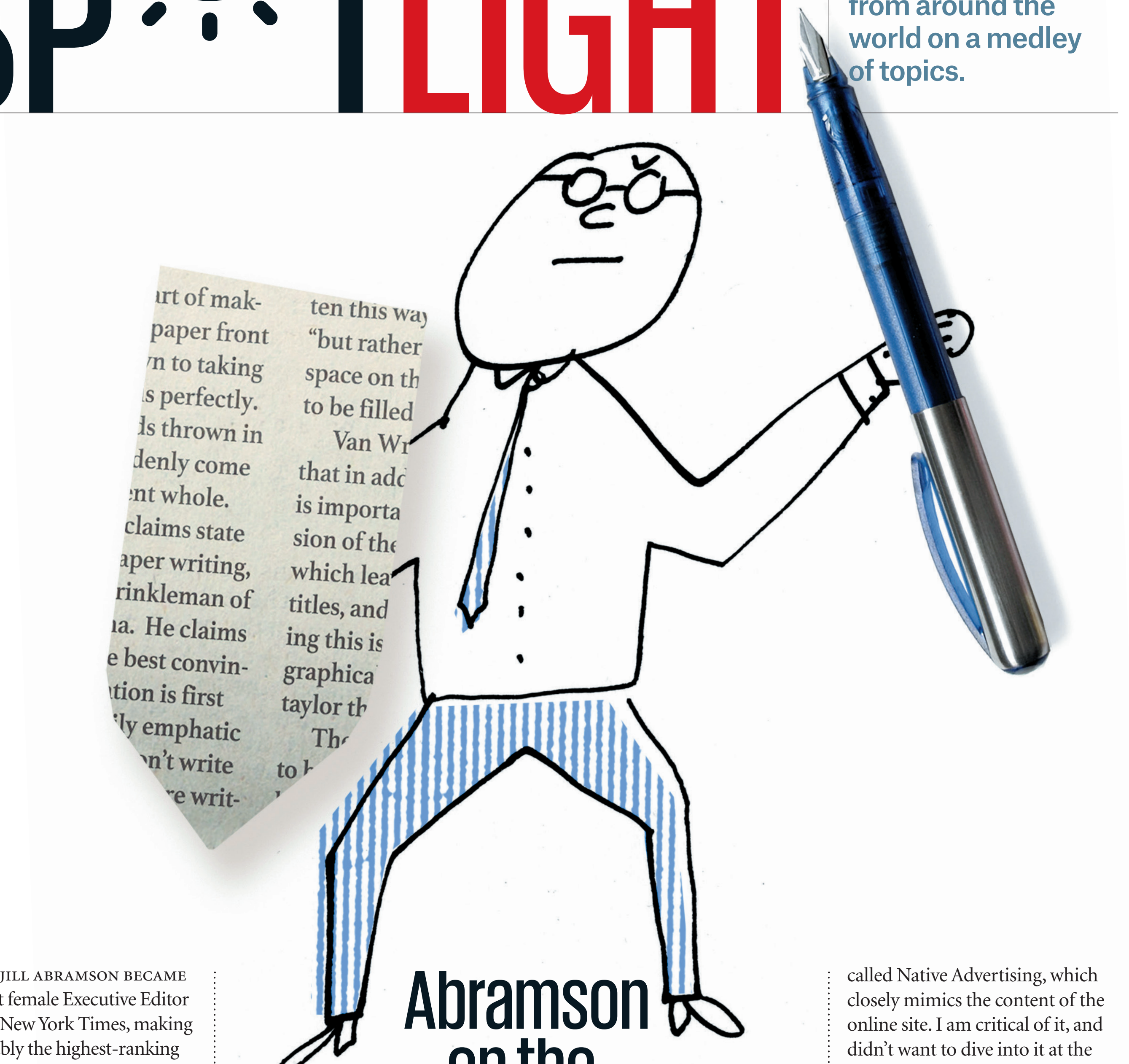
SPOTLIGHT

Observations, insights and analysis from around the world on a medley of topics.



