

Evenlode Investment View

August 2021 – Summer Reading



In my July investment view, released at the end of last month, I discussed some key themes from recent company results, our current views on the Evenlode Income portfolio, and our optimism on long-term prospects given the combination of quality and future return potential that we see in the fund's underlying holdings.

This month, as it is the summer holiday season, members of the Evenlode investment team have compiled a selection of books that we have read and found interesting over the first half of 2021. I've used a quote from Lucy Kellaway on book lists before: *The books must be varied. Mainly recent. A mixture of history, tech and biography is essential. A novel is OK, so long as it is obscure, difficult or literary enough.* True to stereotype, many of the books included are indeed business biographies, or cover technology or history of some kind. Most (but not all) are recent. And I'm not sure all of these texts are obvious light-reading material for the beach! But we hope you'll find something of interest:

Investment and Economics

The Powerful and the Damned – Lionel Barber
(*Evenlode Reviewer* – Rob Strachan)

Lionel Barber was the editor of the FT from 2005 to 2020, a period that included the financial crash, austerity, the Fukushima disaster, the rise of China, Brexit, Trump, smartphones, social media and fake news. *The Powerful and the Damned* is his memoir. The character list includes the leading figures in world politics, business and royalty, including Blair, Brown, Cameron, Merkel, Modi, Netanyahu, Putin and Trump. A great insight into the world of the powerful and the role journalism plays in our society.

Post Corona – Scott Galloway
(*Evenlode Reviewer* – Hugh Yarrow)

Professor Scott Galloway is a US business academic, entrepreneur and well-known writer on the US technology sector and digital economy. Written in the second half of 2020, *Post Corona* is an essay on the post-pandemic business landscape, and the key trends that have accelerated as a result of the pandemic. Galloway is at his best when summing up the power of the huge US technology firms and the venture capital industry. He discusses the repercussions of key developments in these sectors for society, the economy and investors. Galloway writes from a US-centric perspective, but the trends he summarises are global in scope. A short and easy, but still thought-provoking read.

Daylight Robbery: How Tax Shaped Our Past and Will Change Our Future – Dominic Frisby
(*Evenlode Reviewer* – Leon Cyril)

This fascinating read is essentially a history of taxation with the boring bits taken out. This adventure spans millennia, starting in Ancient Mesopotamia, where avaricious kings imposed taxes to pay for wars, and takes us right up to the present world of cryptocurrencies, automation and digital nomadism. Frisby shows that there is usually a tax story lurking behind familiar historical events, from the rapid spread of Islam in the 7th century A.D., where converts were exempt from paying the *jizya* tax, to the

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American Civil War, where the new constitution of the confederate states drastically limited federal power to collect taxes. The book helpfully puts current taxation regimes in context, by tracing their origins and development, asking thought-provoking questions throughout. The last chapters disappoint somewhat, containing a slightly speculative discussion of the future of work and taxation. Nevertheless, these chapters are a useful springboard for further thought, and do not detract too much from the gripping drama of the rest of the book.

Economix: How our Economy Works (and Doesn't Work), in Words and Pictures - Michael Goodwin, illustrated by Dan Burr
(*Evenlode Reviewer – Cristina Dumitru*)

A crash course in economics, packaged as a comic book, that draws you in through clear and simple cartoons and goes to explain the global history of economics in a concise, easy, and entertaining read. The book follows economic forces from Adam Smith's pin factory to David Ricardo's comparative advantage, up to modern times and moves beyond dry supply and demand charts into concepts like the creation of the World Bank, social security, and government subsidies. The authors' opinions are liberally biased, but his descriptions of economic systems and principles are fair and honest. Overall, an approachable book for anybody who wants to broaden their understanding of economics.

Charlie Munger: The Complete Investor - Tren Griffin
(*Evenlode Reviewer – Leon Cyril*)

Charlie Munger, Berkshire Hathaway's laconic Vice Chairman, has said and written little about his own investment approach; his cryptic apothegms tend to leave listeners chuckling, but still scratching their heads. Griffin's book is an extremely thoroughly researched attempt to draw together the threads of Munger's speeches and letters, spanning decades, into a coherent whole. He demonstrates how Munger's ideas originated with Benjamin Graham, but draws attention to the significant areas of departure and disagreement. Rather than aiming for spectacular results, Munger is conscientious about avoiding errors and falling into the traps, fallacies and biases that he terms "the psychology of human misjudgement". This old-world wisdom is not only applicable to investment, but to many other aspects of life.

Business Biography

Peers Inc - Robin Chase
(*Evenlode Reviewer – Cristina Dumitru*)

Robin Chase is one of the pioneers of the sharing movement who co-founded Zipcar in the early 2000s, Peer Inc captures her philosophy of the sharing economy. In short, this new economy is underpinned by three components: excess capacity, platforms, and diverse peers. Excess capacity refers to anything that is not used all the time – a car, a second apartment, or even tools or appliances. For example, Airbnb lets you rent spare rooms, transforming excess capacity into income. Companies which rely on this business model enjoy great flexibility and the potential for explosive growth but also, Chase

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argues, can hold the key to tackling some of the most pressing issues today like climate change and income inequality.

