need to avenge the loss of his loved ones; showdowns don't get much more suspenseful than the one in which Caesar finally comes upon his nemesis and closes in for the kill.

The dominant tone of the film is dark, though with plenty of dramatic and visual relief. Some of it comes in comic form—tragicomic, really—courtesy of Bad Ape, a desperate little chimp, voiced to plaintive perfection by Steve Zahn, who's been living as a hermit when he's discovered by Caesar's tribe. (Bad Ape picked up his name and his fractured English in a zoo where he lived until the simian flu outbreak.) Other sequences carry

religious connotations, some of them lyrical—the tribe's arduous journey to a promised land—and some needlessly literal. (Caesar's quasi-crucifixion in the concentration camp may have seemed a good idea on paper. On screen it's an off-putting cliché.)

The most human of the humans, a girl called Nova, is a mute war orphan played by Amiah Miller. In the first two installments of the original series a character with the same name was played by Linda Harrison. This child, though, befriended by the apes and given a name they've borrowed from an old Chevy Nova nameplate, is a touchingly new creation in a film that feels newly minted, and daringly conceived on an epic scale. It's as if no one bothered to tell the filmmakers that Hollywood doesn't do grandeur anymore.

Weather



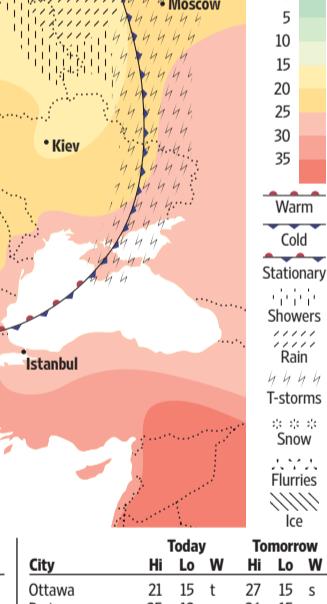
Global Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	19	13	sh	20	17	c
Anchorage	21	14	pc	19	13	pc
Athens	34	25	s	33	24	s
Atlanta	33	23	pc	32	23	t
Bahrain	46	28	s	47	30	s
Baltimore	31	22	t	31	20	pc
Bangkok	32	24	t	31	25	t
Beijing	33	24	t	33	24	t
Berlin	19	11	t	19	13	pc
Bogota	19	10	c	19	10	r
Boise	39	22	pc	38	20	s
Boston	19	16	sh	23	19	pc
Brussels	21	12	sh	22	14	c
Buenos Aires	15	12	r	17	4	r
Cairo	38	26	s	39	26	s
Calgary	28	13	s	31	16	c
Caracas	31	26	pc	31	26	pc
Charlotte	35	23	t	32	22	t
Chicago	25	17	pc	29	20	s
Dallas	36	25	pc	34	25	t
Denver	30	16	pc	31	16	t
Detroit	27	16	pc	29	18	s
Dubai	42	34	s	42	35	s
Dublin	20	14	pc	23	15	sh
Edinburgh	18	14	pc	19	14	r
Frankfurt	24	11	sh	22	14	c

AccuWeather.com



City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Ottawa	21	15	t	27	15	s
Paris	25	12	pc	26	15	pc
Philadelphia	29	22	t	30	21	pc
Phoenix	42	31	s	41	30	t
Pittsburgh	27	17	t	26	16	pc
Port-au-Prince	34	22	pc	35	23	pc
Portland, Ore.	30	14	s	27	12	s
Rio de Janeiro	26	18	s	27	19	s
Riyadh	45	32	pc	45	29	s
Rome	31	22	s	31	20	s
Salt Lake City	37	22	pc	38	24	s
San Diego	26	20	pc	26	21	pc
San Francisco	21	13	s	23	14	c
San Juan	31	26	sh	32	26	sh
Santiago	12	0	pc	5	6	r
Santo Domingo	33	24	pc	32	24	pc
Sao Paulo	24	13	s	24	15	s
Seattle	26	13	pc	24	12	s
Seoul	32	25	pc	30	25	t
Shanghai	35	28	t	36	27	pc
Singapore	30	25	t	30	25	t
Stockholm	21	11	pc	22	12	pc
Sydney	21	11	pc	18	7	s
Taipei	35	25	pc	36	26	pc
Tehran	31	23	pc	34	24	s
Tel Aviv	33	23	s	34	23	s
Tokyo	31	25	pc	32	26	s
Toronto	24	16	r	28	17	s
Vancouver	22	13	s	23	13	s
Washington, D.C.	33	24	t	32	23	pc
Zurich	22	11	t	23	12	pc

The WSJ Daily Crossword | Edited by Mike Shenk



The answer to this week's contest crossword is a legendary character.	19 Tried to improve one's hand	40 Four-time Indy 500 winner [F]
Across	20 Braying beast	41 Architect's extension
1 Letter between Oscar and Quebec	21 Emmy winner for "Breaking Bad" [O]	42 Team trophy
5 They have two legs	23 About 19 trillion miles	43 Humerus neighbor
10 Shocking to delicate ears	26 Factor of every prime	44 Big dance party
14 Finish for a 70-Across	27 "Dunkirk" director Christopher	45 Camper's treat
15 Wahine's welcome	28 Body of eau	47 Buccaneer's domain
16 Audible reflection	31 Future flour	48 Boring item
17 "Never Gonna Give You Up" singer [S]	35 British Crown colony from 1937 to 1963	49 Enterprise initials
36 Search for sustenance	51 Entrepreneur Estee	53 "April Love" singer [W]
38 Kittenish	55 Draw for dollars	58 Frat address
39 Tear	56 Ma's ma	59 "Conversations in Sicily" writer Vittorini

► Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, July 16. A solver selected at random will win a WSJ mug. Last week's winner: Jasmine Burton, Seattle, WA. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

PUZZLE CONTEST

SRA	BEAK	AMPULE

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday - Sunday, July 14 - 16, 2017 | B1

Euro vs. Dollar 1.1386 ▼ 0.24%

FTSE 100 7413.44 ▼ 0.05%

Gold 1216.30 ▼ 0.15%

WTI crude 46.08 ▲ 1.30%

German Bund yield 0.537%

10-Year Treasury yield 2.348%

Manulife Looks to Shed U.S. Unit

Canadian insurer is considering IPO or spinoff for John Hancock subsidiary

Canadian insurer **Manulife Financial Corp.** is exploring a possible initial public offering or spinoff of its **John Hancock Financial Services Inc.** unit,

By Leslie Scism,
Vipal Monga
and Jacquie McNish

according to people familiar with the plans, as life insurers continue to struggle with low interest rates and other challenges to the business.

If it proceeds with a breakup of the Toronto-based company, Manulife would be the latest life insurer to hive off a large part of its business. Industry executives have often

cited the duress low interest rates put on some of their basic products. A move by Manulife would follow rival insurers **MetLife Inc.** and **AXA SA** in shedding large U.S. operations built around sales of life insurance, retirement-income annuities and other savings products to American families.

Manulife has been under pressure from some of its shareholders to sell John Hancock after years of disappointing returns from the U.S. unit, according to two people familiar with the company.

Manulife entered the U.S. life-insurance market with its purchase of John Hancock in 2004. The Boston-based insurer, which was founded in 1862, was bought for roughly \$10.3 billion. The deal was announced with great fanfare as the keystone of the Canadian insurer's global strategy to expand in the U.S. But after years



MACHADO NOA/LIGHTROCKET/GETTY IMAGES

Like other life insurers, the Toronto-based company is contending with the duress low interest rates put on some of its basic products.

of disappointing returns from the business, which recently accounted for nearly 60% of Manulife's assets under management and administration, the Canadian insurer is instead

focusing on expanding in Asia. As recently as two years ago, Manulife reviewed plans that included a possible spinoff of the U.S. business. That proposal was dropped at the time.

Manulife's potential IPO or spinoff follows some months of work by investment bank Morgan Stanley to sell pieces or all of the John Hancock unit, one person said.

At recent analyst and investor events, Manulife executives have discussed shedding some weak parts of John Hancock. These included at least some blocks of long-term-care insurance and lifetime-income guarantees, according to a company presentation. Those are among the products harmed the most by low interest rates. Long-term-care policies typically pay for in-home aides or nursing homes. John Hancock quit selling standalone long-term-care policies to individuals last year.

Roy Gori, who will become Manulife's chief executive in October after current CEO Don Guloien retires, said during a session with investors in Hong Kong.

Please see INSURER page B2

Astra CEO's Future Unclear

By DENISE ROLAND

LONDON—Is **AstraZeneca PLC** Chief Executive Pascal Soriot staying or going?

Shares in the U.K.-based drug company fell Thursday after a news outlet in Israel reported late Wednesday he was moving to lead **Teva Pharmaceuticals Ltd.**, an Israeli generics drugmaker that has been looking for a new chief for months.

AstraZeneca has declined to comment on the report, calling it "speculation"—but it stopped short of a denial, rattling investors. Shares in AstraZeneca closed down 3.5% Thursday in London. Teva shares were up 6.8% in Tel Aviv. In New York, AstraZeneca shares closed down 1.6% and Teva shares were up 3.3%.

Dr. Soriot has led AstraZeneca since 2012. He played a leading role fighting off an unsolicited takeover approach by U.S. company **Pfizer Inc.** two years later. As part of that defense, Dr. Soriot pledged that AstraZeneca's reinvigorated research and development pipeline would supercharge revenue over the next 10 years.

Three years into that commitment, Dr. Soriot is facing a crucial milestone this year. He had said 2017 would be the year sales would bottom out and start to grow strongly. Early results for a closely followed lung-cancer treatment are also expected within weeks. Those results could either bolster investor confidence in that turnaround or sow further worry.

Investors have given Dr. Soriot a vote of confidence. Shares have risen more than 20% in the year to date as of Wednesday's closing price.

Late Wednesday, Israel's Calcalist business-news website reported Dr. Soriot had agreed to lead Teva. A spokeswoman for AstraZeneca said it wouldn't comment on "market rumors and speculation." A spokesman for Teva also said it doesn't comment on "market rumors."

Within weeks, AstraZeneca is expected to announce the outcome of an important clinical trial, dubbed Mystic, that will signal whether one of the company's biggest bets—on a new class of cancer drugs—is likely to pan out. Given that timing, "the most positive interpretation would be that he thinks he has effected a major corporate transformation during five years at AstraZeneca," said UBS analyst Jack Scannell in a note to clients. "A bearish interpretation could be that he has less confidence in the path that Astra has transformed itself to pursue."

For Teva, appointing Dr. Soriot would be the latest effort to bring about its own overhaul. Like other generic-drug makers, it faces a tough pricing environment.

The Israeli company has been searching for a new chief executive since February, when former boss Erez Vigodman departed the company for undisclosed reasons.

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REUTERS

CEO Alexey Krivoruchko inside Kalashnikov's factory in Izhevsk, Russia. The gun maker's revenue more than doubled last year.

With New Aim, Kalashnikov Booms

By JAMES MARSON
AND THOMAS GROVE

IZHEVSK, Russia—Russian arms manufacturer **Kalashnikov Concern** once had America in its sights: The iconic rifle designer aimed to open a U.S. production facility to meet demand in the world's largest civilian gun market.

Sanctions imposed by the U.S. against the company in 2014 ended those plans. But after a quick pivot, sales are booming as the company looks to governments in Asia, Africa and elsewhere that want to upgrade their militaries' equipment at an affordable price and seal closer ties with the Kremlin.

"The sanctions turned a civilian-focused company into a

military one," said Alexey Krivoruchko, chief executive of Kalashnikov Concern.

Revenue at Kalashnikov more than doubled last year to the equivalent of \$300 million and is forecast to increase a further twofold this year.

Kalashnikov no longer produces its renowned AK-47—the rugged assault rifle that became the symbol of the global reach of the Soviet Union's arms industry—but executives and analysts say its latest assault rifles retain the same selling points: simplicity and reliability even in the most unforgiving environments, and at a cheaper price than competitors. The company, which also offers a variety of hunting and sporting weapons, is expanding: it re-

cently acquired a drone manufacturer and a shipbuilder.

The company's turnaround represents a rare bright spot in Russia's stagnant economy, which remains dominated by the state a quarter-century af-

'The sanctions turned a civilian-focused company into a military one.'

ter the fall of the Soviet Union. Over a decade and a half in power, Russian President Vladimir Putin has promoted a brand of state-led capitalism that has strength-

ened the Kremlin's sway over key sectors of the economy.

In a first for Russia's tightly controlled arms industry, Kalashnikov was revived by a partnership of state and private investors that invested about 12 billion rubles, or roughly \$200 million, over the past three years.

Five years ago, the factory in Izhevsk was all but shot. Creditors were circling; orders had dried up; workers toiled on Soviet-era machines. The investors installed new managers who overhauled equipment and working practices, increasing staff to 7,000 from 4,000 and planning to hire hundreds more to keep production going around the clock to meet demand.

Please see GUNS page B2

The Unlikely Duo Behind Hong Kong's Surge

Riding the Wave

The Hang Seng Index hit a two-year high on Thursday.



Source: Thomson Reuters

By STEVEN RUSSOLILLO

HONG KONG—One is a British bank founded in the 19th-century colonial era. The other is a Chinese technology giant barely two decades old. Together, they are driving Hong Kong's stock market to its highest level in two years.

A 20% rise in the shares of **HSBC Holdings PLC** this year and a 50% jump in **Tencent Holdings Ltd.**—the two biggest stocks by weighting in the Hang Seng Index—helped push it further above the 26,000 milepost Thursday to its highest closing level since June 2015. The index's 1.2% rise added to a surge in global stocks after Federal Reserve Chairwoman Janet Yellen

overnight said the central bank is ready to adjust policy if the recent slowdown in inflation persists.

Other Asian markets benefited as well. South Korea's Kospi index rose 0.7% Thursday after the Bank of Korea kept interest rates unchanged and raised its growth forecast. The Kospi has surged 19% this year to a record despite the nuclear threat from North Korea.

Meanwhile, the MSCI AC Asia ex-Japan index has risen steadily, up 23% this year. The index's worst pullback in 2017 has been just 2%, the smallest intrayear decline in at least 30 years and far below the average pullback of 20% in a given year, according to J.P. Morgan

Asset Management.

"I've been asking this same question since March about when we're going to get consolidation or a market correction [in Asia]," said Tai Hui, chief market strategist Asia at J.P. Morgan Asset Management in Hong Kong. "Just because we're overdue doesn't mean it has to happen."

The irony, in Hong Kong at least, is the market's two main driving forces couldn't be more different. Tencent and HSBC have helped the index surge about 4% this week, on pace for its best weekly performance in a year. The Hang Seng has climbed 20% year to date.

Roughly half of the rise in

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GUNS

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"Processes had degraded: There was old technology, old equipment, and poor results," said Dmitry Tarasov, managing director of Kalashnikov Concern. "New machines, new processes appeared; structures were simplified; we digitized, we cut down on paper bureaucracy."

The owners of Kalashnikov—Mr. Krivoruchko and two other businessmen, along with state-holding company Rostec—say their partnership gives the company the best of both worlds: private investment and management focused on efficiency and profit combined with the stability of a state interest in a strategic industry.

"It's surprising that they succeeded in turning the company around, given the situation it was in," said Ruslan Pukhov of Moscow-based defense think tank CAST.

The new investors at Kalashnikov also have benefited from ties to the Kremlin, analysts say. Sergei Chemezov, the Rostec chief, has known Mr. Putin since he worked for the KGB in Dresden, Germany. Andrei Bokarev, one of Mr. Krivoruchko's partners, is an acquaintance of Defense Minister Sergei Shoigu, according to analysts. Mr. Putin in April called Mr. Bokarev a "diligent Russian entrepreneur."

Those benefits have come in the form of access to loans and acquisitions that have helped Kalashnikov move into drone production through the purchase of Zala, a Izhevsk-based maker of small unmanned aerial vehicles, analysts said. Mr. Putin has visited the plant twice in the past year and praised the turnaround, saying it was on a "completely new level." He presented Egyptian President Abdel Fattah Al Sisi with a Kalashnikov rifle in 2015.

The town of Izhevsk, 965 kilometers east of Moscow, has been at the heart of the country's weapons industry since it started manufacturing arms for the war against Napoleon at the start of the 19th century. In the Soviet era, it pumped out millions of AK-47s, which became a symbol of revolutionary and insurgent movements.

The breakup of the U.S.S.R. in 1991 hit Kalashnikov hard, as state orders and investment halted. By the start of the 2010s, the company appeared headed toward insolvency; four CEOs had come and gone in as many years.

Rostec set about restructuring the business in 2011. A 49% stake in the heavily indebted company was sold to Mr. Krivoruchko and his partner in 2014 for 1.3 billion rubles, along with a pledge to invest millions more to turn the company around. "The technology works, but it's not cutting edge," he said, adding the company competes in Southeast Asia and Africa with Poland's Fabryka Broni Lucznik-Radom, Belgium's FN Herstal and Germany's Heckler & Koch GmbH, all of which have offerings at a similar price and level of technology.

Mr. Krivoruchko, 41 years old, became CEO and hired a new team of managers to oversee the overhaul of equipment and management.

President Putin has visited the company and praised its business turnaround.

They upgraded the factory, buying new machinery and cutting the assembly line's length to increase efficiency. Thirty Soviet-era machines used to cut weapons parts were replaced by one laser-cutting machine. Internal communications are now digital: For example, problems with equipment are reported via computers and smartphones rather than paper memos. "In many companies, it was done decades ago," said Mr. Krivoruchko. "It's a basic thing."

But within months, the strategy was upended, when the U.S. Treasury Department sanctioned Kalashnikov in response to Russia's military interventions in Ukraine. Kalashnikov shifted quickly, abandoning plans to open a production facility in the U.S., its main export market, and accelerating efforts to attract clients in Asia, where governments are looking to arm their militaries with equipment at prices lower than many Western competitors.

SHARES

Continued from the prior page

HSBC's shares this year have come since the end of June. Global banks with operations in the U.S. have performed strongly since then, after the Fed's annual stress tests gave most a clean bill of health, paving the way for more buybacks and dividends.

While the Fed doesn't have a say over HSBC's dividend policy, analysts say the bank might follow its U.S. peers by stepping up its shareholder-friendly payouts this year, on top of an already attractive 5.3% dividend yield. An ex-

pected rise in borrowing costs worldwide has also helped global banks, including HSBC, as it should improve profit margins.

HSBC was already one of the Hang Seng's biggest companies 20 years ago when China regained control of Hong Kong. It is the only company that remains among the Hang Seng's top 10 largest stocks by market capitalization in the same form as it was back then. HSBC is today the largest company among Hong Kong-listed financials, which as an industry makes up 47% of the Hang Seng Index.

Tencent, which was founded in 1998, is now the world's largest videogame

publisher by revenue. It also owns China's largest social network, WeChat, which is used for everything from communicating with friends and family to ordering and paying for meals to booking vacations.

In nearly two decades, Tencent has catapulted to become one of China's most valuable companies by market cap, flip-flopping with fellow tech giant, New York Stock Exchange-listed Alibaba Group Holding Ltd., for the top spot.

And Tencent's rally this year has made it the Hang Seng's biggest constituent, with about a 12% index weighting.

Tencent has ridden the

global surge in tech stocks this year, which has helped the likes of Apple Inc. and Facebook Inc. also record strong gains. Its shares had a rare blip last week, when the company imposed a curfew and daily playing-time limits on children who play its top-grossing mobile game, "Honor of Kings."

Analysts worry the new policies, which were implemented as a way to prevent gaming addiction, could hurt Tencent's overall revenue, of which 30% comes from mobile gaming.

But the stock this week nearly recovered those losses, a sign that momentum is still in its favor.

STREET

Continued from the prior page
about 1% in emerging-market local-currency bond prices, in dollar terms. If the link between the two stayed the same, and Treasury yields rose as they did in 2013, emerging-market bonds could repeat the 20%-plus drop of 2013.

The third lesson is that the performance of tech stocks depends in part on the Fed, and in turn, is vital to emerging-market investors.

Stories justifying tech companies are about disruption—of media, retail, cars, or in the case of artificial intelligence, everything. But the Fed also matters, because tech firms are high-growth companies that ought to be able to increase profits even if the economy does little.

Profits far in the future are worth more when interest rates are low, so tech stocks are more sensitive to rates than others. Equally, a weak economy—one cause of low rates—leaves a dearth of fast-growing companies, making tech stocks one of relatively few options for investors who want to chase growth. Bring back growth, and there is less need to pay up to hold expen-

sive tech stocks.

Tech stocks have performed wonderfully so far this year, with the sector leading the S&P 500, as hopes for a U.S. stimulus faded. The same was true Wednesday.

Tech, in turn, matters to emerging markets, because the vision many have of these countries as poverty-stricken and backward isn't accurate—at least as far as their main stock-market index goes.

Technology is now the biggest sector in the MSCI Emerging Markets Index, and five tech companies alone make up 17% of its value. Three of those—South Korea's Samsung Electronics, Taiwan Semiconductor Manufacturing and Taiwan's Hon Hai Precision Industries—are in countries richer per capita than Italy, adjusted for purchasing-power parity.

Four of the five big emerging-market tech companies are up more than 46% in dollar terms this year, with Alibaba, China's answer to Amazon.com, up 70% through Wednesday. Even laggard Taiwan Semi is up 23%. All suffer the same sensitivity to the economy and interest rates as America's tech giants, as they demonstrated after the U.S. election briefly brought rising bond yields and hopes of

economic stimulus.

Investors even in such apparently diverse areas as technology and emerging markets have little choice but to be Fed watchers.

Crosscurrents

Lower bond yields provide a supportive backdrop for technology stocks and emerging markets—while higher yields hurt.

MSCI Emerging Markets Index

S&P 500 tech sector relative to S&P 500

15%



Yield on 10-year Treasury note

2.6%



Note: Through 3:20 p.m. London time Thursday

Sources: Thomson Reuters Datastream; MSCI

THE WALL STREET JOURNAL.

Emerging-market shareholders can reasonably hope that the next decade is more rewarding than the last, but they shouldn't rely on the Fed keeping the bears at bay.

quarter, according to filings.

John Hancock's businesses include selling life insurance, mutual funds and other investment products to individuals and running 401(k) retirement-savings programs for employers. Outside the U.S., Manulife offers investment management, retirement funds, real-estate and wealth-management services in Canada and throughout Asia.

Divesting John Hancock would allow Manulife to free up regulatory capital and could add \$5 a share to Manulife's stock price of roughly C\$24 on the Toronto Stock Exchange, RBC Capital Markets analyst Darko Mihelic said in a report. Manulife's shares traded at \$19.83 on the New York Stock Exchange Thursday.