Abramson on the VALUE OF NEWS

IN 2011, JILL ABRAMSON BECAME the first female Executive Editor of The New York Times, making her arguably the highest-ranking female editor in US newspaper history. No woman has ever topped the editors' ranks at America's two other newspaper giants, The Wall Street Journal and The Washington Post. Three years into that job, Ms. Abramson was fired for pushing back against efforts she perceived as blurring the line between news and advertising. She set out then to write a book about upheaval in the news business, focusing on two stalwarts, The New York Times and The Washington Post, and two up-starts, BuzzFeed and Vice. The result is *Merchants of Truth*, published this February. Ms. Abramson shared her thoughts and insights about the industry with us at Brunswick's New York office.

As you wrote *Merchants of Truth*, the prospects of the organizations you researched shifted significantly. That must have required you to scramble.

The reason I focused on BuzzFeed and Vice is that during my last months at The Times, The Times produced an innovation report that was kind of dripping with envy for those two sites. They were getting so big and they had so much money from ads. They were pioneers in a type of advertising called Native Advertising, which closely mimics the content of the online site. I am critical of it, and didn't want to dive into it at the Times when I was executive editor, because it isn't always clear to the reader what's advertising and what's news.

After starting out as entertainment sites, BuzzFeed and Vice began building serious newsrooms, and they discovered that it is very expensive to do investigative journalism, watchdog journalism, enterprise journalism, international journalism. That was fine when BuzzFeed and Vice were in go-go growth mode, adding millions of readers and viewers. But then that growth slowed. Digital advertising became competitive, and

ILLUSTRATION: SERGE BLOCH

Facebook and Google gobble up so much of it that everybody else is left to scramble for new sources of revenue. Now, BuzzFeed is having to turn itself inside out because their original model was all advertising supported. Both BuzzFeed and Vice announced cuts of 250 people each just a few months ago.

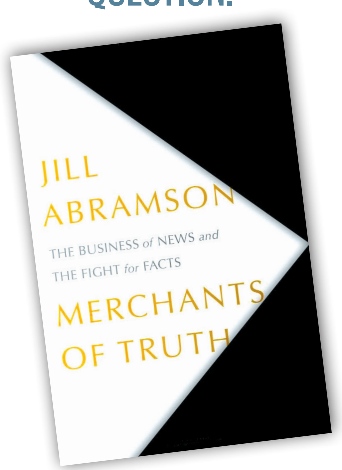
Meanwhile, following Trump's election, suddenly it was the old, reliable newspaper companies, which had forced themselves to become "digital first" operations but still had very high-quality news reports, that started to do much better and become stronger, thanks to subscription revenue. And the new all-digital news players were facing life-threatening challenges.

One reviewer of your book asked a scary question: "Is there any hope left for an independent Fourth Estate?"
For society it is vital. The New York Times and The Washington Post are going to survive. The Wall Street Journal is going to survive. But to survive, you have to be big—national or global in reach. You have to have coverage that people are not finding anywhere else. When you have that at high quality, readers will pay for it. Now that Trump is president, The New York Times has 4 million subscribers.

But my optimism does not apply to smaller newspapers that have been in a cutting mode or have been acquired by vulture capital funds and stripped down for parts. Their news reports are diminished. They've ceded their watchdog roles. Frankly, a lot of them are not worth paying for. About 500 have been shuttered over the past several years.

But ahead there may loom an existential question even for large news organizations like The Times and The Post, which is now owned of course by Jeff Bezos. Even with a billionaire owner and millions more digital subscriptions, can a newspaper continue to remain independent and not be bought by these voracious platforms like Netflix and Hulu, which are so interested in documentary style stories?

"IT WOULD BE FUNNY IF, FOR 2020, I WENT BACK TO WORKING IN A CAMPAIGN, WHICH ISN'T COMPLETELY OUT OF THE QUESTION."



Could the newspaper industry have foreseen and better prepared for the disruption caused by the internet?
The tragedy is that a lot of people in the news business did recognize that the digital transition was happening and happening quickly. But because of their internal corporate cultures and the culture of their newsrooms, which were formed according to the rhythms of the printing press once a night, they just didn't act fast enough.

They thought that the newspaper version of their news reports would stay dominant for longer than it did, so that the urgency of becoming digital first, and thinking of publishing online first, took forever. And in that gap a lot of time and money was lost.

