

Evenlode Income Investment View

August 2022 – Summer Reading



In my July investment view, I discussed recent company results, some changes to the Evenlode Income portfolio, and our optimism on long-term prospects given both the broad opportunity set and the combination of quality and future return potential that we see in fund holdings.

This month, as it is 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 2022. Most, but not all, are recent. I'm not sure all of these texts are obvious light-reading material for the beach, but we hope you will find something of interest!

Investment

Freezing Order - Bill Browder (2022)
(*Evenlode Reviewer - Leon Cyril*)

Bill Browder founded Hermitage Capital Management, a Moscow-based hedge-fund which was from 1995-2006 one of the largest foreign investors in Russia. His book describes how Hermitage was an early activist investor, profiting from the rise in value of portfolio companies once corruption and theft had been crushed. Unfortunately, Browder's proto-ESG clean-ups attracted the ire of less than saccharine characters, and he was forced to sell up and flee Russia. What follows is a criss-crossing tale of poisonings, killings, love traps, legislation and billions and billions of dollars. It's advisable to fasten your seatbelt before reading.

FTSE: The Inside Story - Mark Makepeace (2020)
(*Evenlode Reviewer - Cristina Dyer*)

In 'FTSE: The Inside Story' Mark Makepeace, founder and former CEO of FTSE Russell, recounts the history and pivotal moments of how the FTSE brand and indices were created. Makepeace describes the early days of the FT30 index when FT price reporters needed to collect prices from the stock exchange floor for the index to be compiled. In one story, although the market was sharply down the index was static as the price reporter had to make a dentist appointment that day. This contrasts with the move to electronic calculations and real-time indexing which performed updates much quicker than reporters and actuaries. The rise of passive ETF investing in the 90s introduced a different business model for FTSE and other index providers - from being a performance benchmark for active managers to actively supporting the creation of passive vehicles. For the future, Makepeace sees indexation evolving further into private markets, fixed income, and alternatives, driven by investors seeking low-cost, transparency, and multi-asset capital allocation. The index providers will be at the centre of this move, working alongside wealth and fund managers to create and provide access to indices based on these investing themes and practices.

A Head of My Time: Change through a Business Life - George Stephens (2014)
(*Evenlode Reviewer - Leon Cyril*)

This fascinating memoir tells the story of the almost half-century-long career of George Stephens, who arrived in City in his school uniform as a boy in 1963, surrounded by men in bowler hats. It is an important and entertaining account of how the investment management industry evolved and

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developed through time, and a uniquely detailed and wide-ranging insight into the forces that spurred those changes. Starting as an apprentice at Lloyd's of London, he rose to become an important force behind Slater Walker's success, later moving to Fidelity and Perpetual. His finance career took him all over Europe, Asia and the Middle East, and is replete with life lessons and humour (and an entertaining run-in with Miss World).

Warren Buffett and the Interpretation of Financial Statements - Mary Buffett and David Clark (2008)

(Evenlode Reviewer - Leon Cyril)

In this book, the writers talk through financial statements line by line and link them to Warren Buffett's investment approach, using detailed examples from his career. Its real value, in my eyes, lies in the "interpretation" of the numbers, and the reader is offered various techniques for spotting hidden gems and undervalued assets, as well as clues about how to spot which companies are using clever shenanigans and chicanery to deceive you. As ever, Mary Buffett writes with painstaking clarity and simplicity (she has a real gift), allowing the reader to fully appreciate the important lessons that the book has to teach.

Politics and Economics

The New Map: Energy, Climate, and the Clash of Nations - Daniel Yergin (2020)

(Evenlode Reviewer - Chris Moore)

Daniel Yergin won the Pulitzer Prize for his 2009 book, *The Prize*, on the history of the oil industry. His latest book provides perspective on global geopolitical events over recent decades, with oil and energy considerations more generally as the drivers. The book is rich in facts and highly informative. It highlights how the relationships between China, Russia, the Middle East and the United States have been shaped by energy. Yergin emphasises the importance of the US shale revolution and reviews attempts by other nations to develop energy independence. On the energy transformation, the book provides context on the challenges the world faces, expecting a gradual process with oil maintaining its preeminent position as a global commodity for many years. Overall, it's an interesting read that weaves together key geopolitical events of recent decades.