BUSINESS & FINANCE

Delta's Profit Tumbles 21%

By SUSAN CAREY



Rising labor costs and mass cancellations during a spring storm dragged Delta Air Lines Inc.'s profit down 21% in the second quarter, even as revenue rose for the first time in two years.

Delta shares were off 1.8% at \$54.51 in Thursday afternoon trading after the No. 2 U.S. airline by traffic missed analysts' earnings expectations by 3 cents a share, excluding unusual items.

Chief Executive Ed Bastian said Delta is investing in technology and new programs after a series of April thunderstorms triggered 4,000 flight cancellations and a \$125 million pretax loss on the quarter.

"We can improve our recovery," Mr. Bastian said.

Recent pilot wage increases also pinched Delta in the second quarter. Unit costs excluding fuel rose 7.3% compared with the prior-year period. Delta estimated that unit costs will be up 4% in the third quarter.

Still, Mr. Bastian called it the best second quarter in Delta's history. Unit-revenue growth of 2.5% versus a year earlier marked the first positive result for that key metric since the final quarter of 2014. Unit revenue measures how much an airline makes on each passenger flown a mile.

The return to unit-revenue growth during what Delta has called a "transition year" has been helped by stronger demand and new products and fares meant to squeeze more revenue from each flier.

Delta President Glen Hauenstein outlined efforts to expand that strategy, for instance by allowing elite fliers to buy upgrades their employers wouldn't subsidize.

He said Delta will also open up frequent-flier points as a currency that travelers can

use to purchase services such as transporting an unaccompanied minor or a pet.

"This helps us monetize our premium products," he said.

Mr. Hauenstein said cargo sales in the second quarter rose for the first time in 10 quarters. Business-fare revenue rose and revenue from the company's co-branded credit card issued by American Express Co. also was higher. Fuel prices fell 16% in the quarter, Delta said.

Second-quarter net income was \$1.22 billion, or \$1.68 a share, down 21% from \$1.54 billion a year earlier, or \$2.03 a share. Revenue was \$10.79 billion, up 3% from \$10.45 billion.

—Ezequiel Minaya contributed to this article.

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BUSINESS NEWS

Roadblock: China's Grip on Maps

Beijing limits digital mapping that can be done by foreign firms, citing national security

As auto makers such as **General Motors** Co. and **Ford Motor** Co. along with tech companies including Google and **Apple** Inc. rush to develop self-driving vehicles or the software behind them, the world's largest auto market—China—is creating roadblocks.

By **Liza Lin** in Shanghai
and **Tim Higgins**
in San Francisco

Self-driving cars need detailed maps to help them discern their exact location, navigate intersections and avoid fixed objects such as buildings. But China limits the amount of mapping that can be done by foreign companies, citing national-security concerns.

Global car makers already need to form a partnership with a local company to open factories in China, but some are skeptical they will be able to find a way to operate their autonomous-car software in China because of the mapping restrictions.

Brian McClendon, an industry pioneer who helped created Google Maps and later led Uber Technologies Inc.'s self-driving effort, said he doubted U.S. software would ever be adopted for self-driving cars in China.

"We're going to have a bifurcated market for self-driving—China will do China and the U.S. will do U.S. and the rest of the world will quickly choose and do one or the other," said Mr. McClendon, now a research professor at the University of Kansas.

To secure turn-by-turn navigation maps, foreign car makers work with Chinese mapping companies. But auto makers and tech companies might have reasons to hesitate before working with a third-party map provider in China on the high-definition maps



Driverless cars line up for test runs in Zhejiang province last year. China's mapping policies pose a problem for self-driving-car makers.

needed by autonomous cars.

James Wu, co-founder of U.S. mapping startup DeepMap Inc., who formerly worked at **Alphabet** Inc.'s Google, Apple and China's **Baidu** Inc., said ownership of mapping data is crucial in self-driving cars.

"If a non-Chinese company works with a Chinese local map company with a license, then who owns the data? Who would be responsible for safety issues, privacy issues, security issues associated with the map data? It is a pretty messy problem to sort out," Mr. Wu said.

GM, Apple and Ford declined to comment on the issue of mapping data in China. Alphabet's autonomous-driving unit, Waymo, didn't reply to an email seeking comment.

Earlier this year, Li Shufu, founder of **Geely Automotive**, the Chinese auto maker that owns Volvo, urged the National Committee of the People's Political Consultative Conference to relax the map-

ping barriers, which he cautioned could hurt the country's development of self-driving vehicles.

Unless his call is heeded, foreign tech and car companies will need to work with one of 13 Chinese companies licensed by the government for surveying and mapping. The three largest are Baidu, the AutoNavi unit of **Alibaba Group Holding** Ltd., and NavInfo Co., which is backed by **Tencent Holdings** Ltd.

German auto supplier **Robert Bosch** GmbH, for example, announced a partnership this spring with Chinese mapping firms including Baidu and AutoNavi to cooperate on high-definition maps there. "The market with regards to maps in China is quite strongly regulated, which is different from other countries," said Renaud Bonhomme, director of advanced innovation and system engineering with a Robert Bosch unit in China.

Hyundai Motor Co. of

South Korea also said recently that it would use Baidu's maps in its vehicles sold in China, and said it is exploring joint efforts in autonomous driving technologies with the Beijing-based company. Baidu says its high-definition maps have collected data from 300,000 kilometers of highway in China.

The Chinese companies are considered to be far behind Waymo, which was launched in 2009 and has already chalked up more than 3 million miles of autonomous driving on public roads in the U.S. Baidu started its autonomous-driving research in 2014 and claims its high-definition maps have collected data from just 300,000 kilometers of China's nearly 5 million kilometers of roads.

German mapping provider HERE, owned by auto makers Audi, **BMW** AG and **Daimler** AG, will bring its maps to China after receiving investment and forming a 50-50 joint venture with Navinfo last December.

Mapping restrictions play out in a small scale today with Google's connected car platform Android Auto. Despite a rollout in 31 markets worldwide, Google's platform, which connects smartphone applications to a car's dashboard, isn't available in China.

Google's services, including Google Maps, are restricted by China regulators, resulting in a bad user experience for Chinese consumers, said Colin Bird, a senior analyst at IHS Automotive.

The California-based technology giant currently has only a local partnership to provide maps for desktop computers in China, and gaining permission to expand that to smartphones, cars and other uses could be problematic given the company's departure in 2010 over censorship of its search engine.

—Mike Colias in Detroit
and Wang Fanfan in Beijing
contributed to this article.

CBS, BBC Reach Deal To Bolster Reporting

BY AUSTEN HUFFORD

CBS News and BBC News have entered into a partnership to share video, articles and other newsgathering resources to enhance their reporting capabilities around the world.

The new deal, announced Thursday, ends similar longstanding relationships that CBS had with **Sky** PLC's Sky News and that Walt Disney Co.'s ABC News had with the BBC, which had spanned more than two decades.

"The opportunity to partner with one of the world's largest news organizations was too compelling not to make this change," CBS News President David Rhodes wrote in an internal memo to staff.

The arrangement between the units of **CBS** Corp. and **British Broadcasting Corp.** will help both expand their global footprints and increase

coverage of world events. CBS News and BBC News will have access to each other's global and domestic news across all platforms, including television, radio and digital, as well as access to each other's correspondents as needed.

"There's never been a more important time for smart, courageous coverage of what's happening in the world," said James Harding, BBC director of news and current affairs.

The news organizations will begin coordinating their resources and coverage plans immediately, Mr. Rhodes wrote.

According to a memo sent to BBC News staff, the deal came together after CBS and the British broadcaster worked together in the run-up to the U.S. presidential election. "It became clear they could offer unrivaled logistical support to our teams in the field," according to the memo.

Mattel Seeks New Finance Chief

BY PAUL ZIOBRO
AND JOANN S. LUBLIN

Mattel Inc. is looking to replace its long-serving finance chief as new Chief Executive Margo Georgiadis begins to reshape the toy maker's senior management team.

The El Segundo, Calif., company has retained an executive-search firm to find a successor to Chief Financial Officer Kevin Farr, who has held the role for 17 years, according to people familiar with the matter.

Mr. Farr, 59 years old, has served under four CEOs and through a recent period of uneven performance. Both the company and Mr. Farr declined to comment on the matter, a Mattel spokesman said.

Ms. Georgiadis has been shaking up the leadership team since she joined the embattled toy maker from Alphabet Inc.'s Google in February. She dismissed the company's human resources chief in May and

more recently replaced the company's chief information officer.

Ms. Georgiadis took over after Mattel reported a surprising setback in sales during the key holiday season. Mattel shares, which closed Wednes-

day at \$20.88, have lost about third of their value since the holiday shortfall was announced.

In her early diagnosis of Mattel, Ms. Georgiadis has focused on some management missteps, including an excessive focus on short-term financial metrics and cost cuts that still left Mattel bloated and

overly complicated.

Ms. Georgiadis also reduced Mattel's annual dividend by 60%, a payout that Mr. Farr's team helped to preserve during recent turmoil.

Ms. Georgiadis's plan for Mattel includes developing more digital options for children to interact with its brands like Barbie and Hot Wheels, expanding further into emerging markets and shortening development cycles for products.

Mr. Farr's long service in the top finance role is an exception among the largest companies. Just 86 finance chiefs at the biggest U.S. companies have held their roles for a decade or more, according to an analysis by Crist/Kolder Associates. The average tenure of CFOs for Fortune 500 companies was just 5.7 years in 2016, according to a report by the executive search firm Spencer Stuart. Half of those finance chiefs served between two and five years.

Illicit Online Seller Is Closed

BY ROBERT McMILLAN
AND ARUNA VISWANATHA

An online marketplace that sold illegal goods on the so-called Dark Web was shut last week following action by international authorities, according to people familiar with the matter.

The closing of AlphaBay, an anonymous marketplace that listed for sale drugs, counterfeit credit cards and other illegal goods, came after coordinated action by the U.S., Canada and Thailand, the people said. The action included the arrest of a Canadian citizen who allegedly was one of the site's operators, they said.

Alexandre Cazes was taken into custody July 5 in Thailand "with a view toward extradition to face federal criminal charges in the United States," according to Melissa Sweeney, a spokeswoman with the U.S. Embassy in Bangkok.

The same day, members of the Royal Canadian Mounted Police's high-technology crime unit executed a search warrant at a residence in Trois-Rivières, Quebec, said Camille Haber, a sergeant with the RCMP in Montreal.

Mr. Cazes was found Wednesday hanged in his cell in Thailand, according to people familiar with the investigation. His death was reported Wednesday in Thai media. It wasn't immediately clear whether Mr. Cazes had legal representation.

Following its creation in December 2014, AlphaBay emerged as an heir to the Silk Road, the online marketplace closed by federal authorities in October 2013.

Both websites were accessible via Tor, a network that takes steps to preserve the anonymity of its users.

While the Silk Road's primary focus was drug sales, AlphaBay was more diverse, selling stolen credit-card numbers, drugs, online-fraud tutorials and guns, according to Andrei Barysevich, a director at Recorded Future Inc., which sells data about online threats and the Dark Web.

In the first six months of 2017, AlphaBay sold more than \$5 million in stolen credit-card numbers, Mr. Barysevich said. "AlphaBay was the biggest marketplace on the Dark Web," he said.

Total sales on the site averaged between \$600,000 and \$800,000 a day, earning AlphaBay's operators millions of dollars each year in commissions, according to Nicolas Christin, an associate research professor at Carnegie Mellon University who studies online marketplaces.

The site's abrupt shutdown last week fueled speculation its operators had absconded with millions of dollars worth of digital currency held in escrow for transactions.

—Nicole Hong contributed to this article.

BUSINESS WATCH

ROKU

Media-Device Maker Plans IPO This Year

Roku Inc., which makes streaming media devices and software, is preparing an initial public offering it expects to launch before year-end, according to people familiar with the company's plans.

The Los Gatos, Calif.-based company recently hired **Morgan Stanley**, **Citigroup** Inc. and **Allen & Co.** as underwriters on the IPO, these people said. The company could file confidentially in the next few weeks, one of these people said.

Roku is seeking a valuation of roughly \$1 billion, one person with knowledge of the company's plans said. It is unclear whether Roku can achieve that number, and troubles with two high-profile offerings this year—**Blue Apron Holdings** Inc. and **Snap** Inc.—mean determining the right valuation will likely be difficult in the coming months, buyers and sellers of IPOs say.

—Maureen Farrell

TIFFANY

Luxury Jeweler Taps Bogliolo as New CEO

Tiffany & Co. tapped an executive with experience at rival luxury jeweler Bulgari SpA as its next chief executive, as the company struggles to mend a prolonged sales slump and entice younger shoppers.

Alessandro Bogliolo will take the reins Oct. 2, the company said Thursday. He replaces Frederic Cumenal, who was ousted in February after the New York-based jeweler posted declining sales and profits for two years in a row. Chairman Michael Kowalski served as interim chief while the company searched for a successor.

Mr. Bogliolo recently served as CEO of Italian apparel and accessories company Diesel SpA. Before joining Diesel in 2013, he was operating chief at Sephora for one year and spent 16 years at Bulgari.

In a research note, Jefferies analyst Randal Konik said that the "new CEO appointment is a

strong fit," pointing out that Mr. Bogliolo revitalized Diesel by improving the customer experience, something that Tiffany is trying to do at its 310 retail stores.

Tiffany, as it works to balance high-end and low-end offerings and rejuvenate its image, is also facing pressure from activist investor Jana Partners LLC. Jana worked with Tiffany to add three new directors to the jeweler's board in February, including former Bulgari CEO Francesco Trapani. Mr. Trapani, who had previously worked with Mr. Bogliolo at Bulgari, was part of Tiffany's CEO search committee.

—Suzanne Kapner and Ali Stratton

GLP

Company Picks Preferred Bidder

A consortium fronted by two Chinese investment funds has been tapped as the preferred bidder to buy Singapore's **Global Logistic Properties** Ltd., in a closely watched contest for control of one of the world's largest

warehousing companies.

The bidders are led by **Hillhouse Capital Group**, known for its early bets on Chinese internet champions like **Tencent Holdings** Ltd., and **Hopu Investment Management** Co., which helped lead a \$2.5 billion investment in GLP's China assets in

2014, according to people familiar with the deal. They said there was a competing bid from U.S. private-equity giants **Warburg Pincus** LLC and **Blackstone Group** LP.

The group is offering about 3 Singapore dollars (US\$2.18) a share, one of the people familiar with the deal said. GLP shares last traded at S\$2.70 on Wednesday, prior to a trading halt Thursday. The offer would value GLP at around S\$14 billion, or US\$10.2 billion, based on the number of shares outstanding.

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—P.R. Venkat and Phred Dvorak



Tiffany is working to rejuvenate its image. Alessandro Bogliolo will join the company in October.

VICTOR J. BLUE/BLOOMBERG NEWS

TECHNOLOGY

HP Regains Crown As Top PC Seller After Lenovo Reign

By RACHAEL KING

HP Inc. has taken back the crown from rival **Lenovo Group** Ltd. as the top seller of personal computers, ending the Chinese company's four-year reign, according to data from research firm Gartner.

World-wide PC shipments overall continued their descent in the second quarter, falling 4.3% from a year earlier as shortages of certain components drove up prices and hurt sales, according to Gartner.

But HP managed to grow its shipments faster than competitors—rising 3.3% to 12.7 million units—and achieve its fifth straight quarter of year-over-year growth. With 20.8% of the market, according to Gartner, HP reclaimed the top position from Lenovo, whose share moved down to 19.9%.

"Becoming number one in market share was not an explicit objective," said Ron Coughlin, president of HP Inc.'s global personal systems business.

He said rather than try to gain market share at the expense of profit, HP has focused on the profitable segments of the market, such as gaming and convertible laptops.

Lenovo's shipments fell 8.4% in the quarter, suggesting the company is passing along higher component costs in the form of price increases, Gartner said in its report. Last quarter, Lenovo and HP effectively tied in market share.

A Lenovo spokesman said its PC business continues to deliver healthy profits and stable market share. Lenovo is focusing on fast-growing segments such as gaming and detachable devices, he said.

Dell Inc. remained a distant third in market share, according to Gartner, with 14.7%

share, while Apple Inc. passed AsusTek Computer Inc. with a nearly 7% share.

The PC market has faced pressure in recent years as consumers have generally shifted money to smartphones and tablets, and away from desktop computers. The second quarter was the 11th straight quarter that shipments fell, according to Gartner.

A rival research firm, International Data Corp., also released data Wednesday, putting HP's shipment growth at 6.2% for a top market share of 22.8%. IDC's data differ from Gartner's in that it includes laptops called Chromebooks that run operating software from Google Inc.

HP managed to increase its PC shipments faster than competitors.

It is still too early to claim certain victory for HP in the PC market, but the company started regaining market share in the second half of last year, said Gartner analyst Mikako Kitagawa. That may be a result of its investment in sales and marketing to expand the PC business, she said.

In the second quarter ended in April, HP posted 10% revenue growth in personal systems from the year-earlier period. HP's notebook computers showed the most strength with 17% growth, the biggest jump since the company's separation from Hewlett Packard Enterprise Co., five quarters ago. Workstations grew 7% during the quarter while desktops edged down 1% from the year-earlier period.

CHINA CIRCUIT | By Li Yuan

In Retail, China Serves as a Test Lab



The retail industry is in a state of flux. American retail stores are shutting at a record pace. **Amazon.com** is experimenting with new formats for brick-and-mortar stores and its \$13.7 billion deal for **Whole Foods Market** is seen as a sign of accelerating change.

For a glimpse of the future, U.S. retailers and e-commerce companies should take a look at China, which is already a big test lab.

Chinese companies have been busy weaving together the online and offline worlds. Convenience stores that have no sales assistants or cashiers are popping up. E-commerce company **Alibaba Group Holding** and its rival **JD.com** have poured money into department stores and grocery chains.

Alibaba is launching fresh-produce grocery stores in the Whole Foods vein, with the first 13 open in three cities. There, customers can order, eat in, take out and arrange for groceries to be delivered to their homes—all done by phone. No cash or credit cards. Only Alibaba's affiliated payment app, Alipay, is accepted.

Joe Tsai, Alibaba executive vice chairman, explained the virtues in a recent call with investors: "So now the store knows your preferences and can give you a personalized selection of products on your mobile app no matter where you are. It knows you and can predict your needs."

To do so, companies are creating efficiencies by integrating payment systems and streamlining inventory and delivery. More important, investors say, it is the gathering of data on consumer habits that is crucial: It offers opportunities for retailers to cater to customer needs and leverage sales.



Shoppers in a cashierless Shanghai BingoBox last month. Such stores are a hot retail experiment.

"China has about the most fertile soil for testing out new formats of retail," says Zhang Ying, a partner at Sinovation Ventures, which has invested in the un-manned-convenience-store startup **F5 Future Store**.

China is an ideal market for experimenting because its traditional banking and retail industries are weak. A generation ago, stores had little to offer and service to match—legacies of the planned economy. Credit cards, nonexistent then, still aren't common, while smartphones are everywhere.

China's e-commerce market is now bigger than those of the U.S., U.K., Japan, Germany, France and South Korea combined, according to consultancy McKinsey. Meanwhile, sales growth for China's top 100 brick-and-mortar retailers fell to zero or contracted in the past three years, from double-digit growth only five years earlier, according to the official China National Commercial Information Center.

Chinese also have rapidly taken to using their smartphones to make payments and to scanning QR codes, those waffle-patterned bar

codes that can be affixed to goods or store shelves. Roughly 67% of China's 731 million internet users used mobile-payment technology in 2016, according to government data, and half did so in physical stores.

True, the e-commerce companies are going offline because they need to. As big as China's e-commerce industry is, sales of online merchandise made up only 13% of the total last year. And the growth of online merchandise sales has slowed from 50% in 2014 to 33% in 2015 and 26% last year.

Companies and investors say that the more data retailers collect on online and offline spending, the more accurate their customer profiles can be—and the more targeted their offerings.

For venture capitalists, the hottest retail experiment is the cashierless convenience store. In recent weeks, GGV Capital announced an investment in startup **Bingobox** and Sinovation did so in F5. Alibaba unveiled a cashierless convenience-store concept last weekend. Amazon's version, Amazon Go, has been de-

layed by technical glitches.

While the Chinese ones are in testing mode, too, they are still being rolled out, fixing bugs as they go. BingoBox shut a store in Shanghai this month because the indoor temperature was so high the doughnuts melted.

The attraction for investors is scale. Convenience stores are the fastest-growing category of retail. The consumer-profile data, says Sinovation's Mr. Zhang, could be more valuable than the food and drink sales.

At an F5 outlet in the southern city of Guangzhou recently, 24-year-old Carson Zhang ordered a bowl of hot noodles with balls of minced fish for 10 yuan (\$1.47) by clicking an image on a screen. He paid by scanning his smartphone, waited for about one minute for the food to be delivered by a robotic arm to a pickup point and ate at a counter. "I came to the convenience store for convenience, not human interaction," the pharmaceutical salesman said.

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

THE WALL STREET JOURNAL. GLOBAL FOOD FORUM

OCTOBER 10, 2017 | PARK HYATT NEW YORK

Explore Opportunities in the Evolving Business of Food

This fall, the editors of The Wall Street Journal will focus on the intersection of food and technology—
how tech and innovation are transforming the agricultural economy and food sector.

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SVP, Global R&D and Quality
Campbell Soup Company

Ethan Brown
Founder and CEO,
Beyond Meat

Jennifer Carr-Smith
President and GM, Peapod
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James C. Collins, Jr.
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Dupont

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Finke Farms

Dave Gebhardt
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Hugh Grant
Chairman and CEO
Monsanto Company

John Haugen
VP and General Manager, 301 Inc.
General Mills, Inc.

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Tyson Foods, Inc.

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FINANCE & MARKETS

U.K. Weighs a Shift in IPO Rules

Proposal would ease way for state-owned firms like Aramco to list on London bourse

BY BEN DUMMETT

The U.K. securities regulator is considering a plan that would make it easier for state-owned companies to list on the London Stock Exchange, a move that could give the LSE an edge in its battle with the New York Stock Exchange to woo the listing of **Saudi Arabian Oil Co.**

The Financial Conduct Authority proposes a new listing category that addresses the desire of sovereign-owned companies to access public

markets without necessarily adopting rules that are meant to protect public minority investors. Typically, public companies are answerable to shareholders. But state-owned firms are also answerable to the sometimes conflicting needs of their governments.

"Sovereign owners are different from private sector individuals or companies—both in their motivations and in their nature," Andrew Bailey, FCA's chief executive, said in a statement announcing the proposals.