Are you concerned about the widespread belief that the news just can't be trusted?
I am so concerned about that. Restoration of trust is vital, and one disappointment I had in my book is that I was not able to come up with new solutions for a lot of the problems that bedevil journalism. I do think that because attacks from Fox News and Sinclair and the Trump administration are so loud, news organizations have to become much louder in defending the importance and integrity of what we do every day. I rather like The Post's slogan, "Democracy dies in darkness."

What we do is no less important than when the founders created the First Amendment, seeing us as critical watchdogs against abuse of over-centralized power. Somehow we've thought it's not our job to carry that message. It is our job—and for trust to be restored that message has to be louder.

Will The New York Times and The Post go the way of traditional British papers by leaning hard in a particular political direction?
Aren't we there? Not to the same extent as in Britain. But on some days of heavy Trump developments, the news pages, particularly the headlines, bear an unmistakably anti-Trump coloring.

What intensifies that is, because Facebook has disaggregated everybody's news reports, it's made the branding of individual reporters more important. Something like a dozen of the Washington reporters for The Times have cable TV contracts on MSNBC and CNN. They go on these panels with partisans and former prosecutors. And though The Times and Post reporters on these shows may be careful and measured in what they say, it's the lead-in questions and the rest of it that leads viewers to question their objectivity.

Since I started writing a political column for The Guardian, it's gotten harder for me to find Republicans who will even talk to me. I'm trying to present both sides. But they say, "No, I don't think I want to be identified in your column." I guess it suggests treason for them to be talking with Jill Abramson, the former executive editor of the "failing New York Times."

Would you, given the way events have unfolded, have chosen a different career?
Right after college I worked on a couple of campaigns, and toggled between becoming a journalist or full-time political activist.

Now, for the first time since then, I've found myself wondering whether you do more good trying the difficult and impossible task of electing people who are going to make the world better, or doing investigative journalism that opens people's eyes to issues and things they need to know about. I've loved my career in journalism. It's not like I have any regrets. But in the end, which path would have done the most good?

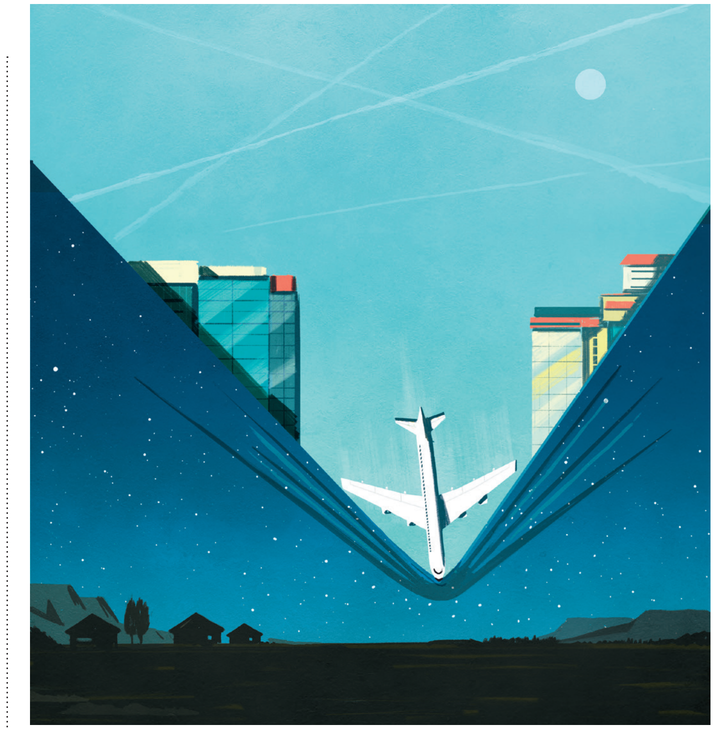
It would be very funny if, for 2020, I went back to working in a campaign, which isn't completely out of the question. ◆

Kevin Helliker is Editor in Chief of the Brunswick Review and a Pulitzer Prize-winning journalist.

ILLUSTRATION: NATALYA BALNOVA

No Longer Live Aid ETHIOPIA

A terrible plane crash highlights a nation's progress.



On March 24, 2019, the world woke up to the unusual situation of hundreds of Africans seeming to agree with Donald Trump. A CNN headline about Ethiopian Airlines caused an explosion of African Twitterati sharing the US President's view that the news broadcaster is "fake news."

