

# Evenlode Investment View

December 2021 – Winter Reading

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In my November investment view, I discussed recent developments within 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. In January, I will review 2021 in full and discuss the outlook for 2022.

This month, with the holiday season approaching, the Evenlode investment team have compiled a list of books that we have read over the second half of 2021, most of which have been published in the last year or two. I'm not sure all these texts are obvious light-reading material for Boxing Day, but we hope you will find something engaging on the list!

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 the Evenlode team.

## Business Biography

**Lights Out: Pride, Delusion, and the Fall of General Electric** – Ted Mann and Thomas Gryta (2020)  
*(Evenlode Reviewer – Chris Elliott)*

Two Wall Street Journal reporters recount the decline of General Electric (GE), from corporate behemoth to the verge of bankruptcy. While much blame is placed at the feet of CEO Jeff Immelt, the book makes clear that the numbers-driven culture of GE had sown the seeds of failure long before. This created an environment where profit was prized above investment and short-term share price targets were the accepted yardstick for success. As a result, complexity was encouraged throughout the organisation and management lost sight of their customers' requirements. Value destructive M&A was pursued to inflate revenues and the engineering of steel, turbines, and jet engines became secondary to the financial engineering of GE Capital. The authors provide excellent insight into the string of calamities that followed; from financial meltdown in the Global Financial Crisis, through forced divestments, and the fateful (and expensive) acquisition of Alstom's power business. The recent announcement of the separation of the remaining three GE businesses may mark the end of the traditional US industrial conglomerate, but the valuable lessons from the short-term culture and mismanagement of GE remain applicable across many industries and companies. As investors, this book provides us with valuable insights into the importance of corporate culture, the necessity of responsible, long-term investment, and the costs of neglecting either.

**The Radical Potter: Josiah Wedgwood and the Transformation of Britain** – Tristram Hunt (2021)  
*(Evenlode Reviewer – Hugh Yarrow)*

This biography, written by the director of the V&A, paints a colourful picture of one of Britain's greatest ever entrepreneurs: the man from Stoke-on-Trent (and the grandfather of Charles Darwin) who transformed British ceramics from a cottage industry to a global leader over the course of the 18th century. Wedgwood combined artistry, innovation, quality and mass production with great success, and had a reputation for being a demanding but progressive employer. His career coincided with a period of British economic affluence catalysed by the expansion of Empire, the first traces of globalisation and the rise of more efficient, high-volume manufacturing techniques. These

# Evenlode Investment View

December 2021 – Winter Reading

---



developments led to growing disposable incomes and the beginnings of mass consumerism in Britain and elsewhere. Hunt's narrative places Wedgwood's rise in this socio-economic context (he was, for instance, one of the pioneers of advertising and direct marketing). Radical Potter also covers Wedgwood's interests outside the sphere of commerce including his work as a scientist and his political support for causes such as the abolitionist movement, free trade, religious tolerance and the French Revolution.

**My Life in Full** - Indra Nooyi (2021)  
(*Evenlode Reviewer - Cristina Dumitru*)

In a simple and honest narrative, Indra Nooyi (former Chairman and CEO of PepsiCo) recalls the events that shaped her incredible personal journey, from selling textile thread door to door in India to running PepsiCo, one of the world's biggest food and beverage companies. Her strategic redirection of PepsiCo, called 'Performance with a Purpose', was frequently second guessed by colleagues and she was even told her ideas were 'destroying the culture of the company'. PepsiCo's product portfolio today reflects Indra's success of creating long-term growth while offering customers healthier choices and redesigning packaging to reduce waste. Her autobiography champions the idea that what is good for business must also be good for society and makes a convincing argument that paid family leave and work flexibility will unleash the economy's full potential. Indra's passion, humility and strong work ethic reverberates through every page of the book. She is candid of how grinding it was to rise through corporate America and is full of gratitude for the personal and professional support networks that enabled her success.