The FCA didn't mention Saudi Aramco's expected IPO and listing as part of the reasoning behind its proposals. The proposals come amid recent concerns from some U.K. institutional investors that

adoption of any concessions to attract the listing could undermine the integrity of the country's stock market.

The LSE and NYSE are considered front-runners for the international listing of Saudi

The LSE and NYSE are front-runners for the listing of the Saudi oil company.

Aramco's shares as part of a planned initial public offering in 2018. For the winning venue, the listing, which could value Saudi Aramco at as much as \$2 trillion, promises

healthy fees and an influx of international investors looking for a share of the oil company.

The LSE said it supported the effort. "Providing discretionary access for investors to a broad range of U.K. and global companies is fundamental to the effectiveness and competitiveness of U.K. primary markets," the exchange said. Saudi Aramco and the NYSE declined to comment.

The proposed rule changes for sovereign-owned companies include a waiver to the requirement that prevents an LSE-listed company from conducting related party transactions with the controlling shareholder, its directors or associates without first gaining approval from independent shareholders. It also proposes

to waive controlling shareholder rules that are meant to protect the rights of minority shareholders in companies in which one group owns 30% or more of the voting shares.

Saudi Aramco is expect to float no more than 5% of its shares in the IPO.

"We are...skeptical about the usefulness of the controlling shareholder rules when applied to a situation whereby the controlling shareholder is a sovereign country," the FCA said. "Capital market participants collectively are capable of assessing directly the influence of a shareholder on a company's risks and prospects."

—Summer Said
and Alexander Osipovich
contributed to this article

U.S. Blue Chips Notch Another Record

BY AKANE OTANI AND MIKE BIRD

Gains in financial and technology stocks pushed the Dow Jones Industrial Average to its 24th record close of the year.

The Dow Jones Industrial Average rose 20.95 points, or 0.1%, to **21553.09**. The S&P 500 added 0.2%, and the Nasdaq Composite rose 0.2%.

In Europe, the Stoxx Europe 600 added 0.3% to 386.14, led by gains in shares of banks and insurers.

Major U.S. indexes stuck to a narrow range Thursday, with some traders attributing listless activity to investors holding back on bets ahead of a string of bank earnings reports expected Friday.

Companies in the S&P 500 are expected to post another quarter of earnings growth, according to analysts polled by FactSet. While growth is expected to slow slightly from the first quarter, signs of broad strength should help stocks keep climbing in the second half of the year, investors say.

"Earnings are the single greatest support for this market," said David Donabedian, chief investment officer at CIBC Atlantic Trust Private Wealth Management. "Expect-

Shares in AT&T fell after Bank of America cut its rating for the stock.

Traders Pounce as Retail Tumult Continues

BY BEN EISEN
AND AMRITH RAMKUMAR

Shoppers' retreat from department stores and mall chains is prompting stock traders to stalk the retail sector with a fervor unseen in years.

Sales and profits at major retailers have come under immense pressure this year, punishing the shares of **Macy's Inc.**, **Nordstrom Inc.** and **Kohl's Corp.** The SPDR S&P 500 Retail exchange-traded fund has fallen 11% this year, through Wednesday, lagging far behind a 9.1% rise in the S&P 500. Macy's is down 41% for 2017 and **Target Corp.** is down 30%. Wall Street is abuzz with talk that the rise of e-commerce giant **Amazon.com Inc.** spells the eventual end of traditional retail, a notion that many in the industry vigorously dispute.

Retail's retreat and the accompanying debate have created fertile ground for investors who buy unloved stocks, whether for a brief bounce and quick sale or in some cases a bet that the doomsday talk is overdone.

This onslaught of bargain-seeking value investors, trend-playing hedge-fund portfolio managers and quick-turn-around day traders is fueling a surge in trading volume and sharp price swings in an industry that for years was a backwater to hotter industries such as technology and financial services.

Trading has been frenetic. Macy's, the largest U.S. department-store chain, had its highest trading volume of any month since 2011 in May, with June close behind.

Shares fell 17% on May 11, their worst performance since 2008, after a quarterly decline in same-store sales.

May and June were also two of the five busiest months in the past five years for Kohl's and Target.

"With this recent huge slump, a lot of large retail companies went on the radar for us," said Eric Mancini, director of investment research at Traphagen Financial Group in Oradell, N.J., which has \$530 million in assets.



Macy's, the biggest U.S. department-store chain, had its highest trade volume of any month since 2011 in May, with June close behind.

After Amazon announced a deal to buy Whole Foods Market Inc. for \$13.7 billion on June 16, shares of Wal-Mart Stores Inc. sank 4.7%. Mr. Mancini jumped into the fray soon after.

He bought shares of Wal-Mart for his clients with larger portfolios, reasoning that valuations looked attractive after the share-price drop. He picked up shares at a price of around \$75 apiece and plans to hold them until the stock price climbs to a range of \$80 to \$90, he said.

He isn't alone in betting the selling on major retailers is overdone: SunAmerica Asset Management and BNY Mellon Asset Management are among the investors that increased their stakes in Macy's between the end of last year and March, according to S&P Global Market Intelligence.

UBS Asset Management and Northern Trust Global Investments increased their stakes in **Nordstrom Inc.** during that period.

Amazon's rise threatens traditional retailers because it

means they must fight harder for every dollar of already scarce sales growth, at a time more U.S. retail sales are being conducted online.

A recent 2,000-person U.S. shopper survey conducted by RBC Capital Markets found that 93% selected Amazon as the online shopping website they use most often, compared with 89% last year.

Stock traders have become particularly attuned to the notion that Amazon's gains are other retailers' losses, potentially fueling a buy-Amazon, sell-retail trade that could exacerbate the traditional retailers' woes.

On Amazon's 10 best-performing days this year, Macy's has fallen 2.7% on average and Kohl's has dropped 3.1%. The retail ETF was down 0.9% on average those days.

Investors are betting retail stocks will keep falling, and in many cases it has paid off.

Those who went short on food and staples retailers, for example, made \$116.3 million in paper profits on the day after Amazon announced its

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Whole Foods acquisition, according to IHS Markit.

ETF provider **ProShare Advisors** filed plans with securities regulators last week for new double- and triple-levered ETFs designed to rise on days that retail stocks fall, adding firepower to bets on their decline. Also coming is an ETF that goes "long" on online retailers while "shorting" traditional ones.

Because so many investors are betting that retail shares will fall, the slightest bit of better-than-expected news is apt to cause the shares to surge, a condition that lays the groundwork for much-larger price swings as short sellers

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ble technology ETF and nearly as high as an ETF of biotechnology stocks known to have particularly large swings, which was at just over 20.

That volatility has been a boon to day traders, who often jump in and out of stocks in the span of a few hours to ride small moves in their prices.

"People day trade on volatility," said Vlad Karpel, a day trader in Chicago who also runs Tradespoon, a firm that uses models to offer buy and sell signals on stocks. "Traditionally, it's been biotech stocks, penny stocks or leveraged ETFs. Recently, it's been retail stocks."

On June 27, after the market closed, Mr. Karpel's models generated a buy signal on Best Buy Co., suggesting the stock was oversold.

He said he put in an order to buy 1000 shares the next day if the stock hit a price of \$56.80. It did so in the first half-hour of trading, and he held on to the shares until they climbed to \$57.10 within an hour. He then sold, netting about \$300.

Bond yields have swung in recent weeks as central banks have signaled they plan to dial back the ultra-accommodative monetary policy put in place after the financial crisis.

Some traders attributed Thursday's moves to a Wall Street Journal report that European Central Bank President Mario Draghi is scheduled to address the Federal Reserve's Jackson Hole conference in August.

Mr. Draghi is expected to give a further sign of the ECB's growing confidence in the eurozone economy and its reduced dependence on monetary stimulus, the Journal reported, citing a person familiar with the matter.

Hawkish comments from the ECB chief on June 27 kick-started the recent global government-bond market selloff.

Demand for Oil Will Grow Through 2018, IEA Says

BY CHRISTOPHER ALESSI

The world's appetite for oil is rebounding this year and should increase through 2018, the International Energy Agency said Thursday.

In its closely watched monthly oil market report, the IEA said it now expects global demand to grow by 1.5% this year to 98 million barrels a day, driven in part by rising consumption in Germany and the U.S. during the second quarter.

The Paris-based adviser to governments and companies raised its 2017 demand forecast by 100,000 barrels a day, compared with a previous estimate last month, while predicting "similarly paced" growth for next year.

Global demand growth hit a three-year low of 1 million barrels a day during the first three months of the year, with overall demand rising to 96.5 million barrels a day. Demand accelerated in the second quarter, growing to 97.4 million barrels a day—1.5 million barrels a day faster than in

tel's efforts to curb production.

Brent, the international crude-price benchmark, gained 1.4% to \$48.42 barrel, while West Texas Intermediate—used to price oil in the U.S.—gained 1.3% to \$46.08 a barrel.

The more robust demand outlook has yet to help OPEC—with members that control roughly 40% of global crude output—in its efforts to manage a global oil glut that has weighed on the market.

In addition to unexpected demand in Germany and the U.S., a recovery in demand growth in India continued into May and Chinese apparent demand "rebounded strongly" during that month, the IEA said.

China—one of the world's largest consumers of crude—had seen demand slow earlier in the year amid weakening economic conditions, holding back global growth.

The IEA said the initial demand data could suggest the market is moving toward equilibrium in supply and demand. But the agency cautioned: "We need to wait a little longer to confirm if the process of rebalancing has actually started in [the second quarter] and if the waning confidence shown by investors is justified or not."

OPEC last year teamed up with 10 other big producers outside the cartel—including Russia—to cut production through March by roughly 1.8 million barrels a day from the record high levels reached last October.

But overall, the IEA said Thursday, global oil supply in June rose by 720,000 barrels a day to 97.46 million a day, boosted by increased output from OPEC and non-OPEC producers such as the U.S.

"Each month something

seems to come along to raise doubts about the pace of the rebalancing process," the IEA report noted. "The 'two hitches' this month include the recovery of production in Libya and Nigeria—two OPEC members that have faced no restrictions on production—and a lower rate of compliance with the deal by other OPEC members.

Oil inventories in the Organization for Economic Cooperation and Development fell in May, but at over 3 billion barrels still remained 266 million barrels above OPEC's target of the last five year average.

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FINANCE & MARKETS

Bets on India Are Paying Off

Hedge funds with concentrated wagers on domestic assets gained 24% in first half

BY GREGOR STUART HUNTER

Hedge funds investing in India are having their best year ever, outpacing those in other emerging markets and generating above-market returns, a feat eluding many of their global peers.

India-focused hedge funds were up 24% in the first half, according to HFR Inc., better than funds focused on any other single strategy or country. They also beat the 16% gain of India's benchmark S&P BSE Sensex index and 14% gain of the MSCI India index.

Globally, hedge funds are facing criticism for failing to justify the high fees they charge. They have gained an average 3.7% this year, well behind the S&P 500's total return of 9.3%, HFR data show.

India-oriented hedge funds, which are mostly stock-focused, have outperformed mainly by trading in small-cap and midcap stocks, which have been on a tear this year. The benchmarks they are beating are dominated by large-cap companies like Infosys Ltd. and Tata Motors Ltd., whose performance has been relatively muted.

Some relative newcomers are gaining prominence. Take London-based Habrok India Fund, spun out of Habrok Capital Management's global hedge fund about 18 months ago: It returned 24.5% through May 31, fourth best among 473 global hedge funds, according to HSBC Holdings PLC.

Habrok, which manages \$50 million in assets and generated a 15% return last year, attributes these gains to bets on stocks in the consumer-discretionary, building-materials and insurance sectors—which it expects to benefit as economic overhauls increase private wealth. The fund may use le-



India-focused hedge funds have outperformed other money managers and have beat benchmarks.

verage to fuel its market bets and wager that stocks will fall, known as a short position, though like most India-focused hedge funds it has mostly pursued a strategy betting that stocks will rise.

"We think the country is going to transform over the next decade or two," said Raul Khanna, the fund's London-based portfolio manager.

India's stock market has been among the world's fastest rising this year, despite a bumpy ride due to some measures Prime Minister Narendra Modi has introduced in recent months, notably withdrawing most of the country's currency from circulation in November.

Interest-rate cuts since 2015 have helped push India's growth rate past China's. The pace could hit 7.2% this year, the International Monetary Fund estimates.

The optimistic outlook has drawn in foreign institutional investors, who plowed a net \$8.4 billion into Indian stocks in the 12 months through July, according to data from the Securities and Exchange Board of

India, as domestic Indian mutual funds funneled in a net \$12.1 billion.

"Liquidity is just gushing in," said Andrew Holland, chief executive of Avendus Capital Public Markets Alternate Strategies LLP, one of a handful of India's onshore-based hedge funds. "Interest rates have fallen and traditional real estate and gold as an option isn't really there, so you're getting more money in equities than before."

Mr. Holland said large-cap information-technology and pharmaceutical stocks that have outperformed over the past decade might struggle to maintain their pace and justify their valuations. Others say small and midsize companies are better placed to capture changes in the types of products that consumers demand as India becomes richer.

India's domestic hedge-fund industry owes its existence to regulations issued in 2012. Before that, several funds set up in places like Singapore and Mauritius, where they enjoyed favorable tax treatment, al-

though the loopholes have recently been closed.

The universe of India-oriented hedge funds remains relatively small. Those with a mandate to invest in India alone total just 42 and manage \$4.58 billion in assets, according to data from Eurekahedge. Contrast that with 156 funds and \$26.94 billion for funds that invest in China, Hong Kong and Taiwan.

Some say Indian hedge funds' performance is unconvincing. Their returns seem less exceptional set against those of the small-cap stocks they invest in, said Peter Lauri, global head of research at eVestment, which collects data on the asset-management industry. The MSCI India Small Cap Index gained 29% in the first half, slightly more than India-focused hedge funds. Hedge funds invested in India don't consistently outperform wider benchmarks. HFR's index of India-focused hedge funds fell 0.1% last year, when the Sensex gained 2%, and gained 4.4% in 2015, short of the Sensex's 5%.

China Deal Maker Cuts Its Appetite

BY JULIE STEINBERG

One of those conglomerates, Anbang Insurance Group Co.—which caught global attention with the purchase of New York's Waldorf Astoria for nearly \$2 billion—had already reined in the pace of its deal making. Another, Dalian Wanda Group, which bought Hollywood producer Legendary Entertainment for \$3.5 billion, said earlier this week that it was selling most of its domestic theme parks and hotels, in a deal that would slash its debt levels.

HNA has recently told people involved in its deals that it is putting mergers-and-acquisitions activity on hold for now, said some people familiar with the discussions. The group is looking at fewer targets and engaging in fewer discussions about potential acquisitions, another person familiar with HNA's plans said.

The people said, however, that HNA is still discussing investments in asset-management firms and financial institutions—a high priority for the group—and that there are a range of deals in the pipeline that could be ready to go when HNA wants to execute them. The deals HNA has already announced are likely to go through, some of the people said.

The conglomerate didn't immediately respond to a request for comment.

HNA's deals hiatus sidelines one of the last big Chinese companies that was still aggressively pursuing deals overseas this year, after a push by the country's regulators to curb a massive flow of money abroad in 2016. Outbound investments by Chinese companies, which hit a record last year, had already fallen sharply this year after mainland officials tightened scrutiny of big purchases abroad.

Then in June, China's banking regulator began examining leverage at several highflying Chinese conglomerates, including HNA—in an extension of a wide-ranging regulatory campaign to rein in ballooning debt levels.

HNA has announced \$5.66 billion worth of overseas deals so far this year.

ton Worldwide Holdings Inc. and \$446 million to buy a stake in OM Asset Management PLC, the U.S. money-management arm of British insurer Old Mutual PLC. Earlier this year, it borrowed roughly \$3 billion to help build a big stake in Deutsche Bank AG. HNA is now the bank's biggest shareholder with nearly a 10% share.

The group is trying to expand in the financial-services sector, hoping to capitalize on changes the industry is undergoing, Guang Yang, a top executive, told The Wall Street Journal earlier.

China's nonfinancial outbound direct investment dropped 45.8% to \$48.19 billion in the first half of the year from the same period a year earlier, according to state-run Xinhua News Agency, which cited data from the Ministry of Commerce.



JON HILSENRATH
ECONOMICS EDITOR

The Face of Real News

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MARKETS

Beijing Farm Overhauls Set to Lift Imports

Drop in China output after price supports end is likely to benefit farmers globally

By LUCY CRAYMER

A string of agricultural overhauls has set up China to import more grains and other commodities, with significant consequences for global markets.

Over the past three years, China has abolished guaranteed minimum prices for cotton, soybeans, corn and sugar, hurting domestic production of those staples. Grain production fell in 2016 for the first time in 13 years, and production of sugar and cotton has fallen by more than a quarter in the past three years.

The impact of those declines has been masked by sales from China's strategic stockpiles. But those will eventually run out, triggering a rise in demand for imports from the world's second-largest economy. That could be a boon to farmers from Brazil to the U.S. and Thailand.

Growth in domestic production is likely to lag behind demand, said Andrzej Kwiecinski, senior agricultural-policy analyst at the Organization for Economic Cooperation and Development. The country would import more feed grains, then more livestock and, eventually, more fruits and vegetables, as increasing labor costs make China less competitive, he said.

The price supports and stockpiling that China is rolling back were introduced starting in the early 2000s to improve the well-being of its farmers, ensure production of key commodities and provide a degree of food security. The floors were raised annually to stimulate production even when global prices fell. The government added to demand by building strategic stock-

piles.

But by 2014, the government was facing challenges. Warehouses and silos were overflowing, and local prices were running well above those prevailing in global markets. Even so, China wasn't able to meet its domestic needs.

With around a fifth of the world's population and 10% of the world's arable land, self-sufficiency in feeding China's people remains a priority for Beijing, particularly for staples such as rice and wheat. But the country shifted course for other products with an agriculture-policy statement in 2014. It said China needed to make rational use of international agricultural markets and establish stable and reliable trade relations, welcoming more imports.

"Moderate imports officially forms part of the national food-security strategy," said Zhang Hongzhou, a research fellow at S. Rajaratnam School of International Studies in Singapore, in a 2016 report.

The first price supports to go were for soybeans and cotton on a trial basis in 2014. The impact was immediate. Local futures prices for cotton fell 30% in 2014, and production fell 8% in the 2014-15 planting season. Wholesale soybean prices fell 11%, and production dropped by 1.5% over the next two years as farmers shifted to corn, which still had a price floor.

China's foreign purchases of soybeans have risen 29% since the country removed the price floor. Global prices for soybeans rose 5% in 2016, as demand remained strong amid a glut in other grains.

Government stockpiling of sugar disappeared in the same season. Domestic prices fell around 9%, causing production to drop by nearly a fifth in the following season. At the same time, the U.S. Agriculture Department estimates, imports, both legal and illegal, rose 18% to fill the gap.

Betting the Farm

China removed government-mandated price floors for soybeans and cotton in 2014 and began selling off its stockpiles, causing prices to fall. Cotton production declined and imports slid as stockpiles were sold, but soybean imports rose on strong demand as production stalled.

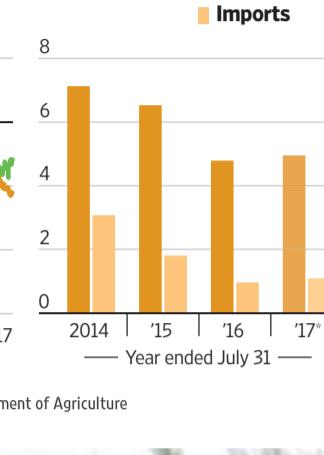
Performance on front-month contract prices



*Forecast
Sources: FutureSource (prices); U.S. Department of Agriculture

Cotton

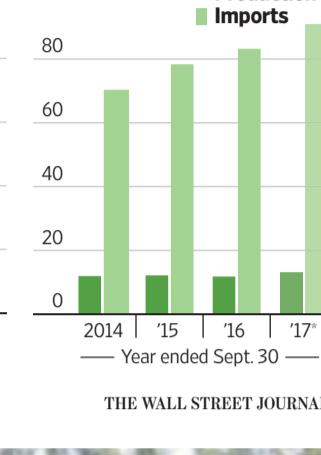
In millions of metric tons



Year ended July 31

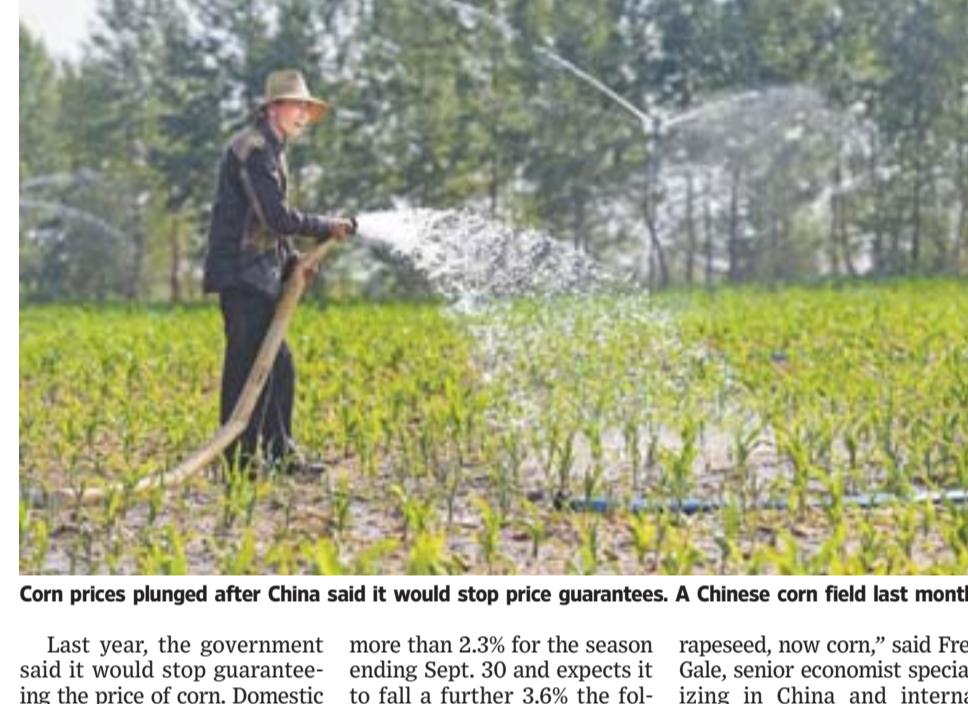
Soybean

In millions of metric tons



Year ended Sept. 30

THE WALL STREET JOURNAL.