The headline? "Ethiopian Airlines was a world-class brand with a great safety record until the flight ET302 crash put its reputation in jeopardy."

The kickback was swift. People saw CNN blaming Ethiopian pilots rather than Boeing, the plane's US manufacturer. One particular pushback received over 10,000 likes. The story itself was, in fact, a reasonably positive piece on the growth of Ethiopian Airlines from a third-tier joint venture with TWA to a significant global airline with 111 planes—for context, Air France's fleet is 201 planes; Emirates' is 268.

Ethiopian Airlines is a budget carrier, yet it has developed a reputation as the best commercially run African airline and increasingly a major regional hub player. Recently, Addis Ababa and Ethiopian Airlines overtook Dubai and Emirates as the premier long-haul transit into Africa.

CNN has invested heavily in producing positive stories about the continent, but had apparently failed to appreciate that people might see lingering bias and a patronizing attitude toward the continent in this particular story. Ethiopia itself is no longer Live Aid Ethiopia, but has had one of the most remarkable political and economic transformations of modern times.

Poverty declined from 45.5 percent in 2000 to 23.5 percent in 2016. GDP per capita has doubled since 2010 while per capita income has increased threefold. It is on track for middle-income status by 2025.

CNN and many other newspapers had been somewhat objective about the potential cause of the crash, especially given that the tragedy pitted the reliability and reputation of one of the world's most powerful companies against a country that 15 years ago was among the five poorest countries in the world. But it is now not even among the 20 poorest. Ethiopia's extraordinary political and economic trajectory over the past 15 years is a clear success story. Ironically, by bringing attention to the country, the scrutiny over the Ethiopian Airlines crash may have simply drawn more attention to Ethiopia's success.

Ethiopia is facing some headwinds in consolidating its political and economic transformation, but if those prove as resilient as its reputation has become, it may indeed become Africa's powerhouse in the next 20-30 years. Forecasts are that Ethiopia will eradicate poverty by 2029, with less than 3 percent of the population expected to be below the poverty line. ◆

Itumeleng Mahabane is a Brunswick Partner in Johannesburg, South Africa.

ILLUSTRATION: RIGHT, SERGE BLOCH; TOP, FABIO CONSOLI

CORPORATE LONGEVITY

The average lifespan of a business varies by region.

The question of corporate survival has become top of mind as companies grapple with how to move forward in an increasingly challenging business environment. Credit Suisse has shown that the average age of a company listed on the S&P 500 fell from almost 60 years in the 1950s to less than 20 years today. By another measure, American economist Mark J. Perry found that only 53 companies from the 1955 edition of the Fortune 500 were still on the list in 2018. Across the pond, the FTSE 100 has also experienced significant changes as Schroders revealed that only 28 of the companies from the 1984 edition remained on the index in 2017. According to AJ Bell, only 30 of the original companies still exist in 2019, the 35th anniversary of the FTSE 100.

In Asia, the picture is different. Japanese companies have recorded some of the longest corporate lifespans, and Japan is home to several of the world's oldest businesses, including the family-run Kongo Gumi, a construction company established in 578 AD to build the Shitennō-ji Temple. According to Nikkei Asian Review, turnover for the Tokyo Stock Exchange stands at approximately 89 years, in contrast with 15 years for the New York Stock Exchange and nine years for the London Stock Exchange. Turnover represents the average number of years that a company is listed on the Tokyo, New York and London Stock Exchanges.

While there is a tradition of endurance among prominent Chinese family businesses, including Tong Ren Tang, the 350 year-old Chinese medicine purveyor established during the Qing dynasty, Chinese media have reported that the average lifespan of SMEs in China today is 3.7 years. According to JPMorgan Chase, roughly a third of new US businesses exit within their first two years, and half exit within their first five years. ◆

Wenchi Wei is an Account Director based in Shanghai.

