

Evenlode Income Investment View

December 2022 – Winter Reading



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 valuation appeal that we see in the fund's underlying holdings. In January, I will review 2022 in full and discuss the outlook for 2023.

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 2022, the majority of which have been published in the last couple of years. We've grouped the reviews together by topic: business and investment, environment, food and agriculture, politics and economics, science, technology and innovation, psychology and ethics and other non-fiction. 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 and Investment

Chip War – Chris Miller (2022)
(*Evenlode Reviewer* – Chris Elliott)

Semiconductors have become key to the modern way of life, from being integrated into almost every household device to driving geopolitical decision making. In *Chip War*, Miller describes the history of microchips over the past seventy-five years, casting a spotlight on both the individuals involved and important technological developments that have enabled data to become the 'new oil'. Of particular interest is the varied approaches taken by different nations in this development, including the Soviets' failure to innovate, Europe's missed opportunity, Japan's partnership model, and China's current ambitions. The evolutions of semiconductor supply chains and current manufacturing processes are explained, giving the reader an understanding of the deep complexity in the current manufacturing ecosystem. The book then leverages this to give a detailed account of the recent 'chip-crunch' and discusses the geopolitical significance of Taiwan, a key manufacturing hub for advanced semiconductor chips. This book is an excellent primer on a complex industry that is likely to continue to dominate headlines in 2023.

For Profit: A History of Corporations – William Magnuson (2022)
(*Evenlode Reviewer* – Hugh Yarrow)

Reading *For Profit* made me reflect on how rarely the history of the world has been told through the lens of the 'company'. This is perhaps surprising, given the proportion of time many of us spend doing things that relate to these legal entities, and given that the history of companies can be traced back at least as far as the Roman Republic. Magnuson (a legal academic) has written a book that ploughs this relatively unexplored non-fiction furrow. He takes the reader through a variety of chronological case studies to tell his story: everything from the corporations that helped Rome construct roads and aqueducts, the Medici Bank of Renaissance Italy, and the innovative Silicon Valley companies of more recent history. One of Magnuson's key observations is that there has always been a tension around how companies are perceived and legally defined. On the one hand, they are sometimes seen as

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amoral entities focused on maximising profit for owners. On the other, they have also been perceived as institutions designed to promote the societies that granted them charter, with civic duty forming an important part of their purpose. In this sense, he argues, the concept of stakeholder capitalism is an ancient idea, and its recent revival is part of a much longer historical debate.

Banking On It: How I Disrupted an Industry – Anne Boden (2020)

(Evenlode Reviewer – Cristina Dyer)

Anne Boden is the founder and CEO of Starling Bank, a British digital challenger bank which was named the Best British Bank for 5 consecutive years from 2018 to 2022. Part autobiography part business story, the book chronicles Anne's journey from a corporate executive to a fintech entrepreneur taking on the mammoth task of building a digital bank from scratch. The book also provides a good introduction to the business model of digital native banks vs that of traditional banks. Starling operates a balance sheet-light model with improved returns on equity. In addition to retail and business banking, Starling has two other revenue streams, a marketplace business offering 3rd party financial products to customers, and a Banking-as-a-Service business offering a range of mobile banking tools to financial service providers. Anne is frank about the numerous setbacks and challenges Starling had to overcome which makes for an enthralling read. From securing funding, surviving a coup orchestrated by a close colleague and obtaining a banking licence, Anne and her team push through with dogged persistence, good humour, and a clear mission towards transforming the world of banking.

Trillions: How a Band of Wall Street Renegades Invented the Index Fund and Changed Finance Forever – Robin Wigglesworth (2021)

(Evenlode Reviewer – Ben Armitage)

Index funds have become a behemoth in the world of investment, accounting for c.40% of all the money invested in mutual funds and ETFs globally (literally trillions). Warren Buffett famously won a million-dollar bet that an index would outperform a curated collection of five hedge funds. The popularity and success of indexing wasn't always apparent, and in fact when the idea of passive investing was first put forward in the mid-twentieth century, then popularised by John Bogle of Vanguard fame (among others), the idea was given short shrift. Here, Robin Wigglesworth, an FT correspondent, details their rise and applies some common-sense implications of what that means in the greater context of finance. Whilst the indexing revolution has undoubtedly shaken up the financial industry, this book also points out some critical pitfalls of their rise (indexes only work because actively managed funds exist, many index funds cannot – by design – use ESG standards in their approach etc.). Whilst the subject matter may appear arcane and a little uninteresting to a layman, the story is written in a way that is insightful and engaging throughout, and worthy of a read by anyone with even a 'passive' interest in investing.

The Revolution That Wasn't: How Gamestop and Reddit Made Wall Street Even Richer –

Spencer Jakab (2022)

(Evenlode Reviewer – Ben Armitage)

The pandemic-era run on GameStop stock turned it from a virtually worthless dying stock into a vastly inflated 'meme-stock' almost overnight. This turned heads, brought global attention to retail stock trading, drove a couple of hedge funds out of business and ended up fleecing thousands of retail investors. Here, FT editor and former Credit Suisse analyst Jakab breaks down what happened, how it happened and who the net beneficiaries were, in a well thought out and engaging way.