LIAO ZHENG/XINHUA/ZUMA PRESS

Corn prices plunged after China said it would stop price guarantees. A Chinese corn field last month.

Last year, the government said it would stop guaranteeing the price of corn. Domestic prices plunged to 44% below their 2015 peak. China's Ministry of Agriculture forecasts that corn production will fall

more than 2.3% for the season ending Sept. 30 and expects it to fall a further 3.6% the following year.

"This cascaded through commodities—first cotton, soybeans and sugar; then

rapeseed, now corn," said Fred Gale, senior economist specializing in China and international trade at the USDA.

"China's efforts to stabilize their domestic markets have spilled over to contribute to

volatility in the international market."

The market effects could grow as China works through its stockpiles and turns to imports to fill the gap. China is sitting on 54% of the world's cotton stocks, 45% of the world's corn and 22% of the world's sugar reserves, the USDA estimates. Analysts think much of that product is deteriorating after years in storage.

Sugar reserves could be quickly depleted given the 4.2 million-ton total shortfall between the country's production and imports and what China's Ministry of Agriculture has forecast it will consume this year and next. Corn could take longer because the country's production and consumption are largely in balance.

China still spends a lot to support its farmers. In 2016, the country plowed \$246.9 billion into the agricultural sector, equivalent to 2.2% of gross domestic product, according to the most recent OECD data. That is down from 2.5% in 2015 but remains about four times the average in OECD countries. Much of that goes toward price supports for wheat and rice, but a growing share is going to land consolidation, mechanization, and research and development to improve productivity.

The country could also tap the brakes on imports, as it did with sugar and cotton, or roll back changes that prove too painful. Still, many China watchers think there has been a shift toward accepting more global supply.

"I don't think it's actually possible for China to be self-sufficient in the initial range of products they targeted. I think that's what they've acknowledged," said John Phelan, chief economist at agricultural news and analysis service Agrimoney. "They are just going to have to rely on overseas suppliers for some of these things."

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U.S.-China Trade Is Set To Get Tense

Question: When political leaders get into trouble at home, what is their favorite strategy for deflecting attention? Answer: Blame the foreigners.

That is where China's latest trade data could come in. Chinese exports to the U.S. surged 19.8% in June, the fastest pace since 2015, while its overall exports only rose 11.3%. That has driven a 23% year-over-year rise in the U.S.-China trade deficit to its widest level since late 2015.

All this is a bullish signal for U.S. growth. But an embattled President Donald Trump may now refocus on the rebounding deficit given lack of progress on other areas in the Sino-U.S. relationship, particularly North Korea. Investors should prepare themselves for trade tensions to re-emerge as a major risk to global growth.

For a while, it looked like things didn't have to be that way. After a rocky start, U.S.-China relations warmed after the Mar-a-Lago summit between Mr. Trump and China's President Xi Jinping in April.

China has since waived restrictions on U.S. beef imports and curbed coal purchases from North Korea, but other progress has been sparse. And with North Korea having successfully tested its first intercontinental ballistic missile, pressure on Mr. Trump to get tough on China on trade is resurfacing.

There are some hopeful signs: China has begun importing significant volumes of U.S. crude. At current trends, China could buy \$1 billion of U.S. oil this year.

Still, the overall trade deficit is once again marching higher. Tariffs on steel and other measures aimed at redressing the balance could follow. —Nathaniel Taplin

London's Ploy for Biggest IPO

Deep Wells

Proven reserves
in barrels of oil equivalent



Sources: the companies; Bloomberg News (photo)



Aramco's pavilion at the World Petroleum Congress in Istanbul

And sovereign owners will escape restrictions designed to ensure controlling shareholders don't abuse their voting power. For instance, independent directors won't be approved by minority shareholders.

The FCA's justification is that investors are capable of assessing the risks of state influence in a company, in part because its motivations may be more transparent and political than those of private owners. In truth, this may mean that investors should simply expect such companies to be riskier, so buyer beware.

These changes could help bring a small number of very large state-backed companies to London, though it is hard to see where these companies are or what the commercial benefit will really be. Mostly this looks like an exercise in mutual brand building: for London's place in finance after Brexit and for a stamp of slightly qualified quality on Aramco's stock.

—Paul J. Davies

A Low-Cost Airline Needs Low Costs

Norwegian Air Shuttle served up a reminder Thursday of why disruptive companies don't always make good investments.

The airline is investing aggressively in cheap trans-Atlantic flights. Norwegian's long-haul capacity will increase by 60% this year and double next year, notes brokerage Davy.

But rapid expansion has come at a cost: Even stripping out fuel, second-quarter unit costs rose 7% year over year, management announced Thursday. Unit staffing costs ballooned 12%. Second-quarter unit costs, excluding fuel, have been rising for four years.

This looks like a problem. You can't build a low-cost airline without low costs.

Having seen their short-haul business upended by low-cost challenger Ryanair, the top European players are paying very close attention to Norwegian's ambitions. Norwegian can't count on the complacency that opened a gap for Ryanair.

The other problem with Norwegian's mounting costs is that they weigh on cash flows and hence its debt-encumbered balance sheet. Shareholders' equity accounted for just 8% of total liabilities at the quarter-end. This leverage explains why the stock, which is heavily shorted, plunged 14% Thursday. In the year to date it is down more than one-third, even as other European airline stocks have soared.

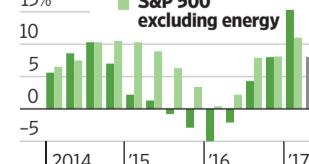
The company's long-term finance director quit last week. His successor can be under no illusion: If Norwegian really is going to disrupt the current trans-Atlantic oligopoly, it needs to get costs under control.

—Stephen Wilmot

Warnings Flash on Stocks Ahead of Earnings

Over the Hump

Earnings per share, change from a year earlier



*2Q 2017 figures reflect analyst estimates

Source: Thomson Reuters I/B/E/S

bor costs.

S&P 500 earnings growth last peaked in the third quarter of 2014 at 10.3%, and by the first quarter last year contracted by 5%. Over that period, the index advanced just 4.4%. It might have fared worse if not for falling interest rates.

The yield on the 10-year Treasury fell from 2.52% at the end of the third quarter of 2014 to 1.78% in the first quarter last year as faltering global growth and low inflation led the Federal Reserve to rethink its rate-increase plans. So even though earnings were flagging, stocks looked like a better value than bonds.

While earnings growth is

likely to be softer in the quarters ahead, it doesn't seem likely to weaken as much as it did through early 2016. The global economy is on better footing and the oil bust is unlikely to repeat itself. But those factors have cleared the way for the Fed to raise interest rates.

Stock-market data from the past 50 years show that shares tend to do poorly when rates are rising and earnings growth is slowing. Add high valuations to the mix and the environment gets more challenging. Stocks can always go higher, of course, but history says any gains will be modest and hard-fought.

—Justin Lahart

A simple way
to show off?
Bake a lattice-
crust pie
W4



OFF DUTY



The best reason
to reconsider
Riesling: It's not
all sweet
WS

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, July 14 - 16, 2017 | **W1**



TAKE MONDAY OFF

Max Out Montreal

Want a foolproof long summer weekend in the French-Canadian metropolis? Pack this don't-waste-a-minute guide



GUILLAUME SIMONEAU FOR THE WALL STREET JOURNAL

ACCENTS WILL HAPPEN Clockwise from top: A floating cafe on the Lachine Canal; the George-Étienne Cartier monument in Mount Royal Park; Patrice Patissier, a pastry 'boutique' and brunch spot in the Little Burgundy neighborhood; the garden at Joe Beef, the restaurant that got people talking about Little Burgundy.

BY GABRIELLA GERSHENSON

MUCH HAS BEEN made about the duality of Montreal—a major North American city with a staunchly Francophone identity—and its antiquity, too. While Canada marks its 150th birthday this year, Montreal, an early French-colonial fur-trade town, is turning 375. But far from a quaint Gallic relic, the country's second-most-populous city has a restlessly creative spirit, with homegrown and immigrant influences driving its food, art and music scenes. Locals, who scuttle down frozen streets during infamously harsh winters, treat summertime with euphoric reverence: riding miles along riverside bike paths, insisting on picnics and hopping from one festival to the next. You'll still see remnants of June's public mural fest (including a 9-story likeness of native son Leonard Cohen) in July and August, which usher in music performances as varied as the riffs on poutine, Quebec's peculiar French-fry delicacy. Here, a three-day guide to help you seize summer too.

DAY ONE // FRIDAY

6 p.m. Arrive at Pierre Elliott Trudeau International Airport, named for Canada's four-term prime minister and father of the current prime minister. Cab it to **Hotel William Gray**, an upscale boutique hotel on the old port of the St. Lawrence River (*from about \$320 a night in summer, hotelwilliamgray.com*) or to **Casa Bianca**, a stylish B&B in the bohemian Plateau neighborhood (*from \$130 a night, casabianca.ca*).

7:30 p.m. Every traveler who arrives in Montreal armed with a list of must-try restaurants invariably

seeks out **Joe Beef**, the inventive restaurant that put the working-class Little Burgundy neighborhood on the map. At the risk of being predictable, hit it up first but order an aperitivo at the bar instead of dinner. Try the plateau de mer with oysters, Quebec snow crab and cold-smoked scallops in maple syrup (*You'll need a reservation, even at the bar; 2491-2501 Notre-Dame St. W., joebeef.ca*).

9 p.m. Walk a few doors down to Joe Beef's veggie-focused sister restaurant **Le Vin Papillon**. Sit in the garden and round out your evening repast with hyper-seasonal tempura-fried

ramps with shrimp taramasalata and blackcurrant soft serve (*2519 Notre-Dame St. W., vinpapillon.com*).

DAY TWO // SATURDAY

9:30 a.m. Start with breakfast at **Patrice Pâtisserie**, back in Little Burgundy, where the kouign amann and other pastries are reliably excellent. Starting at 11 a.m., brunch is served; the savory dishes, such as baked eggs with homemade sausage and juicy cherry tomatoes, are as finely honed as the sweets (*2360 Notre-Dame St. W., patricepatissier.ca*).

11:30 a.m. Browse the

other shops and cafes along Rue Notre Dame Ouest. **Beige** offers tasteful housewares, like bottle-green tumblers (*2480 Notre-Dame St. W., beige-style.com*), while **Stock-Markt** (*2664 Notre-Dame St. W., boutiquestock-markt.com*) is a discount outlet disguised as a chic boutique (think James Perse and Maison Kitsuné). At **Marché Atwater**, a sprawling art-deco-era market, choose provisions for an al fresco snack (*138 Atwater Ave., www.marche-atwater.com*). **Fromagerie Hamel** is a good one-stop shop for bread, fresh

Please turn to page W2

OFF DUTY

A LONG WEEKEND, S'IL VOUS PLAIT



Continued from page W1

cheese curds, and Palette de Bine chocolate made in nearby Mount Tremblant (138 Atwater Ave., fromageriehamel.com).

1:30 p.m. Pick up a bike from the Bixi bike-share terminal at Charlevoix and Duvernay Streets, and take Charlevoix into Lachine Canal Park, a rehabilitated industrial canal with a leafy bike path. Ride about 20 minutes to Old Montreal, stopping along the way to refuel with your market spoils.

3 p.m. Dock your bike at Place Jacques Cartier and walk five minutes to **Scandinave Les Bains**, a spa in Old Montreal that promotes relaxation the Scandinavian way—by alternating between hot and cold pools, steam rooms and saunas and with excellent massages (*71 de la Commune W*, scandinave.com).

8:30 p.m. For dinner, go to **Moishe's**, a Jewish-Romanian steakhouse that's been in business since 1938, and was a local haunt of Leonard Cohen's. Order the chopped liver and the grilled rib steak (3961 St. Laurent Blvd., moishe's.ca).

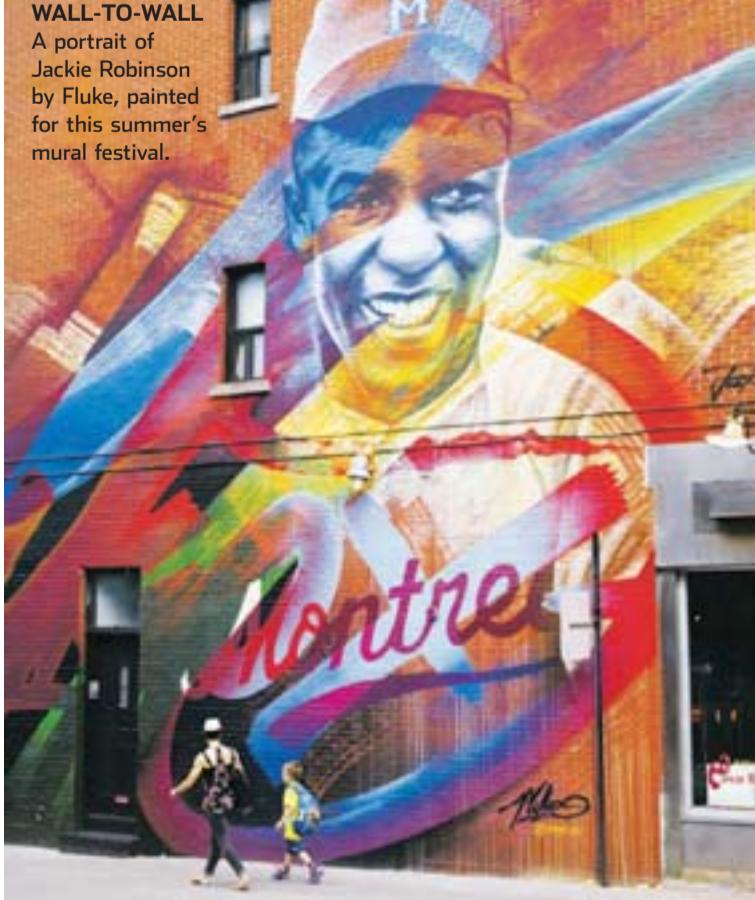
11 p.m. Walk five minutes up St. Laurent to **Divan Orange**, a funky venue for national and local music, with acts ranging from DJs spinning vintage Afro-Caribbean vinyl to quirky Québécois folk. The vibe is relaxed (kombucha plus vodka equals a cocktail) and dancing is encouraged (4234 St Laurent Blvd., divanorange.org).

DAY THREE // SUNDAY

10 a.m. Brunch at **Hof Kelsten**, a casual bakery-cafe opened by a fine-dining veteran in the Plateau neighborhood. Order the merguez sausage shakshuka, or go light with the vegetarian sandwich—labneh, pickled vegetables and cilantro, served open-face on pumpernickel (4524 St Laurent Blvd., hofkelsten.com).

11:30 a.m. Walk 10 minutes to the corner of Mont Royal and Parc Avenues and enter Mount Royal Park, a nearly 500-acre urban sanctuary designed by Frederick Law Olmsted. Hike uphill to **Chalet du Mont Royal** (about a 40-minute trek), a 1932 villa with spectacular views of downtown Montreal, the St. Lawrence River and on a clear day, the Quebec countryside (1196 Voie Camille-Houde).

WALL-TO-WALL
A portrait of Jackie Robinson by Fluke, painted for this summer's mural festival.



THE GREAT BITE NORTH Clockwise from top left: Atwater Market; Hotel William Gray; a beer with cassis and cherries at Brasserie Harricana.

2 p.m. Exit the park and take a cab 10 minutes to **Jean Talon Market**, located in Petite Italie (7070 Henri-Julien Ave.; marches-publics-mtl.com). Snack your way through roughly six city blocks of seasonal bounty, prepared foods, charcuterie and cheeses, with a stop at the incomparable spice shop Épices de Cru for a nonperishable memento of Montreal steak seasoning (C-II, 7070 Henri Julien Ave., 514-273-1118).

3 p.m. Explore the rest of Little Italy. **Caffè Italia**, a frozen-in-time espresso bar that's been open since 1956, guarantees prime people watching day and night (6840 St Laurent Blvd.). Nearby is **Quincaillerie Dante**, a family-run kitch- enware and hunting store where you can buy a butter curler or a rifle (6851 St Dominique St., quincailleriedante.com). Since this is Quebec, great poutine—the French-Canadian fries, gravy and cheese curd specialty—is just a few minutes away at **Chez Tousignant**, a retro-style snack bar. Have a late lunch of poutine and a hot dog, whose bun and sausage are made from scratch (6956 Drolet St., cheztousignant.com). After that you'll welcome the 10-minute walk to **Brasserie Harricana**, a brewpub for beer obsessives; it boasts the city's sole Flux Capacitor draft system, which regulates each beer's gas composition, gas pressure and temperature (95 Jean-Talon St. W., brasserieharricana.com).

7 p.m. Though many restaurants in Montreal are closed on Sundays,

you still have some desirable dinner options. **Lémeac**, a destination French bistro on elegant Avenue Laurier in Outremont, is the place to order classics, like an exemplary kir royale and steak tartare with matchstick frites (1045 Avenue Laurier W., restaurantlemeac.com).

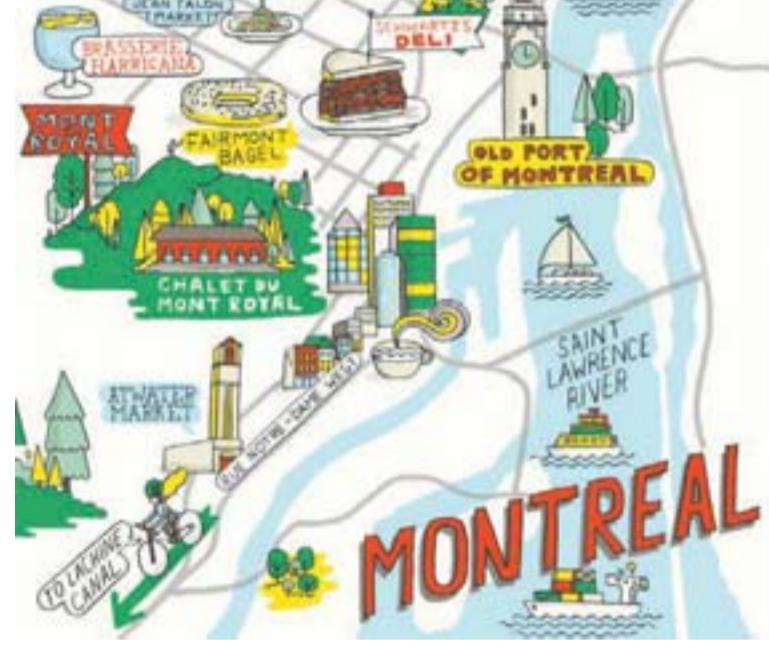
10 p.m. End the night at **La Sala Rossa**, a performance space in a former Spanish social center—in the heart of a historically Jewish neighborhood. The venue pays homage to the area's multiculturalism with eclectic programming that, on any given night, could feature folk, spoken word or breakdance. Cover is about \$15 (4848 St. Laurent Blvd., lasalarossa.com).

DAY FOUR // MONDAY

10:30 a.m. Check out of the hotel but leave your bags to pick up later. Take a 15-minute taxi to **Mile End**, a former Jewish enclave, and setting of the 1959 novel, "The Apprenticeship of Duddy Kravitz," written by notable Montrealer Mordecai Richler. Now it's one of the city's coolest neighborhoods. Eat breakfast at the hip all-day restaurant **Larry's**. Order a flaky scone or the breakfast sandwich with house-made sausage and egg (9 Fairmount Ave. E., larrys.website).

12 p.m. Indulge in last-minute souvenir shopping in and around Mile End. Grab a bag of Montreal-style bagels (skinny, sweet, covered in sesame seeds) at 98-year-old **Fairmount Bagels** (74 Avenue Fairmount W., fairmountbagel.com). For a piece of Montreal cool, stop at **La Montréalaise**, a women's boutique that sells tees and sweatshirts with slogans like "Je Parle Feministe" (65 Rue St. Viateur E., lamontrealaiseatelier.com), or chic high-end apparel at **Les Étoffes** (5253 St. Laurent Blvd.) For the boys, men's outfitters **Frank + Oak** is a block away, with a barber shop on premises for emergency beard trims (160 St. Viateur St. E., frankandoak.com). One avenue up is the singular **Librairie Drawn & Quarterly**, an indie bookstore devoted entirely to graphic novels (211 Bernard St. W., drawnandquarterly.com).

2:30 p.m. On your way back to the hotel, stop at **Schwartz's**, purveyor of the Montreal smoked meat sandwich, a cross between pastrami and corned beef. Order two for the flight home, specify lean, medium, or fatty, and don't forget the pickle (3895 St. Laurent Blvd., schwartzsdeli.com).



RAW AMBITION A plateau de mer at Joe Beef, a foodie pilgrimage site known for its raw bar offerings.

OFF DUTY

Poetry in Motion

Two centuries after Keats's tragicomic pilgrimage to Scotland, a literary tourist recreates his walking tour, pitfalls and all



BY ANNA RUSSELL

AN HOUR'S drive from Glasgow, on the banks of Scotland's misty Loch Fyne, the Cairndow Stagecoach Inn makes an unlikely home for poets. At the tartan-carpeted bar, locals gather for themed dances, complete with fog machines and pulsing laser lights. It's easy to miss a small frame on the wall, which carries a quote from the poet John Keats, who spent a weary night at the roadside stop-off in 1818.

In a letter to his younger brother Tom, Keats wrote of the stay: "We were up at 4 this morning and have walked to breakfast 15 miles through two tremendous Glens." He described taking a bath in the salt-water lake, opposite the Inn's windows. "Quite pat and fresh but for the cursed Gad flies," he wrote.

One thing or another had dogged the 22-year-old Keats since leaving London that summer on an epic walking-tour which would stretch over 600 miles. From June through August, he and his friend Charles Brown wound their way through the Lake District up to Scotland, where they trekked the muddy Isle of Mull and climbed the U.K.'s highest peak, Ben Nevis. They began in Lancaster, England, and parted at Scotland's tip, Inverness, where Keats felt too sick to go on.

It was partly a fanboy trip. Scotland in the 1800s—the land of rural poets—was the hottest thing in literary tourism. William Wordsworth and his sister, Dorothy, James Boswell and Samuel Johnson, and the poet Robert Burns had all made well-documented treks through the countryside. Keats, in poor health and poor shoes, wanted to make a pilgrimage of his own. He set out to visit the homes of his poet-heroes, Wordsworth (in England) and Burns (in Scotland).