The Cost of TRANSPARENCY

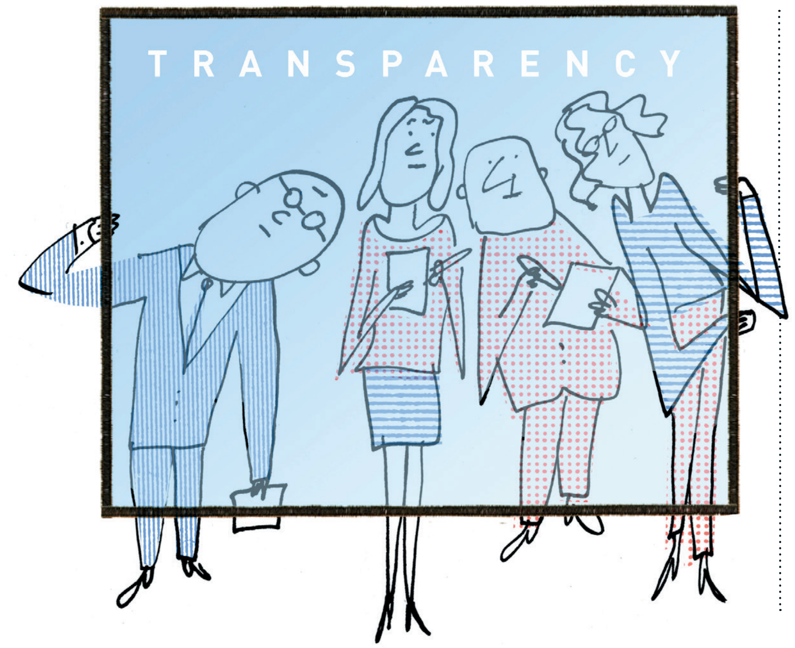
Regulators have to walk a delicate line to keep markets fair—but also affordable, says Brunswick's Rob Webb.

THE PUBLICLY QUOTED "JOINT STOCK" COMPANY, IN ITS CURRENT form, has been a feature of the open markets of the West for well over a hundred years. It allows individual investors, pension funds and "activists" to share in the profitability, or otherwise, of quoted commercial concerns; they can come and go at will, according to their assessment of the future prospects of the company. They can set a price for its shares that becomes transparent and available to all, Dark Pools notwithstanding.

Modern technology, and the anxiety of today's regulators in the public sector, however, are changing the nature of the relationship between these investors, the owners of the company, and its management and staff. They rarely meet. Their interests may not be aligned. The "investor" may be short in the stock—thus hoping its share price will go down (and sometimes tempted to lure the facts and rumors toward the short position) and even when "long," investors may be holding the stock only for a few micro seconds until their algorithm requires them to discard it; the long holder may even be a reluctant holder—it may have to hold shares in companies in a particular FTSE or other index because its own rules make that a requirement. The need of one investor may be for short-term cash or, for the individuals, for the hope of bonus glory for a clever investment at year end; the need of the company may be for long-term money—"for the loser now will be later to win, for the times they are a changin'" as Bob Dylan puts it. What looks right to the micro-second day trader may not look right to the pension fund whose liabilities will crystallize in 40 years' time.

Coupled with this disparity of interest is the desire of politicians to make sure members of the public do not lose money; whenever there is a fire in the backyard, they wish to legislate for all potential fires in all backyards "just in case" a unique or unusual event could happen again, and the blame for it laid at their door. Prevention is an easy tool. But wealth creation, on which we all depend, is more difficult.

If the regulatory boundaries on public companies become even more costly, and if the hunger of detached and remote algorithmic investors becomes even less relevant to the performance or purpose of the company, then open markets will shrink to the benefit of private markets: sovereign wealth funds, family offices, privately owned companies and a myriad of vehicles that can be invested privately—for the long term, for the benefit of the company, and not being owned by the public, free of the regulatory and political howling of the public markets that softens the risk appetite of those who are routinely subjected to it. Thus, it will be that the public will lose some of its access to successful commercial ventures, and price transparency will be reduced.



In a prosperous society, all these models should be able to co-exist profitably, but it is vital that public markets should be able to hold their own; visible price setting and transparency of shareholdings help to create a chance for the public and their pensions to share in the profitability of a venture. These are highly desirable features of an open society, and of a free market open to all. Let us hope they do not become less relevant as the years pass.