**The World for Sale: Money, Power and the Traders who Barter the Earth's Resources** - Javier Blas and Jack Farchy (2021)  
(*Evenlode Reviewer - Chris Moore*)

This book chronicles the rise of the international commodity trading houses (Cargill, Glencore, Trafigura, Vitol) from the 1970s. The nationalisations of the oil industry in the Middle East and disintegration of the Soviet Union opened up the world's commodity markets following the dominance of the transnational oil companies, or Seven Sisters, from the 1940s. The trading houses capitalised on the explosive growth of China and deregulation of cross-border capital flows from the 2000s. The largest traders, Cargill, Vitol and Glencore generated profits of more than \$70bn during the noughties, more than corporate giants like Coca-Cola. It was a world full of colourful characters. From Marc Rich, the founder of Glencore, who spent many years on the FBI's 10 most wanted fugitive list, to Nikolai Belousov, the mastermind of "The Great Grain Robbery" in 1972. But Blas and Farchy conclude that the glory days are over. Climate change, modern banking regulation and a more self-reliant China have somewhat cramped their style. This is a well-researched book and great read, patching together key economic and political developments over the past 50 years.

## History

**Duveen: The Story of the Most Spectacular Art Dealer of All Time** - S. N. Behrman (2014)  
(*Evenlode Reviewer* - James Knoedler)

Duveen tells the story of the greatest art dealer of the early 20th century, and possibly of all time. Sir Joseph Duveen specialised in servicing a small coterie of American robber barons like Andrew Mellon and Henry Frick, focusing tightly on Italian paintings of the 15th and 16th centuries. More particularly, he specialised in sky-high prices, which adjusted for purchasing power inflation have never been revisited by Old Masters. In Behrman's words, 'when [clients] started talking about prices, he started talking about values, values that ... he himself had created'. To get these values, he manipulated prices using debt lavishly (fortunately, his clients gave him below-market interest rates from their captive banks), retained Bernard Berenson, the leading critic of his day, on a princely fee which paid for Berenson's magnificent estate at I Tatti (until he refused to reclassify a Titian as a Giorgione), and shepherded his clients' tastes with an unlimited concierge service, which extended to buying out their Impressionists (to discourage them from collecting living artists, where demand could create supply). Duveen was shrewd in choosing art as his field, where value is enigmatic and evasive. Most brilliantly of all, he encouraged his clients to leave collections to museums, preventing a nasty 'market clearing' event: hence the Frick in New York, the Huntington in L.A., and the National Gallery in Washington DC. His legacy, however, is broodingly ambiguous; his work burnished the reputations of amoral monopolists. As Behrman notes, books about Frick talk more about his museums than the dead in the Homestead strike.

**Work: A History of How We Spend Our Time** - James Suzman (2021)  
(*Evenlode Reviewer* - Hugh Yarrow)

James Suzman brings an anthropologist's perspective to the history of work, exploring what it has meant to us over the last 300,000 years, from prehistoric societies to the advent of agriculture, the first Neolithic city states, the Industrial Revolution and up to the present day. Suzman argues that much of our relationship with work today has its roots in the rise of agriculture around 10,000 years ago. However, he also notes that 'our purposefulness, infinite skillfulness and ability to find satisfaction in even the mundane' are an essential part of our evolutionary legacy. This perhaps goes some way to explain why we continue to work as hard as we do in developed societies despite having achieved mass affluence (in contrast to Keynes' prediction, made a century ago, that thanks to automation and technological progress we would be working 15-hour weeks by 2030, having solved the "economic problem"). The human work ethic has certainly led to tremendous success and abundance for our species over the last few thousand years. It has also contributed to significant issues such as inequality, alienation and environmental degradation. These, among others, present the next challenges for our 'purposefulness and skillfulness' to address over coming decades.

## Economics and Sustainability

**The Future We Choose** - Christiana Figueres and Tom Rivett-Carnac (2021)  
(*Evenlode Reviewer* - *Hugh Yarrow*)

A short, easy read from the makers of the ‘Outrage and Optimism’ podcast, *The Future We Choose* strikes an optimistic, constructive tone in discussing what will be required to navigate the transition to a net zero and regenerative economic system by 2050. Figueres and Rivett-Carnac played key roles at the United Nations in the lead-up to and during the 2015 Paris Agreement negotiations. They take a birds-eye view on what needs to be done to limit the rise in average global temperatures to well under 2 degrees, thereby avoiding the worst-case scenarios that are traced out early in the book. The authors suggest that we have most of the technologies, necessary capital and policy tools at our disposal: what is needed now, more than anything, is the collective will and long-term vision to harness these ingredients into practical action.