That summer of 1818, Keats was in dire need of a vacation. Already an orphan, he was exhausted from nursing Tom, who was dying of tuberculosis. He had just finished a long poem, "Endymion," and was steeling himself for harsh reviews (one critic called him an "infatuated bardling"). "His world was really breaking up," Susan Wolfson, a professor of English at Princeton University, later told me. A trip would



LOCH AND ODE Clockwise from top: Glen More on the Isle of Mull; Inveraray on the shores of Loch Fyne; on the Isle of Iona facing the Isle of Mull; the Burns Cottage in Alloway.

shake things up, Keats decided. "I purpose within a Month to put my knapsack at my back and make a pedestrian tour through the North of England, and part of Scotland—to make a sort of Prologue to the Life I intend to pursue," he wrote excitedly in the spring. "I intend to straddle ben Lomond—with my Soul!"

Keats lost two brothers and a mother to tuberculosis. He believed himself such a failure at the time of his death (also of tuberculosis), at age 25, that he had engraved on his tombstone the words: "Here lies one whose name was writ in water." Yet the letters he sent home from Scotland aren't those of the doomed Romantic he's come to represent. They're ironic, self-aware and surprisingly funny about the realities of travel. The weather was bad, the gadflies were annoying and the food consisted almost entirely of oatcakes and eggs. Keats was determined to find on his trip a template for his life going forward.

My plans weren't as grand (nor my circumstances as dire), but I was, like Keats, a keen literary tourist. I, too, wanted to see the birthplace of Robert Burns, and the Scottish landscape that inspired Wordsworth. And I wanted to know what Keats made of it all, at a crossroads in his life, with his best work to come. Plus, there was Scotch to be sampled.

Since we couldn't do the whole tour, my friend and I flew to Glasgow, where we rented a car and drove an hour to Alloway, on Scotland's western coast. This is Burns

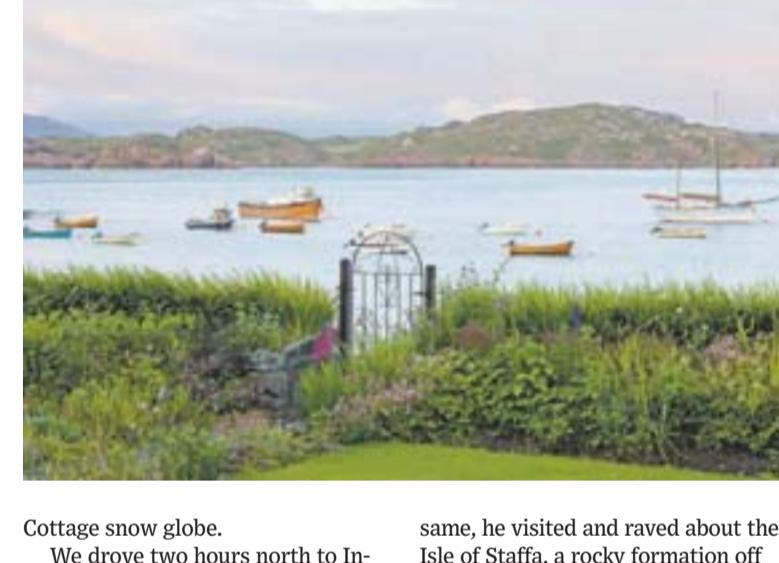


territory, where every pub and fish 'n' chips shop, however small, seems to have a portrait of the bard tucked away somewhere. We parked at the Robert Burns Birthplace Museum, near a sign that read "Birthplace of a Genius."

By the time Keats made it this far, he had already encountered the first of many roadblocks his trip would offer up. At Wordsworth's home in England's Lake District, he arrived to find the poet out, indefinitely. "He was not at home nor was any Member of his family," Keats wrote. "I was much disappointed." He left a note on the poet's mantle.

At Burns's Cottage, he planned to write a sonnet in honor of the Scottish poet, who had died 22 years earlier. But when he arrived, he found the home converted into a pub, its door guarded by a drunk old man eager to share long-winded anecdotes. "He is a mahogany faced old Jackass who knew Burns," Keats complained. "He ought to be kicked for having spoken to him." He wrote his tribute anyway, "for the mere sake of writing some lines under the roof." But he wasn't pleased. "They are so bad I cannot transcribe them," he wrote. "The flat dog made me write a flat sonnet."

When we arrived, the museum's director at the time, David Hopes, showed me the room where Keats likely stood, fuming. Burns only lived in the house until the age of 7, but the museum possesses the largest collection of Burns manuscripts, and a "Burns Jukebox," with categories like "Power Ballads" and "Tear-jerkers." We stood on the medieval stone bridge known as Brig o' Doon where a drunken Tam o' Shanter, from Burns's poem, narrowly escapes with his life. We left by way of an oversized granite sculpture of Haggis, the national dish, and the gift shop, where I bought a Burns



Cottage snow globe.

We drove two hours north to Inveraray Castle, which Keats described as "modern magnificent." Just inland from Loch Fyne and open to public tours, the turreted castle is the ancestral home of the Duke of Argyll. The extravagant state dining room featured French tapestry upholstery from the 1780s, a Waterford chandelier and a gaggle of tourists delighted by photos of the 2012 "Downton" Christmas Special, several scenes of which were filmed there.

'Nothing could stifle the horrors of a solo on the Bag-pipe,' wrote Keats.

Keats and Brown made good progress, often walking over 20 miles a day. By the time they reached Inveraray, Brown's feet were blistered, "knock'd up from new shoes," and Keats ventured into the tiny town (population still under 1,000) on his own to see a play. He found the lake, Loch Fyne, at the edge of town, beautiful, but he disliked the show and the music that came with it. "Nothing could stifle the horrors of a solo on the Bag-pipe," he wrote to Tom. To his sister, Fanny, he sent a goofy poem of simple rhymes with the lines, "There was a naughty boy / And a naughty boy was he / For nothing would he do / But scribble poetry."

But by the Isle of Mull, in the Inner Hebrides, the letters betray the first signs of the illness that he never fully shook. He picked up a "slight sore throat" on "a most wretched walk of 37 Miles" across the remote island, where he carried his stockings in his hands and slept in a smoky shepherd's hut. All the

same, he visited and raved about the Isle of Staffa, a rocky formation off Mull. He stopped at Iona, another nearby island, and wandered the Benedictine Abbey and Nunnery founded there before 1200.

We skipped the treacherous walk and drove an hour across Mull, which we reached by ferry from the small town of Oban. Keats called this landscape "most dreary," but from the windows of our car the desolate rolling hills, punctuated by waterfalls, were breathtaking. Like Keats, we were not prepared for the area's remoteness. The only passengers on a small ferry to Iona, we arrived tired and hungry, in total darkness, to find the only food available came from a vending machine.

Keats was willful. His cold didn't improve—Brown described it as "violent"—but he was determined to climb Ben Nevis. At 5 a.m., they began their ascent, following a guide in "Tartan and Cap." "After much fag and tug and a rest and a glass of whiskey apiece we gained the top of the first rise," he wrote. They stumbled their way, sometimes on all fours, 4,400 feet above sea level. At the top, he found deep chasms and an all-encompassing mist. "Read me a lesson, Muse, and speak it loud / Upon the top of Nevis, blind in mist!" he wrote at the summit.

When we reached the peak, we also found a blanket of white mist, until the clouds cleared suddenly and the valley below revealed itself. In 1819, after his return to London, Keats would have the most productive year of his life, penning his six great odes, including "Ode to a Nightingale" and "Ode on a Grecian Urn," and his unfinished epic, "Hyperion." Shoes soaking from the mist, we could see all the way down the mountain to the rolling hills beyond, the land where Keats proposed to "clamber through the clouds and exist."

THE LOWDOWN // KICKING AROUND KEATS'S SCOTLAND

STAYING THERE In Alloway, near Burns's Cottage, the Brig o' Doon House Hotel features tartan-on-tartan lounge areas and a view of the bridge where Tam o' Shanter's mare loses her tail (*from about \$155 a night; brigodoon-house.com*). The Inveraray Inn, on Loch Fyne, is one of the oldest hotels in town and features an annual Burns supper (*from about \$130 a night; Inveraray-inn.co.uk*).

EATING THERE Recover from a chilly Iona beach walk with tea and locally



sourced seafood at the Argyll Hotel (*argyllhotelsonline.co.uk*). Celebrate your summit of Ben Nevis with a whiskey or craft beer and vegetarian haggis (or the real deal) at the Ben Nevis Inn & Bunkhouse, at the base of the trail (*ben-nevisinn.co.uk*).

READING THERE Keats's poignant letters home to his friends and family, collected in "Selected Letters," form a remarkable document of his journey. Carol Kyros Walker documented his trip in photographs in "Walking North with Keats."

OFF DUTY

IN MY KITCHEN

Martín Berasategui

The Basque chef gained fame as a father of modernist cuisine. But he does his best cooking as a father, husband and son, at home

FOR MARTÍN Berasategui, the Basque chef who bagged his eighth Michelin star last year—the most of any chef in Spain—a recent revelation came in the form of a mud-caked beet. “It was a local variety I’d never seen before, called arróspide,” he said. “Absolutely magnificent, bright fuchsia and sweet like candy.”

At his namesake restaurant in the small town of Lasarte-Oria, in the Basque Country of northern Spain, he coaxes a beet into six different preparations that could pass as sculptural art.

One of the originators of Basque modernist cuisine—the movement that shook up fine dining with its centrifuged sauces and foams—Mr. Berasategui, 57, came up at Bodegón Alejandro, the unfussy and dependable restaurant in San Sebastián owned by his mother’s family. Today, though he has restaurants as far afield as Mexico and the Dominican Republic, he’s happiest at home, where he lives with his wife, Oneka, and daughter, Ane—his organization’s floor manager and PR and communications director, respectively—in a loft above their flagship restaurant. In 2004, when his father-in-law was diagnosed with Alzheimer’s, Mr. Berasategui sought out foods he hoped would slow the progress of the disease. His latest cookbook, “Salsa para tu coco” (“Brain Food”), a collaboration with a neurologist and a Parkinson’s foundation, represents yet another version of cooking for family.



CASE IN POINT A selection of the chef's Japanese knives.

The best feature of my kitchen is: the view. When I look up from a pot I’m stirring, I see evergreen forests and white farmhouses out the window. You get the feeling you’re a part of the landscape. Inside my kitchen, you won’t find any crazy futuristic gadgets. I err on the side of simplicity. But I do love my Gaggenau appliances and Gemini espresso maker.

The kitchen tools I can't live without are: sharp knives. I’m a sucker for hand-forged Japanese blades by Sugimoto and Misono. They’re, light, precise and come in every shape and size.

My cooking mentors were: my parents. My father, a butcher, was a real bon vivant. My mother and aunt, both cooks, were more practical. They sat me down in ’75 and asked me if I

wanted to be a chef. I said yes. The next day I was working a 16-hour shift. “This schedule, day in and day out, is the lifestyle of a chef,” they said. “Know what you’re getting yourself into.”

My pantry is always stocked with: El Rey de la Vera pimentón [smoky paprika] from Extremadura. A garlic soup would be dull without a hit of the spicy picante type. Delicate dishes—seared cod with a pan sauce, say—take better to the milder agríduce and dulce.

My refrigerator is always stocked with: tons of fresh produce, meat and fish. I’m not one of those people whose refrigerator door clanks with dozens of sauces. Basque cooking is about clean, simple flavors. When it comes to condiments, homemade almost always trumps what you can buy. If you have a

whisk and a bowl, you can make mayonnaise with a little practice. There are exceptions, though, like good mustard. I have a French chef friend who sends me jars of moutarde violette de Brive, a tangy purple mustard from Aquitaine.

The pan I reach for most is: my 40-centimeter Bra induction paella pan. Sturdy, non-stick and dramatic enough to double as a serving platter. Beyond paella, I use it for pan-roasting whole fish and oversize cuts of meat.

I also love: earthenware cazuelas, rustic clay pots unbeatable for low-and-slow cooking. You can buy them in the artisan shops on 31 de Agosto Street in the old town of San Sebastián.

The ingredients I'm most excited about right now are: the ones that

come and go in a blink of an eye because of seasonal availability. Right now we have fresh anchovies coming into port from the Bay of Biscay, straight as pencils, so fresh. Ibarra peppers are another luxury. I blister them in hot olive oil and sprinkle them with crunchy salt. They’re equally addictive pickled.

On weeknights, I typically eat: in the restaurant with my staff, which luckily includes my wife and daughter. But if I feel like a late-night snack, Galo Celta eggs from Galicia are my go-to. They’re unreal, the best eggs I’ve ever eaten, especially wonderful when baked en cocotte. I also have a weakness for Iberian pork charcuterie too. I recently discovered the lomo natural [cured pork loin] by 5J, and let me tell you, it’s 10 times better than any Italian salami.

When I entertain: make things easy. I want my guests to feel comfortable, to talk and laugh their asses off. I’m just the shy screwball chef in the background who provides the food.

—Translated and edited from an interview by Benjamin Kemper

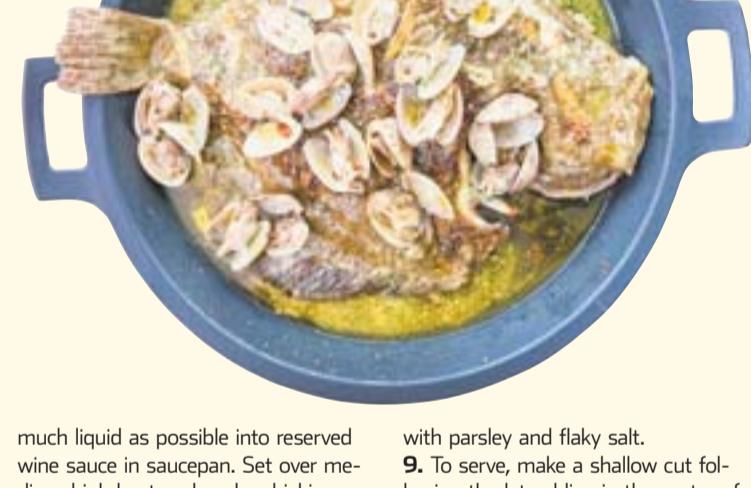
Turbot With Clams in Warm Vinaigrette

Mr. Berasategui favors turbot for its flavor and flakiness, but any flatfish—such as sole or flounder—can be substituted. Simply adjust the cooking time to the weight of the fish, taking it off the heat when the flesh is opaque and the internal temperature registers 145 degrees.

TOTAL TIME: 45 minutes SERVES: 5

**14 ounces fresh clams (15-20), rinsed and scrubbed of any grit
4 tablespoons extra-virgin olive oil, plus more as needed
1 tablespoon all-purpose flour
3 cloves garlic, thinly sliced
½ cup fish stock (or ½ cup clam juice plus ½ cup water)
½ cup txakoli or other dry white wine
2 teaspoons salt
1 whole turbot (approximately 4½ pounds), cleaned and left with head, tail and fins intact
½ bird’s eye chili, minced
2 tablespoons cider vinegar
2 tablespoons minced parsley leaves
Flaky salt**

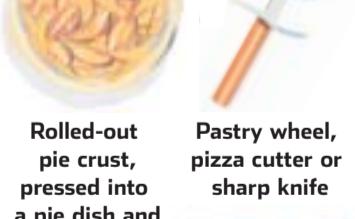
1. Soak clams in fresh water 20 minutes to allow them to purge any sand or impurities. Drain.
2. Meanwhile, place 1 tablespoon oil and half the garlic in a large saucepan. Set over medium heat and cook until garlic softens and becomes fragrant, about 2 minutes. Add flour, increase heat to medium-high, and whisk to prevent any lumps. When mixture begins to bubble, add stock and wine and simmer 2 minutes.
3. Increase heat to high and add clams. As clams open, transfer to a bowl. Discard any clams that remain closed after 5 minutes of cooking. Tent bowl with foil. Set aside saucepan with wine sauce.
4. Dry turbot inside and out with paper towels. Pour 2 tablespoons oil into a 15-inch paella pan or skillet over high heat. Salt both sides of fish and inside the cavity. Once oil is shimmering and you begin to see wisps of smoke, lower fish into pan, skin-side down, and leave undisturbed 9 minutes.
5. Meanwhile, place remaining oil, minced chilies and remaining garlic in a small pan set over medium heat. Cook until garlic softens and begins to turn golden, 2-3 minutes.
6. Using a large spatula, flip fish, adding a little more olive oil if pan looks dry. Lower heat to medium-high, and cook, undisturbed, 5 minutes.
7. Pour garlic-chili mixture over fish, then cider vinegar over top, swirling pan to distribute liquid evenly, and cook to combine, 1 minute more.
8. Tilting pan to one side, spoon as



much liquid as possible into reserved wine sauce in saucepan. Set over medium-high heat and cook, whisking, until sauce begins to bubble. Quickly pour this sauce back over fish. Cook until sauce is bubbling and evenly distributed, 1 minute. Remove from heat, arrange clams atop fish, and sprinkle with parsley and flaky salt.

9. To serve, make a shallow cut following the lateral line in the center of the fish, then make another incision across the top of the tail. Use a spatula to lift meat from either side of spine onto warmed plates, then remove spine to access remaining fillets.

INGREDIENTS



Rolled-out pie crust, pressed into a pie dish and filled with fruit
Scissors
Pastry wheel, pizza cutter or sharp knife
Rolled-out pie crust

HOW TO

MAKE A LATTICE CRUST

What says summertime like that classic criss-cross crust pattern atop a pie bursting with luscious fruit? Mastering it is easier than you think

YOU CAN TELL a lot about how my life is going from the pie crusts I make. When things are especially hectic, I opt for a quick-and-dirty, pat-into-pan crust of graham cracker, Nilla Wafers or ginger-snaps crumbs. Most days I can just about manage rolling out a crosta or bottom-crust-only pie—though the truth is I crave crust at least as much as I do filling, so give me deep-dish and double-crust, and I’m happier. When I’m living my very best life, I go all out and make a lattice top. Sure, it takes a bit more time, but it’s also way easier than it looks. Just follow the steps below.

Go ahead and play with strip width and spacing:

STEPS



1 Use pastry wheel, pizza cutter or sharp knife to cut rolled-out pie crust into ½- to ¾-inch-wide strips.



2 One at a time, gently lay dough strips down on top of filled pie crust, weaving them over and under one another.



3 Continue weaving strips of dough until you cover pie with an overlapping lattice pattern.



4 Trim ends of strips flush with edge of bottom crust. Fold edge of bottom crust over edge of lattice and crimp to secure.

Lattice-Top Peach Pie

Find a recipe for perfect pie crust at wsj.com/food.

Mix $\frac{1}{2}$ cup plus 1 tablespoon sugar with a large pinch of salt. Line a 10-inch pie pan with 1 rolled-out pie crust about 14 inches in diameter, pressing it gently into sides and bottom of the pan. Trim dough with a small knife or scissors, leaving $\frac{1}{2}$ - $\frac{3}{4}$ inch extending beyond pan’s edge. Sprinkle 2 tablespoons sugar mixture evenly over dough and refrigerate until ready to use. // Preheat oven to 425 degrees with rack set in center position. Slice 10 large peaches (optionally peeled) into 8-10 wedges each and discard pits. Arrange peaches evenly in sugared pie shell. Sprinkle with all but 2 tablespoons of remaining sugar mixture. Follow illustrated steps at left to weave a dough lattice over peaches, trim and crimp. Evenly sprinkle remaining sugar mixture over lattice. // Place pie on a baking sheet and place in oven. Reduce temperature to 375 degrees and bake until crust is deep gold and fruit juices are bubbling, 45-60 minutes. If crust is dark before peaches are tender, lay a piece of aluminum foil lightly over pie for remainder of baking. Let cool at least 30 minutes before serving.

OFF DUTY

ON WINE LETTIE TEAGUE



Hello, Dry Riesling: How Sweet It's Not

SAY "RIESLING" to most wine drinkers and I can practically guarantee their response: "I don't drink sweet wine." "Sweet" and "Riesling" are almost as inextricably linked as New Zealand and Sauvignon Blanc. Yet dry Rieslings are widely produced, all over the world. Why don't more people realize that?

The Germans must shoulder a large share of the blame, thanks to the enormous incursion into the U.S. of cheap, sweet wines from that country a few decades ago. Some were Riesling and some were not, but collectively they left a lasting scar. And while those bad old days are long gone, the unfortunate stereotype lives on.

The many types and styles of Riesling range from extremely dry to extremely sweet; there's sparkling Riesling too. And yet the grape's great versatility may be its biggest downfall. As Ernst Loosen, owner of Dr. Loosen winery in Mosel, Germany, noted in an email, "It seems that the average consumer can only handle one definition of a grape variety. It's too difficult to keep things straight when it can be made in so many different styles."

Mr. Loosen produces both dry and sweet Riesling in Germany and coproduces the Eroica Riesling in Washington State with Bob Bertheau, head winemaker of Chateau Ste. Michelle. Mr. Bertheau's winery claims to be the largest single producer of Riesling in the world, and its offerings are accordingly diverse. Mr. Bertheau, who makes 10 different Rieslings, spends a great deal of time trying to persuade drinkers that Riesling is sweet not by definition "but by the winemaker's choice."

Many Rieslings come labeled with ostensibly helpful designations such as "dry" or "off-dry" or "semi-dry"—or, in German, "trocken" or "halbtrocken" (dry or half-dry). But these terms can cause even greater confusion. Is an off-dry Riesling sweeter than semi-dry Riesling, or is it the reverse? And is semi-dry Riesling really a different way of saying semi-sweet? (Yes, it is.)

Riesling producers in Alsace often indicate the relative dryness of their wines by means of a scale that



ranges from 1 to 5 with wines rated "1" as the driest. Not all producers, however, choose to rate wines according to this scale on their labels.

The Germans have two official classification systems for quality Rieslings. The VDP was specifically created for dry wines. In this system, the single-vineyard Grosses Gewächs Rieslings (known as GGs) rate as the best-quality wines. The long-established Prädikat system classifies Rieslings in ascending order of ripeness—from Kabinett (fully ripened light wines) to Spätlese (later picked grapes, riper wines) to Auslese (select grapes, even later harvest), and so on. The riper the grape, the higher the sugar and, generally speaking, the sweeter the wine.

In the EU a dry wine must meet a set of criteria regarding the levels of both acidity and residual sugar; there is no such rule in the U.S. The winemaker alone decides

what is considered dry. Some American winemakers adopt a belt-and-suspenders approach: labeling their wines dry on the front label and adding a notation on the back as to where their wine falls on the International Riesling Foundation scale (IRF). This scale, created by an international consortium of Riesling producers, is a different one than the one used by the winemakers of Alsace. It's not a perfect solution, said Mr. Bertheau, "but it's better than nothing."