Regulatory arbitrage can make the difference between profit and loss. Investor involvement, and comprehension, can make the difference between success and failure. If the cost of trading openly exceeds the cost of trading privately, even by a small amount, over a long period, the public will be deprived of its access to capital. While wealth inequality remains a hot political tropic, regulators need to make sure that markets remain fair, for sure, but also that the costs of their regulation do not make them unaffordable. ◆

Rob Webb QC is a Senior Advisor based in Brunswick's London office.

THE END OF RESILIENCE?

Notre-Dame's capacity to endure may surprise everyone.

"IT WAS A SYMBOL NOT JUST OF beauty but resilience. It feels like watching resilience burn down." So tweeted a St. Louis-based journalist who, like millions of people around the world, watched live as fire destroyed the roof of the Cathédral Notre-Dame de Paris on the evening of April 15.

The cathedral took more than 200 years to construct—roughly 10 generations of workmen—from the 12th to 14th centuries. It stands on a small island in the middle of the Seine. At the time of its construction, most of the city of Paris fit on that island. As the town expanded over centuries to the Left Bank and the Right Bank and beyond, Notre-Dame remained its physical and spiritual center, towering and rooted.

An architectural masterpiece, it became a laboratory for some of the earliest music in the Western classical tradition. The French Revolution unfolded on its doorstep. Napoleon was crowned Emperor inside its walls. Victor Hugo's great novel *The Hunchback of Notre Dame* not only uses the cathedral as its setting but turns it into a symbol for the endurance of civilization.

Despite the sense of doom spurred by those images of it aflame, the cathedral will endure. Its stone walls, front towers, famed flying buttresses, even its stained-glass rose windows, all survived. Much of the precious artwork was evacuated. French Premier Emmanuel Macron vows the structure will be restored in five years. It will not be the same, but Notre-Dame still stands, resilient and inspiring, a symbol of hope for civilization. ◆

Carlton Wilkinson is Managing Editor of the Brunswick Review.

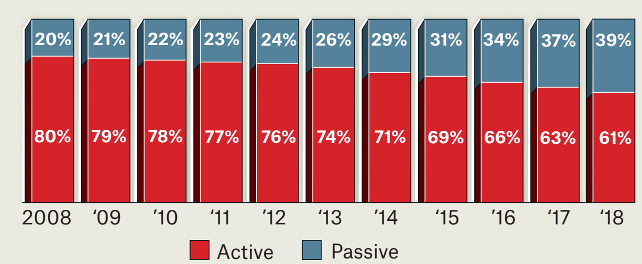
PHOTOGRAPH: PIERRE SUU/GETTY IMAGES

INVESTOR ENGAGEMENT

BETWEEN 2008 AND 2018, THE AMOUNT OF ASSETS IN PASSIVELY managed index funds nearly doubled, and at the current pace there will be more money in passive funds than in active funds by 2024. Accompanying that shift in shareholder registers is one in investor behavior. Passive funds are increasingly using their voices—and their votes—to advance their agendas. Engaged long-only shareholders are now launching as many campaign demands upon companies as traditional activist hedge funds, focusing on a company's board and its governance. As the makeup and priorities of investors evolve, so does the approach for communicating with them—changing from a quarterly or annual exercise managed by Investor Relations to an ongoing initiative that demands participation from senior management and independent directors. The core tenets of a robust investor engagement program can now be supplemented with innovative digital communications, reaching investors and analysts with greater precision and regularity than ever before. ◆

The INVESTOR LANDSCAPE is undergoing fundamental changes...

A continued flow of capital into passive funds



Charts: Activist Insight / Other Data: Brunswick Insight

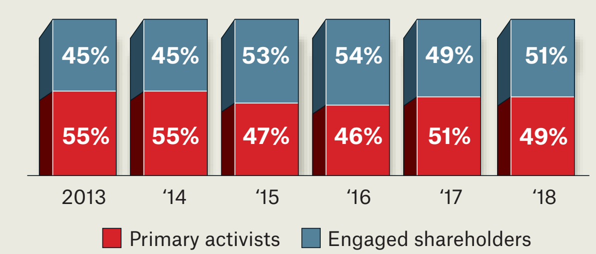
88 PERCENT of investors make decisions based on information from digital sources