Stewardship and Sustainability

Impact: Reshaping Capitalism to Drive Real Change - Sir Ronald Cohen

(Evenlode Reviewer – Tom Weller)

Risk and return are not enough to analyse investments argues Sir Ronald Cohen. Impact must be equally valued, in a risk-return impact investment frame, and it must also be measured. What is impact? How can we measure it and what action can we take to tie it to decisions and more importantly outcomes? These are all questions that are well answered in this enjoyable and measured read. We discover that impact is as much about opportunity and forward-looking innovation as it is about conservative environmental, social and governance factors. The book includes examples from the measurement of natural capital, including the contrast between Coca Cola's environmental cost of water use of \$2bn, and PepsiCo's of \$480m, despite double the revenue at PepsiCo. Also covered is the social impact bond that Sir Ronald's teams pioneered, an example of financial innovation which ties investor returns to positive impact programme outcomes. One such case improved the lives of prisoners returning to society in Peterborough by offering support, helping reduce reoffending rates. Sir Ronald shows us a way ahead where commerce and philanthropy are not pursued in series, but are instead integrated from the beginning.

How to Avoid a Climate Disaster: The Solutions We Have and the Breakthroughs We Need - Bill

Gates

(Evenlode Reviewer – Hugh Yarrow)

Gates has written a whistle-stop tour of the world's carbon emissions and how to eliminate them. As you might expect, Gates focuses on the scientific and innovative elements required to solve this puzzle, rather than the equally important political and social dimensions. But the book provides an excellent summary of where we are, and what we will need on the journey to a net zero economy. The book is backed up by the hard data and cold rationality that is typical of Gates. We need, he calculates, to remove 51bn tonnes of greenhouse gases each year: this would require huge changes to the renewable/fossil fuel mix (27% of the reduction required), the manufacture of goods (31%), food production (18%), travel (16%), and air conditioning/heating (6%).

Business Culture and Management

Deep Work – Cal Newport

(Evenlode Reviewer – Rob Strachan)

The world is more distracting than ever before while impactful, meaningful work is becoming more valuable. Cal Newport describes 'deep work' as a state of prolonged intense concentration that has historically been the source of some of the most important contributions to society. Backed by

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research, his examination of the current typical workday is thought-provoking and a convincing argument for the benefits of regularly disconnecting from the world.

Technology and Innovation

The Alignment Problem – Brian Christian
(*Evenlode Reviewer* – Chris Elliott)

With the dawning age of artificial intelligence, Christian takes an unflinching journey through the development of this technology and the many challenges that remain to be solved. Chief among these is the eponymous alignment problem, where unintended consequences result from our incomplete definition of a task and/or the erroneous data that we provide. These outcomes range from the near farcical, a circling video-game boat maximising a high score, to the deadly serious, including questionable custodial sentencing and medical treatment decisions. Christian's language is highly accessible and gives the lay reader a fascinating window into the many different AI approaches that are being considered. A personal favourite is a curiosity-driven robot tasked with navigating a complex maze. The machine performs excellently, only to be undone and frozen in place after encountering a channel hopping television screen. Perhaps the most striking element of the book is how easily we can recognise our own learning experiences (and those of our children) in the developments that are moving computers beyond being pre-programmed rule takers to intelligent partners. Just as human development is shaped by environmental factors and the nurture provided, AI development will be determined by our actions and decisions now. This may be one of the greatest, undiscussed responsibilities of our generation.

Fahrenheit 451 – Ray Bradbury
(*Evenlode Reviewer* – Ben Peters)

Published in 1951, I was aware of the basic premise of Ray Bradbury's science fiction novella but had not read it until recently. In a remarkable dystopian story where books are illegal and are burned where they are found by 'firemen', Bradbury predicted many features of life in the twenty first century. The populous is kept entertained by ubiquitous interactive screens, spending significant sums to upgrade their home entertainment capabilities. Reality TV is part of the fayre served up. Felons are pursued by a robotic canine crimefighter called the Mechanical Hound, bringing to mind Boston Dynamics' real world BigDog and Spot robots. Cars travel at tremendous speeds. Perhaps these inventions in fiction spurred on the imaginations of those who ended up creating the technologies in fact. The most troubling aspect of this dystopia though, is not the thought of being chased by an eight-legged cyborg intent on killing you, or the numbing of minds through endless TV watching. It is the Twitter-like shortening of discourse that led to the people deeming extended written argument first obsolete, and then dangerous. The government was happy to go along with all this, and ultimately created the book-burning firemen, but was pushing on an open door. The people demanded it themselves.