Oskar Bynke of Hermann J. Wiemer Vineyard in the Finger Lakes region of New York uses no such scale on his bottles. He thinks wine drinkers take it too literally. "They only wanted to drink wines on a certain end of the scale without even tasting the wines," he said. Mr. Bynke is more interested in making a well balanced Riesling with a "perception" of dryness than one that is totally dry.

Many Riesling labels offer no information at all regarding relative sweetness or dryness. A tip: Check the alcohol level. If it's below 11% there's a good chance the wine will taste somewhat sweet.

The good news: There are more excellent dry Rieslings on the market now than ever before. According to Terry Theise, a Boston-based importer of German and Austrian Riesling, he's selling more dry Riesling. Evan Spingarn, German portfolio manager of New York-based wine importer David Bowler Wine, estimated his sales of dry German Riesling rose 75% between 2013 and 2016.

Almost all the friends with whom I recently tasted 20 or so Rieslings came to the tasting thinking Rieslings were strictly sweet. I bought bottles from Australia, Austria, Alsace and Germany, as well as a few from Washington State and New York. The

MARCUS MARRITT; F. MARTIN RAMIN/THE WALL STREET JOURNAL

cheapest was the 2015 Chateau Ste. Michelle Dry Riesling (\$9), a simple but attractive wine, and the most expensive was the 2014 Weiser-Künstler Steffensberg Riesling (\$34), an impressively full-bodied, very dry wine—though most were in the \$18-\$25 range. They ranged from bone dry to the fruity side of dry, though all were denoted as dry in some fashion.

A few of the wines were both very dry and very high in acidity—almost shrill—proving the point many winemakers have made, that

While those bad old days are long gone, the sweet stereotype lives on.

a bit of sugar is often needed to balance out the high-acid Riesling grape. Some of the fruitier favorites included the 2014 Bott-Geyl Riesling "Les Éléments" (\$19), a big, rich Riesling from Alsace, as well as the 2016 Hermann J. Wiemer Dry Riesling (\$18) and the soft, full-bodied 2016 Boundary Breaks 239 Riesling (\$17), both from New York's Finger Lakes.

The dry-wine diehards among the tasters were particularly keen on the two wines from Kamptal, Austria: the citrusy 2015 Hiedler Urgestein (\$26) and the delicious 2015 Schloss Gobelsburg, which was deemed a terrific buy at \$15. (2015 was an outstanding vintage in Germany.) The sprightly 2015 Clemens Busch Vom Roten Schiefer Riesling Trocken (\$29) from the Mosel region of Germany was a big hit thanks to a penetratingly mineral finish and the 2015 Jochen Beurer Riesling Kieselsandstein (\$28) from the little-known Baden-Württemberg region in Germany also stood out as a favorite among the very dry Rieslings.

The world of dry Riesling is large and often confusing. But enormous enjoyment, even excitement, awaits those willing to risk buying a few bottles and pulling some corks.

► Email Lettie at wine@wsj.com

OENOFOLIE // THE DRY SIDE OF RIESLING



2014 Bott-Geyl Les Éléments Riesling Alsace France (\$19)

Alsace Rieslings tend to be bigger and richer than their German counterparts. Case in point: this lush wine with beguiling floral aromas from a top producer and vintage.



2015 Clemens Busch Vom Roten Schiefer Riesling Trocken Mosel-Saar-Ruwer (\$29)

From Clemens Busch, an acknowledged master of dry German Riesling, this is a thrillingly mineral, very dry wine with a bracing, almost electric acidity.



2015 Schloss Gobelsburg Riesling Kamptal Austria (\$15)

Schloss Gobelsburg produces a wide range of well-made wines. This one is a well-priced introduction to Austrian Riesling—crisp and dry with a pleasant citrus note.



2015 Jochen Beurer Riesling Kieselsandstein (\$28)

Produced in the little-known Baden-Württemberg region from 35-year-old Riesling vines, this full-bodied wine is a bit fruity, with aromas of peach and a long mineral finish.



2016 Boundary Breaks Dry Riesling 239 Finger Lakes New York (\$17)

Boundary Breaks owner Bruce Murray aims to produce Rieslings to match those from Alsace and Germany. This is a lovely, well-balanced wine on the fruitier side of dry.

SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

Sea Bass With Summer Squash and Fennel



The Chef
Steven Satterfield

His Restaurant
Miller Union in Atlanta, Ga.

What He's Known For
A deep affinity for vegetable cookery, from root to stem. Inventive dishes that seem timeless

MILD, SUCCULENT and gently sweet when cooked, summer squash is too often overlooked at this time of year, when other, bolder, brighter vegetables are also coming into season. But it makes a great base on which to layer other ingredients and flavors.

"In the South, we cook it with onions and butter," said Atlanta chef Steven Satterfield. In this simple recipe, he adds fennel and a handful of herbs to a sauté of squash, onions and butter, and then lays pan-seared sea-bass fillets on top.

Mr. Satterfield begins by working

herbs, shallots, lemon zest and juice, and garlic into the butter, which lends flavor to both the vegetables and the fish. The fennel brings a decidedly Provençal anise accent to the dish. Low, slow stewing concentrates the squash's delicate flavor. A splash of white wine and a final pat of herb butter make a simple, scrumptious sauce.

A little bit south-of-France, a little bit south-of-the-Mason-Dixon, this fresh and flavorful dish will change the mind of anyone who's underestimated the low-key appeal of summer squash. —Kitty Greenwald

TOTAL TIME: 35 minutes SERVES: 4

1 bulb fennel, stalk and fronds attached
½ stick unsalted butter
1 tablespoon minced dill
1 tablespoon minced chives
1 tablespoon sliced tarragon

½ clove garlic, minced
½ shallot, minced
Zest and juice of 1 lemon
Kosher salt and freshly ground black pepper
1 yellow onion, minced

2 pounds summer squash, cut into ½-inch dice
2 tablespoons olive oil
4 six-ounce sea bass fillets
2 tablespoons dry white wine

1. Separate fennel bulb from stalks. Quarter bulb and remove tough outer layers. Dice bulb. Thinly slice stalks into rounds. Mince fronds.

2. In a medium bowl, stir together butter, dill, fennel fronds, chives, tarragon, garlic, shallots, and lemon juice and zest. Season with salt and pepper. Set a lidded large sauté pan over medium-high heat and stir in 1½ tablespoons butter mixture. Add fennel bulb and stalks and onions. Sauté until onions turn translucent, 3 minutes. Stir in squash and 1 tablespoon butter mixture. Reduce heat to medium-low and cover pan with lid. Sauté squash, stirring occasionally, until tender and sweet, 15 minutes. Stir in 1 tablespoon

butter mixture and season with salt. Remove squash from heat and cover to keep warm.

3. Set a second large skillet over medium heat. Swirl in oil and season fish with salt and pepper on both sides. Once pan is very hot, carefully lay in fillets. (If necessary, cook in batches to avoid crowding.) Cook fish until golden brown on underside, about 3 minutes. Carefully flip fish and pour in wine to deglaze pan. Add remaining herb-butter mixture and cook until butter melts and fish flakes when pressed, 1-2 minutes more.

4. To serve, divide squash among 4 plates and lay fillets on top. Garnish with additional herbs, if you like.



FRONDS FOREVER This recipe makes use of every part of the fennel—not just the bulb—to build multiple layers of flavor and fragrance.

OFF DUTY



The Eastern Parade

Designers from Ukraine, Poland and Russia are a stylish woman's secret weapon. Six key names to know

BY HAYLEY PHELAN

OVER THE PAST few years, Eastern European talents like Demna Gvasalia, the rabble-rousing co-founder of Vetements who became artistic director of Balenciaga, and menswear designer Gosha Rubchinskiy, who has staged his recent shows way off-piste in Kaliningrad and St. Petersburg, have pushed the frontiers of luxury fashion.

It's ironic that those who grew up behind the Iron Curtain, cut off from western fashion, are now the people redefining it. Then again, the fashion industry loves an outsider—and creativity is often born out of constraint. Under Soviet rule, uniforms were obligatory and western clothes a rarity. "There was no space left for individuality," said Russian fashion and tech entrepreneur Miroslava Duma.

But now the region is undergoing a bona fide designer boom. Messrs. Gvasalia and Rubchinskiy have paved the way for under-the-radar labels like Petar Petrov and Yuliya Magdych, names you may have come across on Instagram or e-commerce sites like Matches Fashion and Moda Operandi.

These labels are catnip for retailers—and shoppers—seeking something they haven't seen before. "I'm constantly looking for emerging designers," said Caroline Maguire, fashion director at e-commerce site Shopbop, which stocks Russian designer Vika Gazinskaya, Polish designer Magda Butrym and Ukraine-based Anna October. Ms. Maguire said she's discovered these brands via word-of-mouth, Instagram and paying attention to influencers.

Aesthetically, these designers are diverse. Some mine their heritage and employ traditional craft, while others take their cues from the streets with edgy silhouettes and logos. The one thing they share? "They set their own rules," said Shopbop's Ms. Maguire. Many also make wearable clothes with the sort of smart twists that can quickly wake up your wardrobe. Here, a guide to the best Eastern European designers to consider now.

F. MARTIN RAMIREZ/THE WALL STREET JOURNAL STYLING BY GABRIEL RIVERA (CLOTHING)



Magda Butrym

Based in Warsaw, Magda Butrym merges the street-wise feel of Vetements with a feminine sensibility. Look to her for dresses with on-trend silhouettes—asymmetric hemlines, cut-outs—that won't make you feel like a fashion victim. She tempers the edge with floral motifs. "Her feminine prints really resonate with our customers," said Shopbop's Ms. Maguire. Ms. Butrym said she wants to imbue her clothes with "soul" and taps the talents of Polish artisans to do so.

Dress, \$1,997,
magdabutrym.com



Anna October

The Ukrainian designer makes sweet dresses using methods rooted in her region's cultural history. Her spring collection was detailed delicately with ricrac while her line for fall, pictured here, focuses more on prints and nattily cool tailoring.

Jacket, \$707,
Sweater, \$551, and
Trousers, \$431,
annaoctober.com



Yuliya Magdych

History and tradition are the driving force for Ukraine designer Yuliya Magdych. Her colorful and feminine dresses and coats use embroidery techniques that have been passed down for generations. The result: beautiful bohemian dresses with an Instagram-friendly aesthetic (think: bold hues and plenty of volume).

Robe, \$2,175,
yuliamagdych.com



Petar Petrov

Born in the Ukraine, raised in Bulgaria and now based in Vienna, Petar Petrov designs an eponymous women's wear line steeped in the distinctive modernism of his adopted home. His attention to immaculate tailoring and focus on high-quality fabrics have made him a hit with the luxury set.

Petar Petrov Dress, \$1,590, and
Jacket, \$1,790, net-a-porter.com

Vilshenko

The work of Russian talent Olga Vilshenko, available on Net-a-Porter and Matches Fashion, is known for its fairy-tale quality. Fans of dreamy, bohemian brands like Valentino and Chloé will find a kindred sartorial spirit here.

Vilshenko Jacket,
\$970, *Capitol*,
704-366-0388;
Trousers, \$1,080,
matchesfashion.com



Litkovskaya

Don't expect to find cheery, folksy embroideries in the collection of Kiev-based Lilia Litkovskaya. Her forte is a refined take on contemporary dressing that will attract professional women in need of non-generic office-wear. Think of it as a cross between Dries Van Noten and Céline.



Litkovskaya Skirt,
\$900, *H. Lorenzo*,
310-659-1432

FRESH PICK FÊTE ACCOMPLI A GOOD-LOOKS GUIDE TO RECENT EVENTS

Dior Opens Its Archive Doors

OLD FRIENDS OFTEN catch up at parties. However, at a Paris cocktail bash last week celebrating the opening of Dior's new retrospective at the Musée des Arts Décoratifs, actress Jennifer Lawrence reunited with the ballet-pink gown she wore to the 2013 Academy Awards, one of the dresses on display. (Though she famously tripped on the garment en route to accepting her Oscar, she seemed to bear it no ill will.)

The exhibition, called "Christian Dior: Designer of Dreams," triggered many such memories. How could it not, with more than 300 haute couture gowns—the work of seven designers over the course of 70 years—on view?

"There are many moments that are very inspiring," said Maria Grazia Chiuri, of the exhibit. Ms. Chiuri, Dior's current artistic director, had showed her couture collection earlier that day. But it was those pieces designed by Mr. Dior himself, whom she credited with establishing the company's powerful

DNA, that she found most influential, even if his tenure lasted only a decade, from 1947 to 1957.

Guests like Natalie Portman and Robert Pattinson toured the exhibition, open until January 7, 2018, with a group that included LVMH CEO Bernard Arnault.

Other attendees stopped in more briefly, such as actress Elizabeth Olsen, on her way to a dinner hosted by her sisters, Mary-Kate and Ashley, for their label the Row. Dressed casually in a T-shirt and printed pants, Ms. Olsen had changed from the Dior raffia tunic and trousers she wore to the brand's runway show. "I've never worn a straw suit," she said. "I loved it."

Many of the women invitees wore Dior looks designed by Ms. Chiuri. "I love how she combines the masculine and the feminine," said actress Gemma Arterton, in a black dress that juxtaposed a prim white collar with more mischievous sheer sleeves—the kind of dress you'd be happy to run into a few years later. —Ann Bimont



TOWN AND GOWN A few of the more than 300 haute couture dresses in Dior's Paris retrospective.



FRESH PICK



ONE HEARTY KNIT

WHEN DESIGNER Raf Simons relocated from Antwerp to Manhattan last year, the "I Heart NY" logo resonated with him immediately. "It's not just about how it looks graphically, it's about what it says," said Mr. Simons, now Calvin Klein's creative director, of Milton Glaser's classic graphic. And so as a love letter to his new home, Mr. Simons created sweaters for his fall 2017 men's collection that riff on the familiar logo—showing it spliced, as if seen from a taxi window.

The drop-shouldered knits, made in partnership with Woolmark, the Australian company that promotes merino wool, are drapier and softer than Mr. Simons's previous slightly itchy, stiffer shetland designs. And of course, they make for a far more stylish souvenir than a coffee mug. Raf Simons Sweater, \$487, *Dover Street Market*, 646-837-7750

—Jacob Gallagher

F. MARTIN RAMIREZ/THE WALL STREET JOURNAL (SWEATER); GETTY IMAGES (DIOR GUESTS); ADRIEN DIBARD (EXHIBITION)

OFF DUTY

MY FAVORITE ROOM

A Man Cave Writ Romantic

Interior designer Frank de Biasi finds inspiration in the cobbled-together refuge of exiled French author Victor Hugo

BY TIM GAVAN

MOST OF US have to give up tree houses, pillow forts and "keep out" signs once we exit puberty. Our homes get outfitted for entertaining, cooking, paying bills—the tasks that come with adulthood. "Keep out" evolves into the self-directed command to "keep up," infinitely more complicated. Few of us get the opportunity to go back.

A notable exception: Victor Hugo. In 1851, the poet and author of "The Hunchback of Notre-Dame" was forced to flee France

The so-called red room has the magpie spirit of a childhood sanctuary.

for opposing the burgeoning authoritarianism of Napoleon III. Finding asylum on the small English Channel island of Guernsey in 1855, Hugo transformed an abandoned seaside villa known as Hauteville House—boxy, white, and unremarkable from the outside—into a brooding, baroque, haphazardly lavish refuge for himself. Colored glass bottles in the entry evoked the stained glass of Notre-Dame de Paris, and a converted attic served as a window-walled observatory for writing. He remained here for 15 years—completing his massive, intricate novel, "Les Misérables"—even af-



ALAMY (TOP)

DRAMATIC LICENSE On the English Channel Island of Guernsey, French author Victor Hugo shrouded his study in crimson damask.

ter political circumstances made returning to France possible.

"There's a sense of freedom here," observed New York interior designer Frank de Biasi of the largely intact home, now a museum.

"He's decorating for himself."

The so-called red room, in particular, has the magpie spirit of a childhood sanctuary, though Hugo elevated the chamber to a sophisticated study. He arranged the space

like a stage to make meaningful trinkets and secondhand furniture appear curated rather than hoarded; upholstered every wall (and the ceiling) in textured damask to achieve a hushed privacy; and

simplified matters with a limited palette of ruby, sapphire and gold. Here, Mr. de Biasi shows how to create an expressive but adult sanctum of your own—more epic hideaway than comic-book lair.



Animate Negative Space

A gaping, black fireplace can pull focus, especially when it's adjacent to gaze-grabbing characters like Hugo's humanoid torchieres. The lovely but unobtrusive scenery of his Louis XIV screen covered the distracting darkness during the day and softened firelight at night. Pay homage with this Chippendale Period Mahogany and Wool Fireplace Screen, circa 1770, \$2,500, windsorhouseantiques.co.uk

Play Up Voluptuous Forms

Hugo's decision to upholster the Louis XV duchesse brisée in the same fabric as the walls lets the eye focus on its sumptuous frame, said Mr. de Biasi. "You can imagine a woman in a gorgeous silk dress lounging on this, reading," he said of the piece, one that seems rarefied today but would have been relatively inexpensive at the local antique store in Hugo's time. Invest more heavily in your own: Louis XVI Duchesse Brisée, \$11,500, embreeandlake.com



Weave a Story

Hugo, whom friends suspected exaggerated his possessions' provenance, claimed the room's beaded tapestries hailed from the apartment of Queen Christina of Sweden at the Chateau de Fontainebleau. Mr. de Biasi believes they're Italian. In any case, they add shimmer to this grown-up's hideout, as would this Beaded Altar Frontal from Melissa Levinson Antiques. \$16,000. 1stdibs.com



Deck the Walls

"Covering the walls in fabric, like the silk damask in Hugo's study, provides texture and sound attenuation," explained Mr. de Biasi, who upholsters walls in nearly all of his projects and likens the result to being inside a cocoon. The damask's richness also ennobles Hugo's less-precious finds, elevating the room from junk shop to gallery. An approximation: Pierre Frey Mona Lisa Brocatelle, price upon request, D&D Building, 212-421-0534

Hit the Highs and Lows

"I always tell my clients to furnish rooms with a mix of short, medium, and tall," Mr. de Biasi said. Carved crimson pedestals of various heights (probably repurposed from discarded furniture Hugo found around the island and brought home, as was his habit) help fill the room vertically rather than horizontally, making it appear more grand, less cluttered. This weathered lacquer cabinet (left) has a similarly timeworn look with plenty of potential for displaying objects. Qing Dynasty Petite Lacquer Cabinet, circa 1850, \$1,880, pagodared.com



BIO IN BRIEF // FRANK DE BIASI

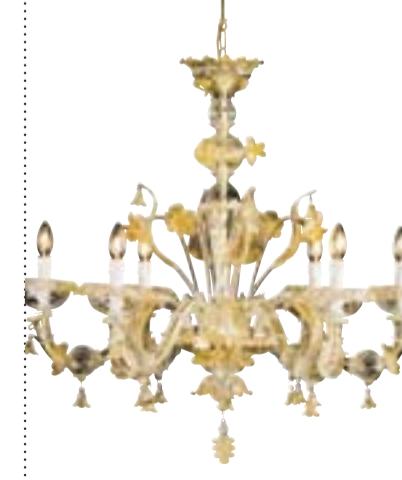
His Résumé Six years at Christie's in the estates and appraisals department honed Mr. de Biasi's knowledge of art and design history. A member of the Sir John Soane Museum Foundation and the Institute for Classical Architecture and Art, he acted as director of interiors for architect and designer Peter Marino for 12 years before starting his own design firm in 2006.



His Clients Mr. de Biasi prefers his clients brave. He recently completed a modern waterfront house in Miami filled with a boggling collection of contemporary art along with bejeweled bed frames, golden-alligator-backed chairs and a staircase that includes 37 gradations of marble. He is currently building a house in Tangier for himself and his partner, fashion designer

Gene Meyer, that he said will be "fun and fearless and full of color."

His Style A frequent, often-long-distance traveler, Mr. de Biasi is familiar with the global design market. His style ranges from the traditional to the contemporary—with an experimental edge—and his projects tend to be layered and rich, opulent but not off-puttingly so.



Lay It On Thick

"For me, whether it's parquet or carpet, the floor is just the floor and then your personality goes on top," said Mr. de Biasi of the evocative arabesques on Hugo's Mamluk rug, which the writer layered over wall-to-wall cherry carpeting. A colorful print also has the benefit of adding a whole lot of character without taking up physical space, the way furniture and objects would. For visual interest without crowding, try this Mamluk Rug, 6 feet by about 9 feet, \$3,995, nomadrugs.com

Humble Brag

"I'm not entirely sure what this is," admitted Mr. de Biasi of the bell-like object near Hugo's fireplace. "It's in the shape of a Buddhist stupa, but it's pierced like a brûleur à encens for emanating incense." It might be one of many references to Hugo's life and work throughout Hauteville House, perhaps a nod to his famous hunchbacked bell-ringer. Though we searched strenuously for a comparable piece, this is the closest we came: Bronze Burmese Guardian Lion Bell, circa 1800, from FEA Home, \$4,500, 1stdibs.com



OFF DUTY

ALIEN ENCOUNTER The 2018 McLaren 720S's hollow headlamp assemblies gather air to cool the car's auxiliary systems. Enter and exit via the swan-wing doors.



MCLAREN

RUMBLE SEAT DAN NEIL



McLaren 720S: Blazingly, Pragmatically Fast

FITTINGLY, the new McLaren 720S super-sports car looks like the tip of the thing cardiologists use to unplug arteries: frictionless, streamlined, soft-shouldered and organic, needling its way into your heart.

Come to think of it, my time in a midnight-blue 720S—a 24-hour, 500-mile rally from Heathrow to the Welsh seaside village of Fairbourne and back again—was some of the most intense driving of my career, EKG-wise. Nothing focuses the mind like aiming a \$35-million borrowed car down what is essentially half a road, hemmed in stone walls, the ivy snapping fiendishly at the mirrors, in a proper Welsh downpour. Oh, man, does it know how to rain there. The sheep are like, *What? Again?*

Replacing the 650S in McLaren's Super Series lineup, the 720S marks a turning point for the luxury sports-car manufacturer, based in Woking, Surrey, England. The company's first design director, Frank Stephenson, left the company this spring, replaced by his chief designer, Rob Melville, who is credited with the 720S.

This changing of the guard is signaled by the 720S's remarkable reimaging of house aesthetics. Compared to the smooth, cool presentation of past cars, the 720S's design surfaces are organic, even biomimetic, a tensed moment of muscle, tendon and ligament. It's pretty fabulous.