88.5 PERCENT Average holding period of shares decreased from 6 years to 8.3 months from 1970 through 2016

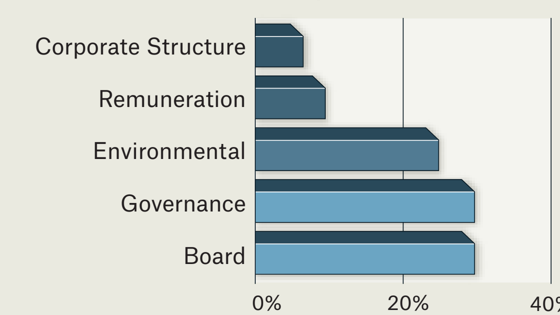
80 PERCENT of asset managers intend to consume less research as a result of MIFID II

...Alongside increasingly DIVERSE "ACTIVE" OWNERSHIP strategies

Campaign demands are driven by both activists and "engaged" shareholders



Primary focus on GOVERNANCE and BOARD composition



CHARTS: PETER HOEY; ILLUSTRATION: SERGE BLOCH

DIGITAL OASIS

Top tech talent and ideas have come to the Middle East, yet major investors have been slow to follow. That may be changing.

For its first ever acquisition in the Middle East, Uber announced its $3.1 billion purchase price for Dubai-based ride hailing app Careem, the region's first unicorn (a private company with a valuation in excess of $1 billion).

The move reinforces a growing trend wherein early-stage tech investors in the Middle East are able to achieve successful exits in the hundreds of millions or even billions of dollars, something not seen in the region's nascent tech ecosystem until only recently.

Home to a growing startup scene, the wider Middle East and North Africa (MENA) region has a young population (roughly 60 percent is under the age of 30), a smartphone penetration rate of 64 percent, and a need for tech-enabled basic solutions such as transportation and financial services.

The region's startup environment is still young, but in some areas it is already ahead of more established markets. For example, approximately 25 percent of MENA startups are run by women, a figure higher than the US industry average, according to The Economist.

But many foreign investors still view the Middle East as a source—rather than a destination—for technology investment.

Middle East funds have invested heavily into tech abroad, including into US companies such as Slack, Uber and WeWork. The most high-profile investor is the SoftBank Vision Fund, the $100 billion technology fund that includes Saudi Arabia's Public Investment Fund (PIF) and Abu Dhabi's Mubadala Investment Corp. as major backers.

Governments working to change this dynamic of outbound investment have tried to court entrepreneurs through a wide range of initiatives, the rationale being that tech offers significant investment potential and is also integral to the future of the region.

> "THE MOST COMMON CONCERN FOR FOREIGN INVESTORS IS A LACK OF A PATHWAY TO A SUCCESSFUL EXIT."

Numerous national strategies and economic visions for Middle East governments place technology at the heart of efforts to modernize and diversify the region's economies away from hydrocarbon revenues. In Dubai alone, the government's $8 billion smart city initiative aims to develop more than 500 tech-driven projects by 2021. Saudi Arabia has gone so far as to begin planning for a $500 billion smart city of the future, NEOM, which has already added tech heavyweights Masayoshi Son and Marc Andreessen to its advisory board, according to CNN.

However, while talent and ideas have come to the region, major investors have been slow to follow. Of the top 20 global economies for inbound tech investment, none are from the GCC, a group of Arab states that form the economic powerhouse of the Middle East. The most common concern for foreign investors is a lack of a pathway to a successful exit, as typical routes are through an IPO or to position a company as an acquisition target.

As the Middle East's capital markets have been quiet in recent years following the 2014 downturn in oil prices, an IPO may not be investors' preferred route.

That leaves exit by acquisition, a strategy becoming more commonplace, as evident in the Uber deal as well as Amazon's 2017 acquisition of UAE online retailer souq.com. The $580 million acquisition remains Amazon's most expensive overseas transaction, and was the first time a major Western brand completed a globally significant acquisition of a regional tech player. The Amazon deal also sparked inflows of $3 billion in tech investments into the region.

Industry stakeholders no doubt hope Uber's doubling down on the Middle East will be a catalyst for investment into its technology sector. However, for the industry to attract more investment into the region, companies and governments will need to clearly articulate the benefits the Middle East offers industry investors. ◆

James Allan is a Director based in Dubai.

ILLUSTRATION: FABIO CONSOLI