**Net Positive** - Paul Polman & Andrew Winston (2021)  
(*Evenlode Reviewer* - *Callum McPherson*)

The previous CEO of Unilever (Polman) and sustainable business specialist (Winston) explain to us that companies can profit from solving, rather than creating, the world’s problems. To flourish over the long-term companies must aim for net positive, they must give more to the planet than they take. Polman and Wilson borrow from years of experience to make strong arguments that businesses should improve the lives of everyone that they touch: employees, customers, suppliers and communities. They should take ownership of the impact they create, and call on others to do more, and be more. A ‘must read’ for any business or person looking to become net zero – because it is time to look beyond and become net positive.

**Sustainable Futures: An Agenda for Action** - Raphael Kaplinsky (2021)  
(*Evenlode Reviewer* - *Hugh Yarrow*)

Kaplinsky is an innovation specialist and looks to explain recent developments in the global economy using this perspective. In his view we are in a transitional period from the fourth great innovation wave since the industrial revolution (Mass Production) to the fifth (Information and Communication Technology). As with previous innovation waves this transition has created financial and economic volatility as well as a rise in political populism. Kaplinsky argues, however, that the current digitalisation wave (if harnessed successfully and responsibly) will help lead us to a more intelligent, dematerialised and circular economic system.

# Evenlode Investment View

December 2021 – Winter Reading

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## Other Non-Fiction

**Noise** – Daniel Kahneman (2021)  
(*Evenlode Reviewer* – Tom Weller)

Anyone familiar with the distinction between accuracy and precision will find much of the content of *Noise* a reconfiguration. That said, there is value in the reconfiguration, and the attendant discussion, and Kahneman adds a distinction and a framework that is very valuable alongside his insightful anecdotes. Precision is about how close together your hits on target are, whether they are in the bullseye or over on the left of the board. Accuracy is about where the average of your hits on target are; they can be scattered widely but accurate if the average is on the bullseye. One without the other is of little utility. The distinction that adds value for me is that between noise and bias. At Evenlode we have a variety of systems in place to reduce the bias and noise in our decision making. Kahneman's book provides me with a useful framework for developing my thinking on this subject. For example, our collegiate approach provides us with many decision observers, to borrow Kahneman's language, and the quantitative and qualitative measures we use raise decision hygiene. So, whilst as a physicist I am familiar with signal and noise, this book helps me bring that familiarity to bear on the challenge of human systems.

**A Woman in Berlin** – Anonymous (1959)  
(*Evenlode Reviewer* – Charlotte Freitag)

*A Woman in Berlin* is a gripping diary written by a woman living through the last days of the second world war in Berlin. The book is a record of the daily life of civilians over the span of two months in 1945 during the Battle of Berlin, including the hunger, mass rape and looting. But it also shows how the community of tenants around the protagonist deal with these realities and shows their pragmatism, co-operation and humanity in the face of adversity. It is simultaneously devastating, matter of fact and hopeful. When it was published anonymously in Germany in 1959, it caused an outcry for "besmirching the honour of German women" which led the diarist to refuse another edition to be published until after her death. Today, it is an incredible snapshot of life at another time that may seem very distant but is intimately linked to the present. What is most surprising is how modern the author's views are (aside from some cultural comparisons) – in some ways, it could have been written by a woman today.

# Evenlode Investment View

December 2021 – Winter Reading

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## Fiction

**Project Hail Mary** - Andy Weir (2021)  
(*Evenlode Reviewer* - Ben Armitage)

Project Hail Mary is a sci-fi yarn that, true to form for Weir, is heavy on the hard 'sci' whilst still managing to make an accessible and enjoyable 'fi' for the layman. Told from the perspective of an amnesia-ridden teacher lost in space, part of the appeal of this book is learning along with the central character why he is, at least temporarily, alone on a spaceship, light-years away from Earth. Weir's use of hard and real science is not without shortcomings. From the perspective of a scientist, one of these is the author's propensity to have our central character rapidly solve challenging problems after a simple and brief 'nerding-out' session. This is far removed from my experience of research. Nevertheless, at its heart this book is an absorbing space/ buddy adventure, and will no doubt become a successful and engaging movie, à la 'The Martian', in the not-too-distant future.

**Hugh and the Evenlode team**  
**20 December 2021**

*Please note, these views represent the opinions of Hugh Yarrow and the Evenlode Team as of 20 December 2021 and do not constitute investment advice.*

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