In the front office, chief executive and F1 mega-boss Ron Dennis, CBE, has recently retired, selling

his stake in both McLaren road-car and racing operations to his Bahraini financial partners. The 720S is the first of 15 new models coming in the next five years, part of the \$1.4 billion "Track22" investment plan.

This entire portfolio—including rumored, all-electric beasts—will rely on the latest version of McLaren's carbon-fiber main structure, called Monocage II, which debuts on the 720S. This car is very much a preview of coming attractions.

Crazy-light and stiffer than steel, the Monocage II structure is the primary enabler of the car's edge-of-space dynamics. With a dry weight of just 2,829 pounds against the 710-hp V8 amidships, the McLaren has the lowest weight-to-power ratio (3.98 pounds per horsepower) in its class, which includes heavy-hitting flyweights like the Ferrari 488 GTB, Lamborghini Huracán and Ford GT.

Weather cooperating, the 720S is as quick as the quickest, ever: 0-to-60 mph in 2.8 seconds; 0-to-124 mph in a thoroughly berserk 9.8 seconds. Should you jam on the brakes at that speed—stupid sheep!—the car will cease movement in a mere 400 feet.

Under the tapering transparency of the rear deck, bathed in its own red accent lighting like a brothel, is a twin-turbo, dry-sump, 90-degree V8, displacing 4.0 liters and generating a properly indecent 710 hp at 7,250 rpm, backed up by a seven-speed dual-clutch transaxle. This edition of the all-aluminum V8 is equipped with electrically spooling twin-scroll turbochargers, designed to zero out any latency in throttle response. Honey, if the 720S has a latency issue, it isn't with the throttle.

Heading up a relatively dry M4 dual carriageway from London, I threw all of the car's dynamics switches—powertrain, active aero

and chassis—into Track mode. The car's curvaceous, full-width rear wing stood up on its hydraulic struts. I downshifted into 2nd and gave the milled-aluminum accelerator pedal a good kick. Blimey. The next moment, the Pirelli 305/30 rear tires spun madly, convulsed with horsepower, and the rear-end jumped a foot to the left. Whoa! There apparently is such a thing as too much leg in Track mode.

I was a couple tenths of a second late on the upshift, leaving the V8 hung up on the rev limiter, howling like an NFL lineman getting his area waxed. The 3rd gear upshift crumpled like artillery.

The 720S's design surfaces are organic, even biomimetic, a tensed moment of muscle, tendon and ligament.

I would have preferred a bone-dry racetrack in Portugal, followed by a dinner of salt-baked sardines, but that wasn't to be. Still, this drive allowed me to consider the 720S's other charms, mostly the robust traction and stability control. This was an especial gift since the Pirelli P Zero Corsa summer tires that work so admirably in sunny Lisbon were cold, hard and hydroplaning luridly in Wales.

Given its capacity for summary violence, the 720S is surreally tractable at low speeds, happy to burble around town in 1st and 2nd gear, the powertrain mode-selector on Comfort, its silencers on maximum. You can lift the nose hydraulically if you need to clear a sleeping policeman. To go with the raked windshield and low scuttle, there are great big windshield wipers that go like hell.

McLaren's hydraulics-based active suspension—which, in ex-

tremis around a racetrack, can hold a car almost dead level in +1 g cornering—also serves up a pretty plummy ride on the roads of Penrhyneddraeth. Of course, the tires are loud and prophylactic-thin, so the ride can be only so smooth.

The livability quotient surprised me, starting with the car's outward visibility. The airy, teardrop-shaped canopy, nearly all transparent, is supported by elegantly thin roof pillars, possible only because they are part of the Monocage II superstructure.

I regard the 720S as a landmark automobile in the field of what you may call functional aesthetics. It's such a fluid and ferocious shape—sculpture, really—so seemingly untroubled by technical demands of extreme speed. The 720S defies you to understand how it cools, breathes or stays on the ground. It seems built to fly in a different wind.

Note that there are no obvious air ducts in the upper bodywork. The computer-modeled skin features sinuous grooves around the canopy where air gets inhaled through ducts concealed in the bodywork. It also gathers air in its headlight assemblies.

I arrived in Fairbourne, at the mouth of the River Mawddach, feeling triumphant and eager to mingle with the locals. At the corner store I playfully ventured the only Welsh I know: *Mae fy hofreniad yn llawn llysnewnod*, which means "My hovercraft is full of eels." You know, from the old Monty Python skit? Nothing.

Unbeknownst to me, the British government had recently declared that the village of Fairbourne would be "decommissioned" due to rising sea levels caused by climate change.

Out there on the Marches, they don't see too many UFOs so you can imagine the impression this car makes. Bloody 'ell, says everyone.



2018 McLAREN 720S

Type Two-seat, mid-engine coupe, carbon-fiber structure and body
Base price \$287,745
Price, as tested \$354,115
Powertrain Twin-turbocharged, dry-sump 4.0-liter DOHC 90-degree V8, with electrically actuated twin-scroll turbochargers; seven-speed dual-clutch transaxle; rear-wheel drive with open differential and brake-based torque vectoring.

Horsepower/torque 710 hp at 7,250 rpm/568 lb-ft at 6,500 rpm
Length/width/height 178.9/76.0 inches/47.1 inches
Weight 2,829 pounds (dry)
Wheelbase 105.1 inches
Suspension double-wishbone type, adaptive dampers, proactive chassis control
EPA fuel economy 15/22/18 mpg, city/highway/combined
Luggage space 13 cubic feet

THE FIXER MICHAEL HSU



A Stress-Free Way to Backup Smartphone Pics

Q My iPhone is constantly telling me that I'm out of storage, mainly because all my photos and videos take up room. What's the easiest way to back them up so I can safely delete them from my phone?

A The best backup system is one you don't have to think about, which is why I use apps that automatically upload my media to the cloud. After you set these up, photos and videos appear in the cloud without your having to do a thing.

If you're an iPhone owner and don't mind paying a monthly fee, Apple's iPhoto app coupled with an iCloud subscription is handy. The service automatically puts every photo in the cloud and manages space on your device in the background, no deleting necessary. Plans start at \$1 per month for 50 GB; a 2 TB plan costs \$10 per month. To enable this, go to the "Photos & Camera" setting, toggle on "iCloud Photo Library" and make sure "Optimize Phone Storage" is checked.

Google Photos, available for iOS and Android, lets you store an unlimited number of photos and videos for free, but photos need to be under 16 megapixels, and video resolution is limited to 1080p (which shouldn't be a problem for smartphone users). To delete photos from your phone that have been safely backed up, tap the

menu and select "Free up space." Flickr, meanwhile, offers a free plan with 1 TB of storage, and places no restrictions on resolution.

To set up these last two apps, open their settings, then select "Back up & sync" in Google Photos or "Auto-Upload" in Flickr and toggle it on. Once you do, the apps will upload files whenever your phone is connected to Wi-Fi.

At some point, you'll probably want to download your backed-up photos to a hard drive. For iCloud, open the Photos app on a computer, choose "Photos" then "Preferences." Then click "Download Originals to this Mac." For Flickr, log in to the site from a desktop browser, select "Albums" under the "You" menu, hover over the album called "Auto Upload," then click the "Download" icon. Google Photos allows you to batch download, too, but the process isn't quite as easy because you can only grab 500 items at a time. Using your computer, log in to photos.google.com, select the most recent photo you want to download, hold the Shift key, then select the oldest photo you want to download. Then press Shift + D to acquire the lot as a zip file.

Have a lifestyle problem that a gadget might solve? Email us: thefixer@wsj.com



KIERSTEN ESENPREIS

MANSION

'O sacred solitude! divine retreat!
Choice of the prudent! envy of
the great...' —Edward Young

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THE WALL STREET JOURNAL.

Friday - Sunday, July 14 - 16, 2017 | W9



Bloody Point

KELLI BOYD FOR THE WALL STREET JOURNAL (3)

STAGNANT PRICES Rich and Gayle Silver built a \$3.4 million, shingle-style home on the ocean in 2005. But when they listed it, fully furnished, for \$3.99 million last year, it didn't sell.



Melrose

FINANCIAL WOES Only about 17 families live full time in Melrose, a decaying former luxury resort owned by a Utah-based developer that filed for chapter 11 bankruptcy protection in March.



Haig Point

ON THE REBOUND Rick Wagoner, former chairman and CEO of General Motors, owns a home here, where members pay a \$20,000 initiation fee and an annual fee of \$23,000 for golf and tennis.

An Idyllic Island's Stormy History

Daufuskie offers golf, nature and history without the crowds of other Southern getaways. But some resorts have struggled financially, worrying potential home buyers.

BY NANCY KEATES

THERE'S NO GROCERY STORE, hospital or police station on Daufuskie, a small island off the coast of South Carolina where the total full-time population is about 400. People wave to each other as they zip around on golf carts, some on their way to get free eggs at the community farm. Eagles fly overhead, and dolphins arch from the water as if on cue. The social epicenter

is a honky-tonk bar and restaurant called Marshside Mama's, where residents come to drink and dance.

On the edges of this near-wilderness are three luxury golf communities—one prospering, one deteriorating and one hanging on. Moving from area to area is like entering different planets, populated by homeowners like musician John Mellencamp and former NHL star Mark Messier. The divergent fates of these communities reflect the ups and downs of the market for high-end

golf communities in the South.

At one end of the spectrum is a gated, member-owned community called Haig Point, home to wealthy retired business executives and professionals. Its meticulously manicured grounds set it apart from other developments and neighborhoods on the island.

"When you go out our back gate, you enter a different world," says John Tietjen, a 75-year-old former executive at Colgate-Palmolive who

Please turn to page W14

PICTURE THE AMERICAN DREAM HOME

The most popular photos on three major home and design websites show what consumers love in home design. Trending in 2017: statement lighting in the kitchen, daring wallpaper and fabric prints, and colorful front doors.

BY ALINA DIZIK

FORGET GINGHAM curtains and a white-picket fence. The "dream home" of today has come a long way from postwar tract homes with cookie-cutter features. Most Americans now want homes that express their individual style and are loaded with modern, high-end finishes, such as solid-surface countertops, spa-like bathrooms and chic industrial fixtures.

To understand what "dream home" means to today's homeowners, Mansion asked the editors of three home-centric websites—Houzz, BHG.com and HGTV.com—to identify their most popular images from the first half of 2017. These are the photos with the most online clicks, likes and saves.

Defining a dream home can be "an addictive experience, because people can find so many examples that speak to them personally," says Sheila Schmitz, editor at home-design website Houzz. In many cases, "there's a sense of nostalgia at work," she adds.

Please turn to page W10



BRASSY Houzz readers preferred kitchens with statement lighting and brass hardware.

HOUSE OF THE DAY
wsj.com/houseoftheday



Brooklyn, N.Y.
A lovingly renovated historic townhouse



Easton, Md.
A 19th-century 'jewel-box' cottage



San Francisco
A Presidio Heights home asks \$16 million

MATT VACCA

PETER TAYLOR

OPEN HOMES PHOTOGRAPHY

SARAH ST. AMAND/INTERIOR DESIGN, INC./MIKE CHAREK

OPEN HOMES PHOTOGRAPHY

MANSION

PICTURE THE AMERICAN DREAM HOME



BRANCHING OUT Images that feature daring wallpaper patterns or colorful tiles are popular with Houzz readers.

Continued from page W9

Right now, the most popular photos on Houzz show transitional interiors, those that mix traditional and contemporary design elements, with daring use of prints, metals and other textures. Glamorous kitchens feature statement lighting, master bathrooms are awash in custom stonework and exteriors show farmhouse-style accented with industrial-inspired fixtures.

Houzz users are also drawn to "high contrast" powder rooms and kitchens, says Ms. Schmitz. The most popular images so far this year feature daring wallpaper patterns or colorful tiles to create kitchens or powder rooms with a unique feel for entertaining. "It's a place where the homeowner feels they can make a statement with the design," she says.

Bigger isn't always better when it comes to dream spaces. When

viewing home-renovation projects, consumers often click on photos of small, well-appointed areas that feel somewhat attainable, says Mariel Clark, vice president of home and travel digital for Scripps Networks Interactive, which includes the HGTV network. A clever bunk-bed setup in the shape of a small house inside a child's room was one of the top images this year.

"Our audience does gravitate toward homes and spaces that they can identify with," says Ms. Clark. An image of a bathroom with shiplap on the walls, an oversize plant and free-standing bathtub drew in consumers who are eager to add similar details to their own spaces, she explains.

In a home's private areas—master baths and bedrooms—serene décor is still in demand, says Amy Panos, home editor at Better Homes & Gardens, a Meredith Corp. magazine and website.

Bigger isn't always better when it comes to dream spaces. When viewing home-renovation projects, consumers often click on photos of small, well-appointed areas that feel somewhat attainable, says Mariel Clark of Scripps Networks Interactive.

Lighter bathroom tiles, shiplap walls and minimal bedroom décor can create a Zen-like atmosphere that's a draw for consumers. "Calm is what people want in terms of their bedrooms," Ms. Panos says.

Still, some are eager to wow

guests with dramatic entrances. Photos of oversize planters, fire pits and colorful front doors are the most-clicked images this year, Ms. Panos says, because consumers see renovating outdoor entryways as an easy fix. "People are getting fearless about their front door."

Buyers want a dream home that feels one-of-a-kind and sets the home apart from other homes in a similar price range, says Chad Carroll, an agent with Douglas Elliman in Miami who focuses on homes listed for \$5 million and above.

In the past few years, he has seen homeowners who have invested in a custom-built wood-burning pizza oven off the kitchen, a private spa in the pool house, first-floor wine rooms and a basketball court. When building out kitchens and baths, he sees increased interest for butler's pantries, additional ovens and refrig-

eration, and his-and-hers master baths. "There's an increase in demand for double of everything," Mr. Carroll says.

Browsing pictures "adds a realistic element to your aspirations," says Alyssa Croft, an assistant professor of psychology at the University of Arizona in Tucson who focuses on gender stereotyping and the home.

Psychologically, people building or buying their dream home are eager to have a so-called optimal distinctiveness, which means that the home is different enough to be considered special by outsiders, while allowing the homeowner to fit in socially with their vision, says Prof. Croft. "We like to fit in and make sure that we have these status symbols—but what we really value is individuality," she says.

► For more luxury-home photos and a quiz, go to WSJ.com/RealEstate.



BUNKHOUSE A clever bunk bed setup in the shape of a small house inside a child's room has been one of HGTV's top images this year.

FROM LEFT: CAROLINE BEAUPERE DESIGN/MARK WEINBERG STUDIO; HGTV

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MANSION

BALANCE SHEET

A Place to Retire That's Just Right

A Norway couple aims for a home big enough for lots of guests but cozy enough for two



BY J.S. MARCUS

NORWEGIAN COUPLE Christian Danielssen and Anne Midtlien were facing some hard choices about where and how to live in their approaching retirement.

They had spent more than 30 years in a spacious family home—a 2,100-square-foot, four-bedroom duplex—on the outskirts of the seaside town of Grimstad. They wanted to stay in the area, and they still needed space—for their extended family—but they craved a cozy, cabin-like feel just right for two. They also wanted to enjoy the sense of privacy of a single-family home, but wished for the convenience of apartment living.

In 2011, they found a small lot of just 1/8th of an acre in the center of Grimstad for about 1.8 million Norwegian kroner, or about \$340,000. With that start, the two handed over their seemingly contradictory demands to their son-in-law, Lillesand-based architect Øystein Trondahl, and his Oslo-based partner, Stian Schjelderup. The couple gave the creative team carte blanche.

The architects came up with a solution: a two-story, 1,625-square-foot house that had an open-plan ground floor with a master suite, and an upstairs that had elements of a distinct two-bedroom, one-bathroom apartment. The couple moved into their new home in 2014. Total cost: about \$1.6 million.

The flexibility of the living space is evident from the first step inside, where the ground-floor dining area feels just right for a couple, but can expand to include all 15 members of their three-generation family.

Having the compact core space was important to Ms.



Midtlien, a 65-year-old trained nurse, now working as a civil servant. "We want to be in close contact with each other," she says, of her husband of nearly 45 years.

The architects gave the home a luxurious feel by using unusual versions of ordinary materials.

The roof, for example, is made of weather-resistant, pressure-treated lumber, rendered in a brownish-yellow that turns a gold color in the sun. It has a distinctive bend that gives the house a fanciful silhouette. Inside, the angle directs at-

tention from the upstairs down to the kitchen, the center of activity.

The home's redbrick walls, visible inside and out, have thin layers of white plaster that create a subtle textural surface.

The architects also chose high-end paneling for the interior: furniture-grade Douglas-fir veneer. The strong plywood has a load-bearing function, says Mr. Trondahl. Terrazzo-style polished-concrete floors complement the wood.

High-design features also play with the rustic-industrial, wood-and-concrete feel: wall-mounted lamps from Milan's Flos, hanging lamps from Denmark's Muuto and a sofa by Denmark's Top-Line.

Ms. Midtlien rotates one of the Flos lamps toward the kitchen when she is making bread, which she does often. She went with Scandinavia's own IKEA brand for her kitchen—cost \$10,100—but added a custom wood-burning oven to her patio to bake the loaves, as well as to prepare the occasional homemade pizza.

The oven—with a quaint, cast-iron door imported from Sweden—shares a chimney with an indoor contemporary fireplace located between the dining area and living room. Ms. Midtlien, an avid gardener, uses ashes from the oven for the property's plants.

A certain design element in the kitchen remains a family controversy. Against their son-in-law's wishes, the couple opted for a funky accessory—an oversize cylindrical exhaust fan for the stove, visible from several vantage points in the house.

"It's very big," admits Ms. Midtlien, who now isn't sure she likes it. "I may buy a new one for Christmas."

Grimstad is in Norway's Sørlandet, a stretch of coast in the southeastern part of the country where wealthy Oslo residents spend summers. Mr. Danielssen, also 65, grew up in the region; his wife is from Oslo. The couple found a spot near a conservation area that preserves their view, hindering future development and adding to their home's value.

The lot's chief appeal, says Mr. Danielssen, is "that it was flat," unlike their previous property, which was wedged on a steep incline. The flatness simpli-

fied construction, he says, and helped keep the house itself relatively low.

In Norway, neighbors typically are consulted when new houses are built, chiming in on everything from size to style. In spite of the unusual shape of their roof, the couple found that their neighbors seem fond of their

house, says Mr. Danielssen.

"No one lost any sun, or

lost their view," he says.

The couple, who have fjord views from their upper floor, also own a vacation home near Lillehammer, about a seven-hour drive north of Grimstad.

Though the bedrooms upstairs are reserved for visit-

COSTS

Construction

\$484,000

Heating/ventilation

\$64,500

Landscaping

\$83,000

Baths/plumbing

\$72,800

Electrical work

\$63,600

Concrete floors

\$23,800

Brickwork/oven

\$142,000

Architects fee

\$112,400

Paneling, installation

\$46,100

ing friends and family, the couple, who plan to keep working until 2019, put the upstairs bathroom to use every workday morning.

"We both get up at 5:30,"

says Mr. Danielssen, an engineer, adding: "When we are finally retired, we will fill up our time with baking bread."



NORWEGIAN WOOD Christian Danielssen and Anne Midtlien, left, use the wood-burning oven on their patio to bake bread. Top, the home's facade is a combination of wood and plastered redbrick. Above, the dining area has double-height walls with high-quality plywood paneling and terrazzo-style polished-concrete floors. The table is a family antique. Below, their IKEA kitchen. Bottom, a view of the garden.



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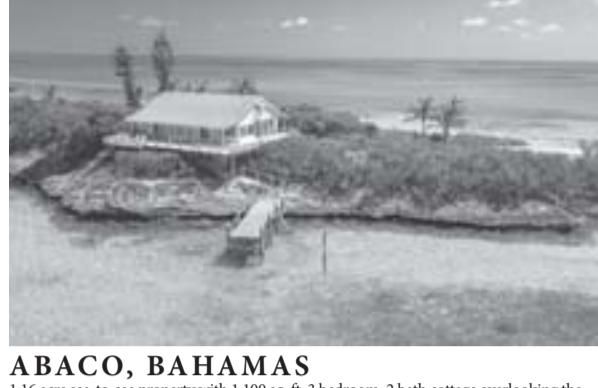
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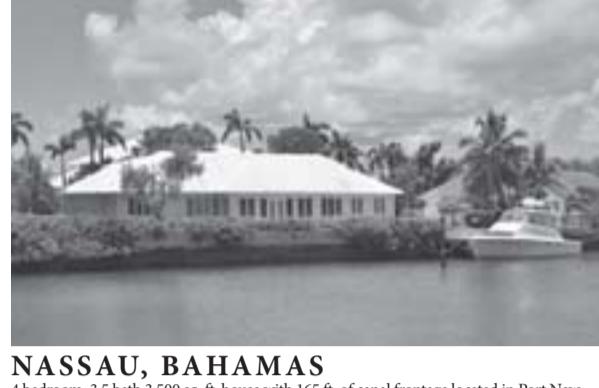
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1.16 acre sea-to-sea property with 1,100 sq. ft. 3 bedroom, 2 bath cottage overlooking the Sea of Abaco. Wraparound porches, unobstructed views, 400 ft. of frontage, deepwater dock with mooring. WEB: T2DPQ2. \$1,200,000 US. Christopher.Albury@SIR.com

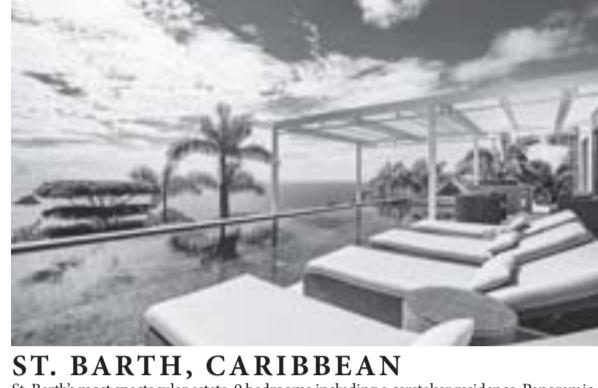
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NASSAU, BAHAMAS

4 bedroom, 3.5 bath 3,500 sq. ft. house with 165 ft. of canal frontage located in Port New Providence. Amenities include a private beach, tennis courts, playground and 24 hour security. WEB: B87NHT. \$1,450,000 US. Craig.Pinder@SIR.com

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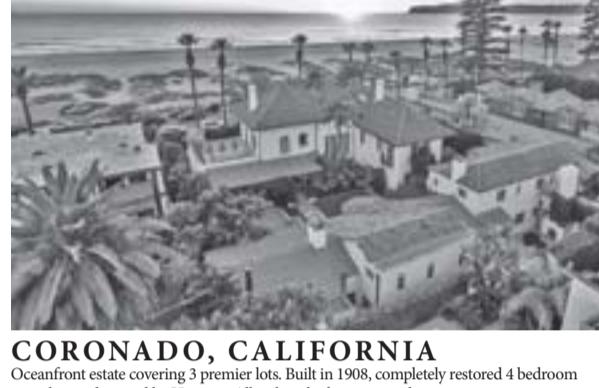
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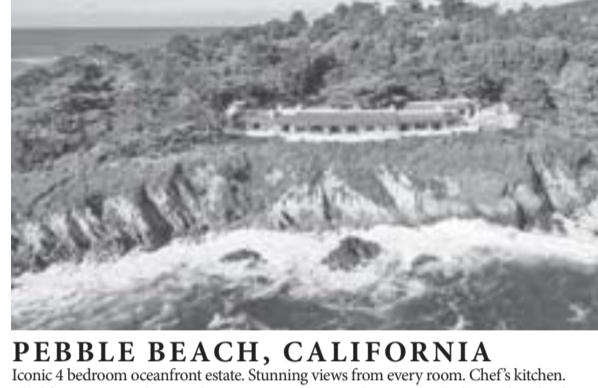
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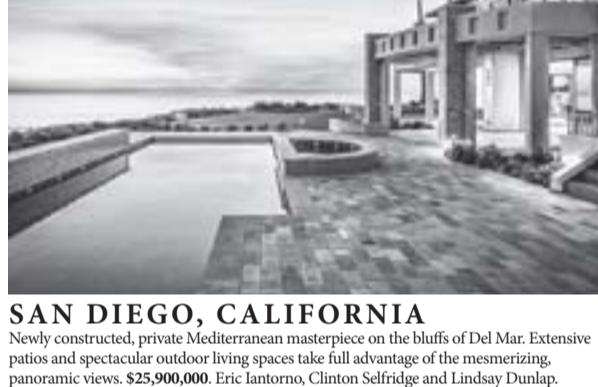
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PEBBLE BEACH, CALIFORNIA

Iconic 4 bedroom oceanfront estate. Stunning views from every room. Chef's kitchen. Ideal for intimate or large scale entertaining. Ocean side terrace includes outdoor kitchen and infinity pool. Guest house. 17MileEstate.com. \$41,888,000. Michael Dreyfus.

