

Evenlode Investment View

December 2020 – Winter Reading



In my November investment view, released at the end of last month, I gave a detailed update on recent developments within the economy and the stock market, 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. Since then, it has been relatively quiet in terms of fundamental company news flow, so Mr Market has mainly been focused on top-down factors such as Covid cases, vaccine prospects and the possibility of another US stimulus package. The most important factor within the UK market has been the rising anticipation of a successful trade agreement between the UK and the EU. This has led to a significant strengthening of the British pound over recent days, with the currency reaching two and a half year highs versus the dollar this week.

In my January investment view I will review this last, strange year and discuss the outlook for 2021. In the meantime, I would like to thank all our co-investors for their interest and support this year, and wish you an enjoyable, peaceful Christmas on behalf of all of us at Evenlode.

This month, as holiday season is approaching, the Evenlode investment team have compiled a selection of books that we have read and found interesting over the second half of 2020. 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 are indeed business biography, 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 Boxing Day! But we hope you'll find something of interest:

Investment

10 and a Half Lessons from Experience: Perspectives on Fund Management – Paul Marshall (2020)
(Evenlode Reviewer – James Knoedler)

Paul Marshall, cofounder of Marshall Wace, has elegantly summarised a career's worth of fund management lessons in this excellent little book. There is not enough room to detail them, but we found five lessons particularly stood out for us:

- 1) A sceptical and pragmatic approach: as Marshall notes, finance has a massive gap between its theory and its practice.
- 2) The persistent behavioural biases humans bring to investment, which can be identified and constrained, but never cured.

Evenlode Investment View

December 2020 – Winter Reading



- 3) While Marshall declares a preference for ‘value with a catalyst’ investment theses, he recognises that ‘the market is not good at predicting competitive advantage periods’, a view which lies at the heart of the Evenlode valuation model.
- 4) ‘Risk Management – Respect Uncertainty’ as he says succinctly. Our quantitative valuation model is complemented by a recognition that there are qualitative, unmeasurable risks which must be respected in position sizing.
- 5) Humility, granular attribution data, and a partnership model are structural bulwarks against the hubris that plague investment managers.

This book would make the perfect stocking filler for the asset manager in your life.

The Psychology of Money: Timeless Lessons on Wealth, Greed and Happiness – Morgan Housel (2020)

(Evenlode Reviewer – Hugh Yarrow)

Morgan Housel (former journalist and now partner at The Collaborative Fund) has written a deliberately short, succinct book on how we humans think about money, and the mistakes we often make. The book is organised into 19 short stories. Housel’s central message is that when it comes to investing (and more generally managing your financial affairs) behaving sensibly and consistently is more important than being whip-smart or possessing a very powerful spreadsheet. The mistakes we make when thinking about investment and money are often quite predictable. As Voltaire once put it, *history never repeats itself: man always does*.

Business Biography

Facebook: The Inside Story – Steven Levy (2020)

(Evenlode Reviewer – Chris Moore)

Facebook’s scale and reach are staggering. It has more than 3bn monthly active users, nearly half the world’s population, and dominates the online advertising market with Google. Levy’s account of Facebook is more forgiving than much of the current press coverage, but concedes that Zuckerberg pursued naively utopian goals without giving sufficient regard to consequences. It touches on social, privacy and misinformation issues, among others, but they are not the focus. The book gives fascinating detail on the company’s beginnings in Zuckerberg’s dorm, the culture in Palo Alto, the backstory to the now controversial acquisitions of WhatsApp and Instagram, and inner workings and personalities at Facebook. Highly recommended for an insight into online business models and Silicon Valley business culture.

Sustainability

Investing to Save the Planet – Alice Ross (2020)

(Evenlode Reviewer – Charlotte Freitag)

This highly up-to-date book by the Financial Times Wealth Editor is an excellent introduction to the moral dimensions of investment and a practical handbook for those who want their money to help fight climate change rather than contribute to it. It is written both for those who are new to investment as well as those who want to align their investment decisions better with their moral stands, may this be avoiding investment in fossil fuels and other high-risk industries, investment in best-in-class companies that are successfully transitioning to a low carbon world, or focusing on climate solutions that will enable rapid decarbonisation. Alice Ross has interviewed a range of experts in the field and gives a well-researched and balanced portrayal of the different approaches to climate change-conscious investing, from engagement to divestment. At the end of each chapter, there is a helpful ‘What can you do’ summary that speaks to investors with different risk appetites and time horizons. Importantly, the author gives advice for how to dig below green fund titles and shiny marketing materials to find investment solutions that are truly aligned with your view of ethical investment because as she shows, views of what is ‘green’ can diverge quite a bit between fund managers and investors as well as between individuals.