Death of Expertise: The Campaign Against Established Knowledge and Why It Matters – Tom Nichols
(*Evenlode Reviewer* – Callum McPherson)

Today people have access to more information than ever before. With Wikipedia and WebMD everybody can be an ‘expert’, and even the most absurd online voices demand to be listened to. Tom Nichols’ *Death of Expertise* educates us on the loss of respect for opinions of professionals and of facts themselves. He discusses anti-intellectualism and the prioritisation of feelings over truths. He uses the book to explain some of the causes of these problems: social media echo chambers, confirmation bias and alternative ‘news’ sources such as Alex Jones’ InfoWars. He goes on to discuss what this can result in (see: 2016 US Presidential Election). Nichols argues that it is the responsibility of experts and professionals to participate in these discussions and look for ways to constructively share their understanding. We all have a responsibility to be more engaged, more informed, and more willing to listen to experts because, though we may be experts in some fields, no one is an expert on everything.

Science and Medicine

The Code Breaker, Jennifer Doudna: Gene Editing, and the Future of the Human Race - Walter Isaacson
(*Evenlode Reviewer* – Chris Moore)

The Code Breaker provides a history of the development of CRISPR technology. CRISPR (clustered regularly interspaced short palindromic repeats) is a family of DNA sequences present in organisms such as bacteria. In the early 1990s a Spanish graduate student, Francisco Mojica, discovered that bacteria, over billions of years, had developed an immune system that enables them to remember viruses that have attacked them in the past. By incorporating viral DNA into their own DNA, the bacteria is able to locate and cut a virus’s genetic material when under attack. By the 2010s scientists had developed CRISPR to make precise gene changes. Companies are now trialling its use in human diseases with known mutations such as sickle cell disease. Future advances could include using CRISPR in the fight against cancer and for reprogrammable RNA vaccines. The book is mainly focused on the development of the technology, but also provides insight into the scientists and institutions involved, particularly Jennifer Doudna, who won the Nobel Prize in Chemistry in 2020 for her contribution to the development of CRISPR. Despite the technical subject it’s accessible, highly informative and gives some sense of the potential breakthroughs and ethical dilemmas ahead.

The Immortal Life of Henrietta Lacks – Rebecca Skloot
(*Evenlode Reviewer* – Callum McPherson)

Two intertwined stories, the story of the Lacks family’s struggles and the story of the HeLa cells from their ancestor Henrietta. In 1951 Henrietta was diagnosed with cervical cancer and sadly died less than a year later aged just 31. During Henrietta’s autopsy, cell samples were taken from the tumour and given to a researcher who had been working on the problem of trying to grow human cells. The cells continued to replicate very quickly in lab conditions, much to the astonishment of researchers, and were shipped all over the world and used in numerous trials and experiments. The cells would subsequently be given the name “HeLa”. Unfortunately, the Lacks family were never asked for permission, and knew nothing about the research conducted on the HeLa cells for decades. Skloot’s

book outlines why Henrietta's cells were so important, and why she went unrecognised for so long. A book on science and cells, on discovery, and social history. I highly recommend it.

Lifespan – David Sinclair
(*Evenlode Reviewer – Rob Strachan*)

David Sinclair is one of the world's leading scientists researching aging, and *Lifespan* is his account of how and why it happens, and how we can prevent it. David argues that aging is a disease that can be treated and that most of the world's terminal diseases are symptoms. A pinch of salt is required for some of the possibilities, but it remains a fascinating read into an undoubtedly exciting area with massive implications for our future.

Other Non-Fiction

From Russia to the West: The Musical Memoirs and Reminiscences - Nathan Milstein.
(*Evenlode Reviewer – Leon Cyril*)

Milstein wrote his memoirs shortly before he died in 1992. Although one of greatest violinists in history, he is oddly quiet about his own achievements (apparently only playing the violin “to keep me out of trouble”) and his memoirs concentrate instead on his collaborations, friendships and enmities with all the major figures of the 20th century. Bringing these giants to life, he shows us a sensitive and irascible Rachmaninov, a nasty, swinish Stravinsky, and a whimsical Ronald Reagan, ever eager to try out his Soviet jokes. Milstein always seems to be at the centre of history. He spoils us with animated eye-witness accounts of the Russian Revolution, the light-hearted '20s in Paris, and the darker '30s in Berlin. His dazzling virtuosity gained him entry everywhere: from the innermost Kremlin, where he sat in on Lenin's attempts to negotiate a change in economic policy, to a ramshackle quartet in the bohemian mansion of a naked and wine-drenched Eugène Ysaÿe, where he could barely resist the urge to tell Queen Elizabeth of Belgium that she was playing horribly out of tune. Unsurprisingly, Milstein's commentary is most enlightening on the subject of music. We are reminded of forgotten works by geniuses now too rarely mentioned, such as Scarlatti and Clementi, and of the visionary ballets of Balanchine. Observing that “today, culture is just a marketplace where everything can be bought and sold”, he seems to believe it his duty to record cultural life as it was before. It makes for a remarkable read.

Hugh and the Evenlode team
10th August 2021

Please note, these views represent the opinions of Hugh Yarrow and the Evenlode Team as of 10th August 2021 and do not constitute investment advice.

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