Greed is Dead - Paul Collier and John Kay (2021)

(Evenlode Reviewer - Ben Peters)

John Kay might be best known in the investment community for writing the *The Kay Review of UK Equity Markets and Long-term Decision Making* following the great financial crisis, which led to the creation of the Investor Forum. His book *Other People's Money* is a razor-sharp critique of the finance sector, which I can highly recommend for those with even a passing interest in our industry. In *Greed is Dead*, written with fellow economist Paul Collier, the pair examine the current state of Western society in its current, highly individualistic form. They sense a need to move on to something more sustainable, less greedy and more usefully harnessing humanity's natural inclination for cooperation. A desire for collectivism doesn't equate to hard socialism or communism though; the authors view the twentieth century experiments with these forms of government as unmitigated failures. They

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believe that private enterprise and the market has a part to play, but at an appropriate level. Thus, they advocate for a middle ground, a centrist's view of balance between the free market and the state, and more voluntary collectivism by us as private individuals and businesses. Much of this rings true with me - at Evenlode Investment we have set ourselves up as an employee-owned organisation in order to promote a collective effort to deliver for our clients and other stakeholders over the long term, whilst clearly operating within a capitalist system. I didn't agree with everything in the book, but the arguments are thought-provoking, and as a short snapshot of the current state of Western society it is certainly worth a read.

The Unwinding - George Packer (2019)
(*Evenlode Reviewer* - James Knoedler)

This book is an interesting attempt to write 'history from below' about the recent past. Packer profiles the lives of three exemplary 'ordinary' Americans - Jeff, a Democratic lobbyist in Washington, D.C.; Tammy, a factory worker and single mother in the decaying city of Youngstown; and Dean, a struggling entrepreneur in the declining tobacco fields of the Piedmont area of North Carolina. Short chapters on their lives are interspersed with vignettes on a number of celebrities (Newt Gingrich, Peter Thiel), cities (Tampa Bay), and industries (Silicon Valley), and chronicles how their lives reflect the increase in inequality and financialisation in America in 1975-2013 as the post-war consensus was 'unwound' by free markets ideology. Packer diagnoses an America which is increasingly extractive to a growing cohort of the population, yet where this dynamic is too lucrative to the decision-making classes to be rolled back or moderated. The book ends with a deep exploration of the US government's inadequate response to the 2007-2009 financial crisis, and its discussion of the resulting Tea Party and Occupy Wall Street movements shows the soil of frustration and rage which produced the 2016 presidential election.

21st Century Monetary Policy - Ben S. Bernanke (2022)
(*Evenlode Reviewer* - Chris Elliott)

As a former chair of the Federal Reserve, Bernanke gives an exceptional insight into monetary theory and the factors that drive Federal Open Market Committee (FOMC) decision making in practice. Bernanke undertakes a detailed inspection of historic decisions, analysing US monetary history including the high inflation of the late seventies, Greenspan's soft landing, the Global Financial Crisis, and policy responses during the global pandemic. Consideration is given to the lower bound problem (the inability to cut interest rates below zero) and new monetary policy tools, from quantitative easing (QE) to improved market communication. The strengths and weaknesses of these approaches are examined, with economic studies providing rebuttals to recent criticisms of QE. Bernanke is also, perhaps surprisingly, unafraid to express the uncertainty that was present within the Fed when these measures were implemented. The book ends with an inspection of future potential tools and approaches to monetary and fiscal policy, including an impassioned argument for the retention of independent monetary policy and the Fed's dual mandate (to meet inflation and unemployment targets). With the recent re-emergence of inflation and significant macro uncertainty in developed markets, understanding the mindset of monetary policy decision makers is useful - even for investors with a bottom-up approach, focused on the micro-economics of companies.

What has the Government Done to Our Money? - Murray Rothbard (1963) (*Evenlode Reviewer* - Leon Cyril)

In times of panic, we reach for the classics. Many have found themselves getting reacquainted with the Bible, Seneca and Orwell in recent years; Dostoyevsky is making a comeback. With the cost of living and inflation weighing heavily, I thought it was a good moment to crack open Rothbard - an American economist of the Austrian school. His book sketches a history of money and traces the story of how governments came to monopolise minting, and how they separated money (and the general population) from gold. His discussion of the role of central banks in what he regards as the continuous project to debase the value of money through inflation is most interesting.