Science, Technology and Innovation

The Internet in Everything – Laura Denardis (2020)

(Evenlode Reviewer – Ben Peters)

There is much debate currently about the internet and its effect on society, including the influencing of elections, data security, and the effects of social media on mental health (as well as the long-since lost battle against ‘screen time’). However, most debate is, and indeed the rules that govern the internet are, about the use of digital media and data that stem from what might be called an old-fashioned view of the internet. The rise of internet-connected devices from doorbells to pacemakers to national defence systems creates a whole new set of challenges around privacy and security. Historically it was obvious who an ‘internet user’ was – it was someone hooking their computer up to a dial up modem and Asking Jeeves for something. When the internet pervades even basic household items who is an internet user? Possibly everyone. In this new world issues of licensing and consent are blurred, and risks move from bad actors pilfering your data to them being able to affect and control physical objects in the real world. In *The Internet in Everything*, Laura Denardis sets out the new challenges we face as billions of previously unconnected objects get online. It’s not a page-turning

Evenlode Investment View

December 2020 – Winter Reading



thriller, but some of the security and moral dilemmas presented will be the subject of spy movies and espionage novels to come. Particularly interesting is the description of technical standards setters and the difficulties in and pitfalls of gaining consensus and adoption of improved protocols. Why would you want your doorbell to talk to your pacemaker anyway?

Finite and Infinite Games – James P Carse (2013)

(Evenlode Reviewer – Cristina Dumitru)

A playful and philosophical dive into game theory which can be summarised through this extract: “There are at least two kinds of games. One could be called finite, the other infinite. A finite game is played for the purpose of winning, an infinite game for the purpose of continuing the play”. Investing for the long-term is a fitting example of an infinite game. The goal of investing is to keep playing for as long as possible - growing the wealth of clients for generations. However, in order to keep playing one needs to have the resources to do so, thus not losing capital takes priority over picking short-term winners.

Bad Science – Ben Goldacre (2009)

(Evenlode Reviewer – Cristina Dumitru)

A funny and informative book on the fundamentals of epidemiology, illustrating how dodgy claims can make their way into medicine and government policy. Have you ever come across a tabloid-style article claiming coffee causes cancer only to find similar articles claiming coffee prevents cancer? How can you know which one is right? ‘Bad Science’ does a good job at teaching us how to spot distortions of science specifically in the field of medicine. It’s also a good primer into the nuances of scientific investigation conveying how the scientific method is not designed to satisfy our want for quick fixes and magic pills.

Business Culture and Management

What You Do Is Who You Are – Ben Horowitz (2019)

(Evenlode Reviewer – Charlotte Lamb)

The culture of a business is paramount to its success, but what exactly is culture and why should we care to explore it? Venture Capitalist Ben Horowitz explains it well in his book ‘What You Do, Is Who You Are’ as he lays out the intricacies of culture and how it can permeate through an organisation based on the actions of its leaders. In essence, culture isn’t as simple as a mission statement or corporate values, it is how employees act when their superiors aren’t around. Culture is the company’s

Evenlode Investment View

December 2020 – Winter Reading



character and it ultimately effects how each employee deals with all of their stakeholders. The book gives the reader four core examples and explains how you can apply these lessons to your own company and achieve the culture you want. *'If you don't methodically set your culture, then two-thirds of it will end up being accidental and the rest will be a mistake.'* – Ben Horowitz

Radical Candor – Kim Scott (2019)
(Evenlode Reviewer – Charlotte Lamb)

Radical Candor focuses on the idea that individuals in management roles provide a critical relationship with every member of their team but all too often, bosses can fail on either one or both of the following attributes: providing honest feedback (both to critique and praise) and creating a trusting relationship with their team. Scott describes these two things as 'Challenging Directly' and 'Caring Personally'. She provides the reader with her own experiences of where she failed to implement one of the two and how it can lead to losing your best employees or even worse, having to fire them. She provides tips on how to start developing a trusting relationship by welcoming criticism first, ensuring to provide guidance after providing feedback to one of your team as well as avoiding over-personalised feedback. Another thing that struck me about the book is the balance she placed on criticism and praise and how insincere or lack of praise can be just as detrimental to performance as poorly delivered criticism. An insightful read, with real advice.