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Newly constructed, private Mediterranean masterpiece on the bluffs of Del Mar. Extensive patios and spectacular outdoor living spaces take full advantage of the mesmerizing, panoramic views. \$25,900,000. Eric Lantorno, Clinton Selfridge and Lindsay Dunlap.

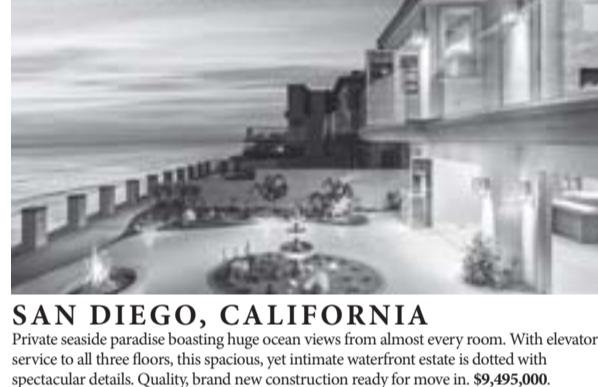
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SAN DIEGO, CALIFORNIA

One of a kind, three building compound overlooking the San Diego harbor offering one of the best views of the city's skyline. Enjoy a charming, resort like feel with elegant finishes and modern conveniences throughout. \$13,900,000. Clinton Selfridge and Eric Lantorno.

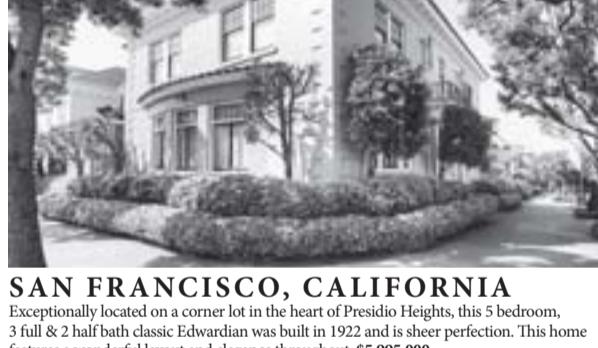
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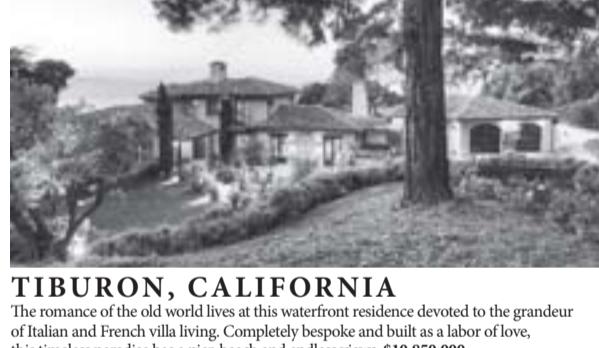
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Exceptionally located on a corner lot in the heart of Presidio Heights, this 5 bedroom, 3 full & 2 half bath classic Edwardian was built in 1922 and is sheer perfection. This home features a wonderful layout and elegance throughout. \$5,995,000. Chelsea E. Ialeggio. Chelsea@sir.com

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The romance of the old world lives at this waterfront residence devoted to the grandeur of Italian and French villa living. Completely bespoke and built as a labor of love, this timeless paradise has a pier, beach and endless views. \$10,850,000. Bill Bullock and Lydia Sarkissian. b.bullock@ggsir.com

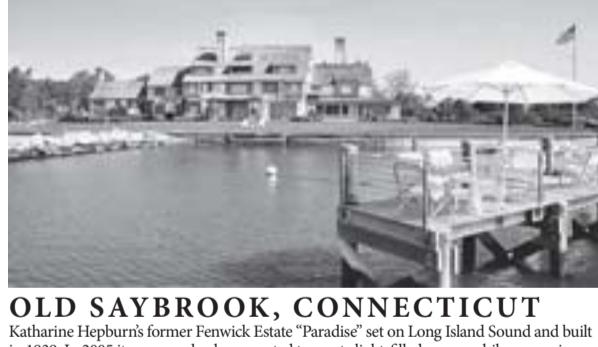
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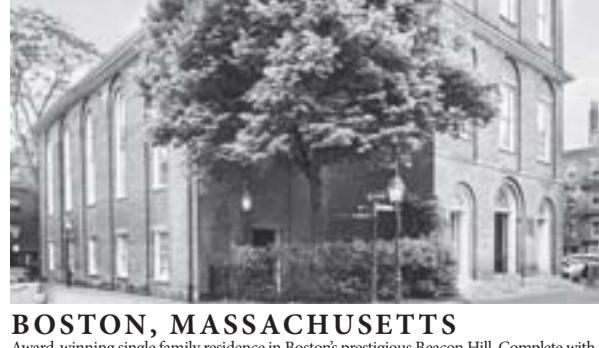
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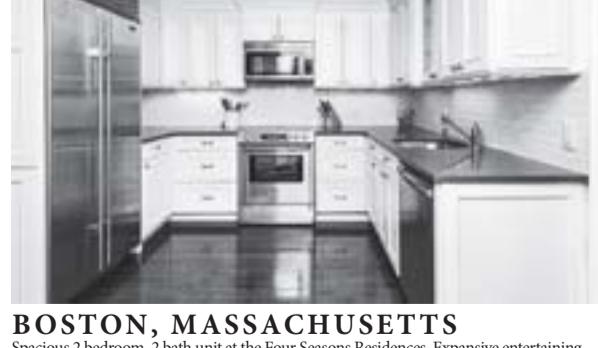
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Award-winning single family residence in Boston's prestigious Beacon Hill. Complete with an elevator, an au pair suite and a charming front garden entrance. Breathtaking views of Boston and the Charles River. \$3,750,000. Michael L. Carucci, Jamie N. Imperato.

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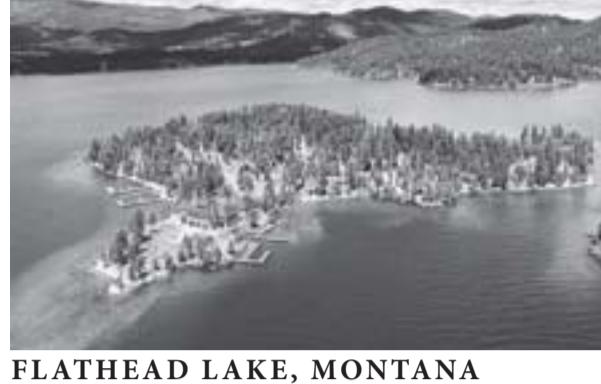
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Organic luxury living in this new farm house Colonial, the latest project by Healthy Home Builders! Stunning architecture. Meticulous craftsmanship, all non-toxic building materials. Walk to all. \$4,688,000. Dawn Krief.

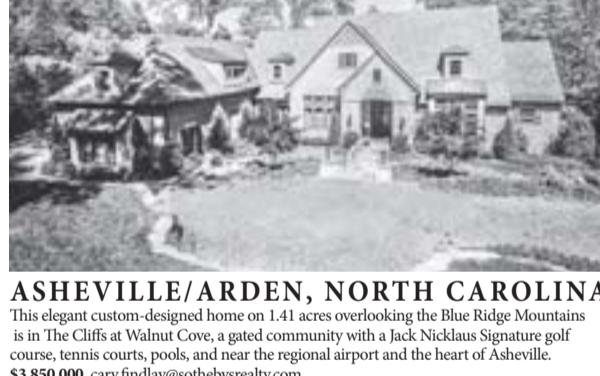
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This 10,859 sq. ft. Colonial estate home, is perfect for entertaining with outdoor kitchen, multiple patios and separate guest cottage. Enjoy a relaxed modern lifestyle that combines everyday luxury with sophisticated elegance. \$4,500,000. Dawn Krief and Mary Katchis.

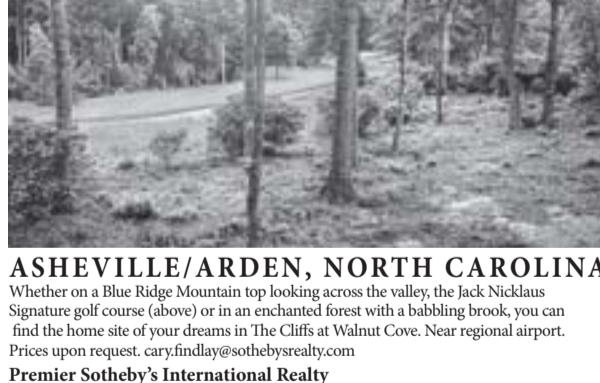
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ASHEVILLE/ARDEN, NORTH CAROLINA

This elegant custom-designed home on 1.41 acres overlooking the Blue Ridge Mountains is in The Cliffs at Walnut Cove, a gated community with a Jack Nicklaus Signature golf course, tennis courts, pools, and near the regional airport and the heart of Asheville. \$3,850,000. cary.findlay@sothebysrealty.com

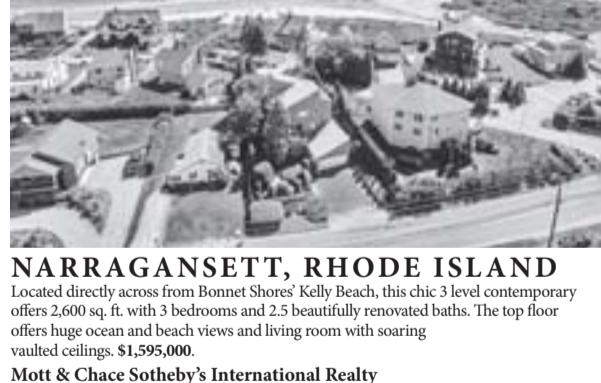
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ASHEVILLE/ARDEN, NORTH CAROLINA

Whether on a Blue Ridge Mountain top looking across the valley, the Jack Nicklaus Signature golf course (above) or in an enchanted forest with a babbling brook, you can find the home site of your dreams in The Cliffs at Walnut Cove. Near regional airport. Prices upon request. cary.findlay@sothebysrealty.com

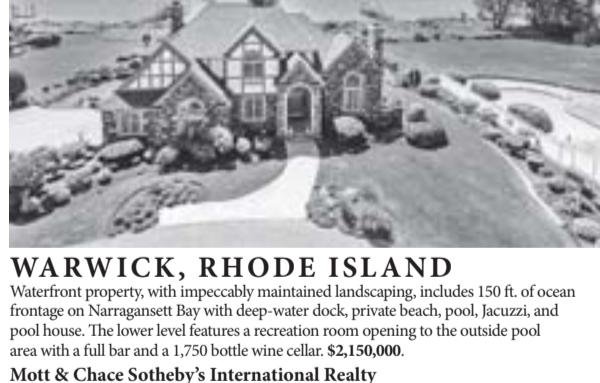
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NARRAGANSETT, RHODE ISLAND

Located directly across from Bonnet Shores' Kelly Beach, this chic 3 level contemporary offers 2,600 sq. ft. with 3 bedrooms and 2.5 beautifully renovated baths. The top floor offers huge ocean and beach views and living room with soaring vaulted ceilings. \$1,595,000.

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AUSTIN, TEXAS

Gated European contemporary on 1.23 acres in West Lake Hill embraces the indoor/outdoor lifestyle. Gorgeous Terrazzo floors, La Cornue range, walls of sliding glass, vanishing edge pool and sculpture garden. \$3,750,000. Kumara Wilcoxon. kumara@sothebysrealty.com

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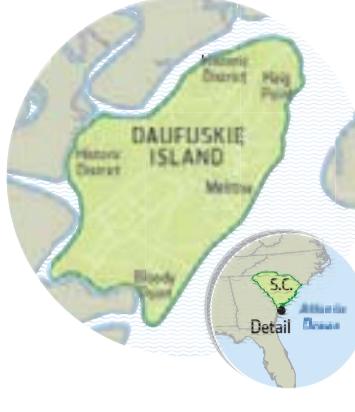
JACKSON HOLE, WYOMING

In tax friendly Wyoming, near Grand Teton and Yellowstone NP, the exclusive Bar BC Ranch offers privileged Snake River blue-ribbon fly-fishing and exquisite Teton views. Select elevated or meadow 35+ acre parcels, close to Jackson. Prices from \$7,950,000. TomEvansRE@JHSIR.com

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MANSION

AN IDYLLIC ISLAND'S STORMY HISTORY



Continued from page W7

lives in a 3,600-square-foot Haig Point home there that he has filled with ancient American Indian artifacts and fossils he has found on the shores. Within the gates, there's a rare combination of warm camaraderie and privacy, says Rick Wagoner, former chairman and CEO of General Motors, who has a second home there.

Haig Point residents, about half of whom live there full time, pay a \$20,000 initiation fee and an annual fee of \$23,000 for golf and tennis, a stately clubhouse with a wood-paneled bar and formal dining area, a beach club with a heated pool and a restaurant, a fitness center with a lap pool and a sprawling equestrian center with more than a dozen horses.

A fleet of six private boats ferries residents every hour to an embarkation center on the mainland, where they keep their cars. A water taxi can be reserved at any time to go to nearby Hilton Head.

When the real-estate bubble burst in 2008, growth within Haig Point essentially came to a standstill. Since then, management decisions, investments in infrastructure and the steep initiation fees have helped it rebound.

About two years ago, Haig Point hired a chief executive, Doug Egly, whose mission is to expand the current 360-member roster to 500 and add about 35 homes by 2020. (Currently there are 265 houses.) To that end, Mr. Egly brought in more builders, including Osprey Construction, a local company that has built three spec houses that start at about \$600,000 each.

The average home listing price in Haig Point is now \$763,000, nearly double what it was in 2015, according to Haig Point's marketing director Adam Martin. Lots start at around \$50,000 and homes on the market range from a quaint, three-bedroom cottage listed for \$297,500 to a commanding 5,842-square-foot waterfront mansion listed for \$2.85 million.

Next door to Haig Point is a decaying former luxury resort called Melrose, with abandoned beach cottages, a shuttered inn and a Jack Nicklaus-designed golf course covered in weeds. Its owner, Utah-based developer Pelorus Group, filed for chapter 11 bankruptcy protection in March, saying it owed creditors about \$35 million. It is currently seeking an investor willing to put up at least \$19 million in cash.

"I've never seen it this bad," says Elizabeth Noonan, 47, a consultant from Lexington, Ky. She and her family spend a week at a time vacationing at a home that her husband and his brothers built on the beach in 2006. Despite the dismal surroundings, the beach remains stunning, and about 17 families live in Melrose full time.

Homes can still be pricey, like the 1,500-square-foot beach cottage that is listed for \$925,000 and described in the real-estate agent's ad as offering "lots of privacy."

Also facing an uncertain fate is the Bloody Point Golf Club and Beach Resort, located on the southern tip of the island that includes a golf course, swimming pool, tennis courts, clubhouse and a bed-and-breakfast. After going bankrupt in 2008, the resort was won in an auction in 2011 by financial-business magnate Brian McCarthy, who restored the golf course and put in a dock and a boat service with six round-trips to Savannah, Ga., a day. Since then Mr. McCarthy has been trying to sell the resort because it is losing money. A group of investors expressed interest, which had islanders hopeful, but the deal fell through in June.

Despite its financial woes, Bloody Point Club and its facilities are still up and running. Day trippers from Savannah pay to play golf, have lunch and use the swimming pool. Of the 112 buildable lots in Bloody Point, 21 homes have been constructed to date, only five of which are occupied by



SPARSELY POPULATED A house for rent at the Bloody Point Golf Club and Beach Resort, located on the southern tip of the island. Of the 112 buildable lots in Bloody Point, 21 homes have been constructed to date, only five of which are occupied by full-time residents.



SOUTHERN HISTORY Chase Allen, above left, is a metal artist who owns a workshop called the Iron Fish Gallery. Above right, the porch of Mr. Allen's home, one of the few remaining Gullah homes built by African-American descendants of former slaves. Mr. Allen also offers tours of the island's ecology and Gullah history.



LOW-KEY HOMES Musician John Mellencamp has a vacation home on the island, above left. John and Carol Tietjen, above right, live in a 3,600-square-foot Haig Point home that Mr. Tietjen has filled with fossils and American Indian artifacts found on the island, top right.



ISLAND SCENES In the historic district, from left to right, a signpost provides directions; inside Daufuskie Island Wine and Woodworks, where some Haig Point residents are building small 'cocktail racer' boats; and a patio at Marshside Mama's, a popular honky-tonk bar and restaurant.

full-time residents, including a 7,700-square-foot white mansion owned by John Mellencamp, who uses it as a retreat. A five-bedroom house just a couple doors down from Mr. Mellencamp's home is on the market for \$1.75 million.

Rich and Gayle Silver built a \$3.4 million, 5,500-square-foot shingle-style home on the ocean in Bloody Point in 2005, attracted to the area's white-sandy beach and tranquility. Mr. Silver, a 70-year-old retired mutual-fund executive, and Mrs. Silver, an interior designer, moved to Daufuskie from Boston and now live there full time.

The Silvers own two other lots in Bloody Point and want to build a smaller house. But when they put their current home—fully furnished—on the market for \$3.99

million last year, it didn't sell. Mr. Silver says prices in the area have remained stagnant. Recently, they took it off the market and will wait awhile before relisting.

There is some tension over the economic disparity between Haig Point and the rest of the island, residents say. While Haig Point's private ferries run every hour, the public ferry runs only four times a day.

Current flood-zone maps mean that Haig Point homeowners qualify for federal flood insurance, whereas residents on most of the rest of the island don't. South Carolina legislators are working on changes to flood-zone maps that would expand the availability of insurance coverage.

Still, things are looking healthier in the historic district along

the island's western side. About 65 families live here full time, and new businesses are springing up. There is now a restaurant called Lucy Bell's that serves salads and sandwiches. The island got its first coffee shop, and another outfit combines a small wine shop with a wood shop where a group of Haig Point residents is building small "cocktail racer" boats.

Daufuskie Island Rum Co. just came out with its seventh flavor, infused with Kona coffee beans, that owner Tony Chase serves mixed with hazelnut coffee creamer after distillery tours.

Chase Allen, a metal artist who owns a workshop called the Iron Fish Gallery, lives in one of the few remaining homes on the island built by a Gullah, the African-American descendants of former

slaves who had once worked on cotton plantations and farmed oysters on the island.

Mr. Allen also owns a company called Tour Daufuskie that specializes in the island's ecology and Gullah history.

"There's a massive untapped ecotourism opportunity here," he says.

Tourism on Daufuskie has picked up in the past year, says Chris Haupt, who charges \$45 a head for a 45-minute boat ride to the island from Savannah, Ga. Most of his business is from vacation-home renters and day trippers.

Living on an island with no bridge can make for some desperate situations, Mr. Haupt says. Recently he received a call in the middle of the night from someone craving a pizza—badly enough to pay the \$300 after-hours delivery fee.

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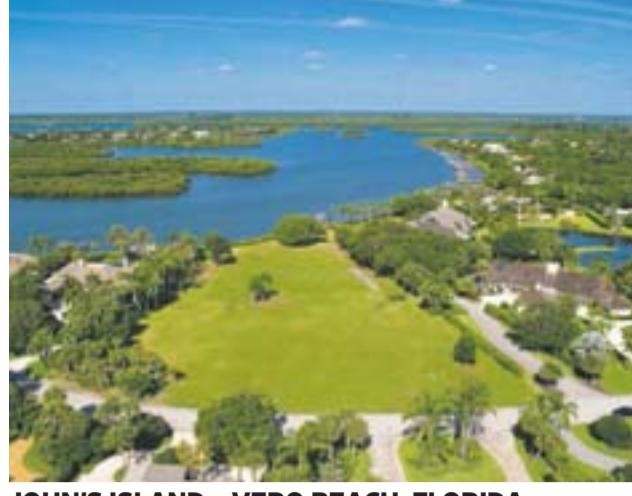


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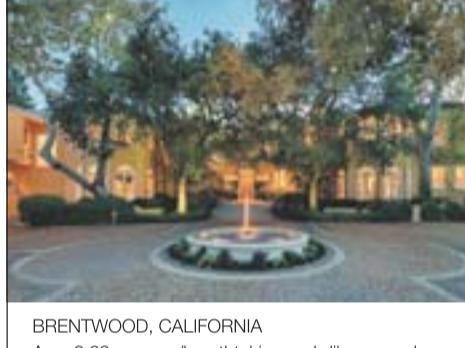


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