Science, Technology and Innovation

How The World Really Works: A Scientist's Guide to Our Past, Present and Future – Vclav Smil (2022) (*Evenlode Reviewer* - Hugh Yarrow)

Scientist and academic Vclav Smil has built up a small but loyal audience over the years with a series of 50 books that help explain how a variety of aspects of the modern world works (energy, manufacturing, shipping, agriculture etc.), and the implications this has for our future. Smil notes how important the material aspects of our economy and society remain: though the digital elements of the global economy are growing, they still remain dwarfed by our material economic needs and activities. In his new book Smil summarises many of the ideas explored in earlier books which makes it a short, dense, thought-provoking read. Smil tackles the big issues in several areas, including chapters on energy, food, the big four materials of modern society (cement, steel, plastics and ammonia), globalisation, risk and the environment. As is his signature style, these topics are tackled via a barrage of facts and statistics. Did you know, for instance, that over the last two centuries, the amount of human work required to produce a kilogram of wheat has fallen from 10 minutes to two seconds? Or that the production of the big four materials mentioned above accounts for 25% of global carbon emissions?

Exhalation – Ted Chiang (2019) (*Evenlode Reviewer* - Charlie Freitag)

This collection of science fiction short stories is a witty exploration of the consequences several scientific developments would have on society. It's a bit like Black Mirror but written with a much more positive view of humanity and less like a thriller. Each story explores the social and emotional effects a technological innovation or scientific discovery like a nanny machine or a brain implant that gives you perfect memory recall would have, and it does so with much empathy. Apart from the initial invention (some of which are clearly in the realm of science fiction, like a time-travel gate, and others which are perhaps on our doorstep, like AI pets) the rest of each story seems quite realistic psychologically, more so than most science fiction stories. Some stories are set in the ancient past and others resemble modern life. What comes through clearly is the author's scientific way of thinking and his strong interest in morality and interpersonal relationships. This makes each story quite a reflective read that leaves you thinking long after, while it is simultaneously hard to put the book down

because some of the stories are so hilarious. The book follows on the steps of *Stories of Your Life and Others*, Ted Chiang's first collection of short stories which included the story behind the movie *Arrival*, itself a great movie.

The Ministry for The Future – Kim Stanley Robinson (2020)
(*Evenlode Reviewer* – *Hugh Yarrow*)

Science fiction writer Kim Stanley Robinson turns his hand to the climate crisis, in a book that uses a series of fictional eyewitness accounts from the near future. The book is made up of 106 short 'chapters', starting in India with a 2025 heatwave that leaves millions dead. The eponymous 'Ministry for The Future' is a UN body set up in that same year in response to the failure of individual nations to meet their climate commitments. The author plays through some of the physical, political, economic and social issues that may arise from climate change and explores a variety of ideas that might help mitigate them (from carbon coins, to regenerative agriculture, to pumping meltwater back up onto the Antarctic ice sheet). This is 'hard' science-fiction: the book focuses on ideas that have already been proposed and technologies that already exist, rather than attempting to predict the big innovations of coming decades. The near future is rendered much like the past and the present: as a messy, complicated world in which pessimism, suffering, optimism and progress all share the stage. *The Ministry for The Future* is quite dark at times, and you won't agree with all the ideas within its pages. But it is also a stimulating grand sweep of the topic at hand, and ultimately hopeful in terms of our ability to navigate the huge transitions required.

Psychology and Philosophy

The Biggest Bluff - Maria Konnikova (2020)
(*Evenlode Reviewer* – *Cristina Dyer*)

'The Biggest Bluff' chronicles the author's journey from poker novice to professional player and explores the interplay between luck and skills in successful decision making. Konnikova is far from being a gambler: she has a PhD in psychology under the tutelage of Walter Mischel (known for the "marshmallow test" on the human capacity for self-control); conducted her own experiments on decision-making and the illusion of free-will; and before starting on her journey in the world of poker she wasn't even sure how many cards are in a deck. Her premise is testing whether the ability to synthesise psychological insights and philosophical ideas could provide an edge in decision-making at the poker table. Konnikova argues poker is a good distillation of our probabilistic universe and that decision making in poker mirrors that in life. The book explores how to apply a rational framework to a world of speculation and gambling, recognise cognitive biases that hinder sound judgment, and revise mental models in the face of new information.