History

The Splendid and The Vile – Erik Larson (2020)
(Evenlode Reviewer – Hugh Yarrow)

It's hard not to draw at least some parallels between the year we have just lived through and Larson's particularly gripping account of how it felt for the British public to live through the war years of 1940 and 1941 (and the isolation of the Blitz). Larson also gives an interesting perspective on Churchill's leadership, as well as his somewhat eccentric habits (including working from bed in his dressing gown and having two baths a day). This is well executed, page-turning narrative history.

The Code Book: The Secret History of Codes and Code-Breaking – Simon Singh (2002)
(Evenlode Reviewer – Callum McPherson)

A brilliant introduction to the world of cryptography. Singh is able to make this complicated topic understandable and entertaining. I learnt how secrecy has shaped world history from Ancient Egypt

Evenlode Investment View

December 2020 – Winter Reading



to Mary Queen of Scots, Bletchley Park and quantum cryptography. A recommendation for anyone with interests in secrecy, technology, or history.

1776 America and Britain at War by David McCullough (2013)

(Evenlode Reviewer – Chris Elliott)

McCullough gives a fascinating (and well researched) retelling of the turning point in the American Revolutionary War. From the retreat of a rabble in arms, undersupplied and hopelessly outgunned by a professional British force, the narrative explains how George Washington and his allies set the stage for the eventual victory. From the ingenuity of Henry Knox and tactics of Nathanael Greene, the book demonstrates the value of leadership by example and importance of culture in facing adversity. Importantly, McCullough is not afraid to criticise Washington, giving an honest appraisal of his mistakes and the role of luck in the successful retreat. Much can be learned from his actions and courage in the face of adversity.

Other Non-Fiction

Range – David Epstein (2019)

(Evenlode Reviewer – Rob Strachan)

Range is a book about skill, knowledge and problem solving, arguing the case for generalists in a specialised world. Epstein argues that specialisation is good for 'kind' learning environments where patterns repeat and feedback is quick, but bad for much of the real world where situations are dynamic and feedback is unreliable. In the latter, knowledge and experience spread across specialisms leads to better and more creative solutions. Deep specialism is more vulnerable to cognitive biases rather than questioning ones' assumptions, a common mistake when investing. Range also provides some context for humanity's role in automation, explored through chess tactics and strategy, as well as some useful advice as we all navigate our way through the world.

A Promised Land – Barack Obama (2020)

(Evenlode Reviewer – Callum McPherson)

The first volume of Barak Obama's two-part memoir covers his childhood and decision to enter state politics; and ends with his re-election campaign in May 2011. It covers the administration's reaction to the GFC, the recovery act, foreign policy, health care and the overall complexity of being the president. It was refreshing to have a politician be so open, honest, and humble. Obama's struggle to reconcile his ambitions and fears for the future were very engaging. I look forward to reading part 2.

Evenlode Investment View

December 2020 – Winter Reading



The Sports Gene – David Epstein (2014)

(Evenlode Reviewer – Rob Strachan)

Although framed in the topic of sports, The Sports Gene book is really about the general question of nature vs nurture, talent vs practice and how each contributes to success. Epstein's experience is a blend of science, athletics and journalism which makes for an engaging, extensively researched and impactful read. The book contains answers to questions such as why Jamaicans are the best sprinters in the world while Kenyans are the best marathon runners, why the best baseball hitters can't handle an underarm pitch, and why sled dogs are the most remarkable athletes on the planet.

Fiction

Accelerando – Charles Stross (2005)

(Evenlode Reviewer – Tom Weller)

Fitting form to function fabulously, the narrative chronology in this book accelerates. It explores the rate of technological progression and the social impact of that around a so-called singularity. A point, in this context, that is exemplified by the development of AI by AI. It is well realised hard sci-fi from the open-source coder culture of the opening chapters, to minds uploaded and laser-sail-powered micro-spacecrafts. Stross delivers these well realised details in a vivid world with strong imagery populated by punk-humour characters. The identity sub-plot that runs throughout Accelerando is one explored by serious academics from Nagel to Bostrom and beyond. This book will make you think.

Hugh and the Evenlode team

18th December 2020

Please note, these views represent the opinions of Hugh Yarrow and the Evenlode Team as of 18th December 2020 and do not constitute investment advice.

Past performance is not a reliable indicator of future results. The value of investments can go down as well as up, and investors may not get back the money they invested.