Think Again: The Power of Knowing What You Don't Know – Adam Grant (2021)
(*Evenlode Reviewer* – *Hugh Yarrow*)

Organisational psychologist Adam Grant's new book looks at the benefits of humility, open-mindedness and a willingness to change one's view based on evidence. Grant makes a distinction between four modes of thinking that we all deploy: preacher, prosecutor, politician and scientist. He

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suggests that we could all benefit from spending a little more time in scientist mode, and also makes the important point that humility is not the same as lacking confidence: ‘You can be confident in your ability to achieve a goal in the future while maintaining the humility to question whether you have the right tools in the present. That’s the sweet spot of confidence.’ Grant uses a range of psychological studies to bring colour to the various points he makes. The second half of the book discusses techniques to help depersonalise and improve the quality of discussion, disagreement and debate, and makes some suggestions on how to encourage cultures of learning within organisations. There are parallels here with Carol Dweck’s book *Mindset*, and no shortage of insights that can be applied to any sphere of human activity, not least the world of long-term investment.

The Prophet – Kahlil Gibran (1923)
(*Evenlode Reviewer* – *Sawan Kumar*)

First published in 1923, the *Prophet* by Kahlil Gibran is a collection of 26 poems that speak about key matters of life such as marriage, love, self-knowledge, laws, death, religion and lots more. The philosophical theme of the book is that there is no separation between the universe and the individual. A timeless book which can be listened to or read, many times over, making you question the important themes of your life.

Other Non-Fiction

Former People, The Last Days of the Russian Aristocracy - Douglas Smith (2012)
(*Evenlode Reviewer* – *Leon Cyril*)

We all know that before the 1917 revolution, Russia was ruled by an all-powerful Tsar, supported by an army of grand dukes and an improbable number of “princes” and nobles. We all also know that once the Tsar was gone, Russia was ruled by communists and was (theoretically) radically egalitarian. But the question posed by these two bits of common knowledge, the elephant in the room, is: what happened to the aristocracy? Smith’s book is an extended answer to that rarely posed question. Inevitably, the answer makes for very uncomfortable reading, as Smith traces the fate of the Russian aristocracy after the 1917 revolution by focusing in detail on the members of the Golitsyn and Shermentev families. The first part of the book is dedicated to the culture, status and lifestyle of aristocrats in Tsarist Russia, and is a valuable testimony about a culture and people who were subsequently almost entirely eradicated. It is a sad but brilliant read.

The Looting Machine - Tom Burgis (2015)
(*Evenlode Reviewer* – *James Knoedler*)

Tom Burgis was formerly an Africa correspondent at the *Financial Times*. As the prologue relates, he saw an undue amount of suffering and death in this role, which drove him to identify the dynamic which keeps destabilising African states. His book argues convincingly that unifying thread in the mayhem is Africa’s resources wealth, and the people, both foreign and local, who collude to steal it from the citizenry to whom it belongs. Burgis discusses a number of case studies and is particularly strong on the move towards a new cohort of non-African collaborators in the looting process, such as the Queensway Group from China in Angola and elsewhere, and Israeli diamond traders in the Congo.

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It is really an extended piece of reportage, with an emphasis on the frustrating, forensic process of working out exactly who is the beneficiary of exactly which brass-plated offshore shell company. It would have perhaps been stronger had Burgis used a couple of stories as illustrative examples while building a systematic theory of ‘resources curse’ exploitation, but the facts from the group are strikingly powerful.

From Amourette to Żal - Alex Rawlings (2018)
(*Evenlode Reviewer* – Leon Cyril)

The ongoing struggle to find le mot juste just got easier. Alex Rawlings, Britain’s most prolific polyglot, has made a loving compilation of his favourite mots justes, drawn from 12 of the languages that he has mastered. We can now add such treats as pihentagyú – a Hungarian name for the kind of brain fog that sets in, causing us to do heedless things – to our lexicons. The most interesting words seem to come from the Slavic languages, which pithily condense all the quandaries of the world into a few cacophonous syllables. Rawlings gives a short commentary to each word. In case you were wondering, an amourette is the French word for a short love affair (in France, this is a distinction of the utmost importance), and żal is that special kind of bitter sadness we feel when someone dear has let us down (Polish).

Hugh and the Evenlode Team
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Please note, these views represent the opinions of Hugh Yarrow and the Evenlode Team as of 16 August 2022 and do not constitute investment advice.

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