Environment, Food and Agriculture

Rooted: Stories of Life, Land and a Farming Revolution – Sarah Langford (2022)

(Evenlode Reviewer – Hugh Yarrow)

Rooted tells the story of ex-barrister Sarah Langford and her husband, taking over the management of a farm from her in-laws in Suffolk. Interwoven with this narrative is a discussion on the history and future of agriculture in the UK, including a wide variety of personal stories from the farmers that Langford meets on her journey of discovery. The book is educational, covering some quite technical material including a history of soil science and agricultural policy. But it is also an easy, enjoyable read. Though Langford covers many issues and challenges that today's agricultural sector faces, her passion and sympathy for traditional rural communities is notable. It leaves the reader with a good sense of the need for more regenerative farming practices, but also the importance of empowering the UK farming community to play its part in this transition – whilst also continuing to meet the food production needs of the nation. Did you know that farmers represent 1% of our workforce but look after 70% of our land?

Silent Earth: Averting the Insect Apocalypse – Dave Goulson (2021)

(Evenlode Reviewer – Ben Armitage)

Silent Earth is a tribute to 1962's *Silent Spring* by Rachel Carson, and an up-to-date analysis of where we are now. Dave Goulson is a biology lecturer, bee expert and excellently accessible scientific writer, and the news he brings here is not good. If you are above the age of around 25, you may have noticed that there don't seem to be half as many bugs illuminated in car headlights at night or splatted on the car windscreen these days. The mass global deployment of pesticides has been a key cause of this trend. Spread liberally on household pets, gardens, domesticated farm animals and arable land, they are effective at killing every invertebrate they touch (a pest is only a pest by human definition). It turns out that many (in fact all) 'pests' form an essential part of an unfathomably complex food chain that managed for thousands of millennia before human intervention, but is now at risk. This book is heart-breaking and terrifying, but it is not a call to hopelessness. Rather, it is a must-read call to action. Goulson provides an extensive list of actions we can all take, large and small, to combat the situation, including letting your lawn grow, planting native wildflowers on every inch of road verge, park, and green space, and farming in a more sustainable way.

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Kitchen Confidential – Anthony Bourdain (2013)
(*Evenlode Reviewer* – *Sawan Kumar*)

This book goes behind the scenes to the inner workings of a restaurant kitchen and the inner mind of one of the most popular chefs in the world. Anthony Bourdain's memoir goes into detail about his childhood, his rockstar life as a teenager and provides useful advice for diners such as why you should never order fish on a Monday, why sauces taste better at restaurants (most of them include a stick of butter) and why you should dine out during the week (weekdays are for locals and weekends are for tourists). Tuesdays are the best day to eat out as the food is fresh (including the fish) and the kitchen is most relaxed which induces chef creativity. Although some of these tips may not be universal among all restaurants, and processes may have evolved since then, Anthony's candid style of communication is quite entertaining. Recommended on Audible because of his iconic voice and unique delivery.

Politics and Economics

Confronting Leviathan: A History of Ideas – David Runciman (2022)
(*Evenlode Reviewer* – *Hugh Yarrow*)

This is a short, thought-provoking read that emerged from Cambridge academic David Runciman's podcast series *Talking Politics* (which was started during the first Covid lockdown of 2020). It covers a history of political thought since Thomas Hobbes. The story is told through a chronological selection of key thinkers, covering a wide range of ideologies: Wolstencraft, Tocqueville, Marx, Gandhi, Hayek, Arendt and more are covered in short chapters. In the context of the current polarisation of both domestic and international politics, many of the political arguments these individuals grappled with remain fresh and relevant today.

Britannia Unchained: Global Lessons for Growth and Prosperity – Kwasi Kwarteng MP, Priti Patel MP, Dominic Raab MP, Chris Skidmore MP and Elizabeth Truss MP (2012)
(*Evenlode Reviewer* – *Ben Peters*)

Whilst not disinterested in politics, and a firm believer in the power of democracy, I don't bang the drum for any particular political ideology. Ideology was in sharp focus this year though as we witnessed the most extraordinary UK political episode of my adult life. The policy choices of Liz Truss and Kwasi Kwarteng during their brief tenures at numbers 10 and 11 were previewed in a book published a decade ago. Interested to see how this text contextualised the now-infamous 'mini budget' that saw sterling tank, gilt yields soar, Kwarteng being fired and Truss resigning, I read *Britannia Unchained* with interest. The search for elusive growth is the main subject of the book. It uses comparisons of Britain's performance against other countries to construct a prosperity solution built around taking 'hard' subjects at school (*Chapter 3: Revenge of the Geeks*), working harder with lower taxes (*4: Work Ethic*), less regulation (*5: Buccaneers*), and having a relatively youthful population (*6: Britannia Unchained*). The policy recommendations that follow make for mini-budget bingo. Some of the examples used to illuminate them are well-known, for example Silicon Valley and Israel's success in developing a technology start-up scene. Some are tenuous – using taxi drivers as the source

of knowledge on the UK's work ethic and policy choices. Some are a little off the wall – The dynamism of the black market held up as an example of deregulation at its most raw. Perhaps the most interesting given recent history is *Chapter 2: A Tale of Two Nations*. The authors note that 'deficits do matter, even in the short term'. Australia's reduction of its debt to very low levels is cited as a triumph. Whatever their merits or otherwise, Kwarteng as Chancellor attempted to fully make real the ideas in the rest of the book without saying how they would be paid for. The market implied he should re-read *Chapter 2*, but by then it was too late.

Red Roulette: An Insider's Story of Wealth, Power, Corruption and Vengeance in Today's China – Desmond Shum (2021)
(*Evenlode Reviewer* – Ben Armitage)

This is the autobiographical tale of Desmond Shum, born in poverty in China before earning a US college degree and returning to his homeland to work. Once there, along with his equally ambitious wife, they established themselves in China's billionaire class on the back of the drive in the 2000s to establish a more 'western' consumer-driven economy. However, in 2017, while Shum was in the UK, his now-estranged wife 'disappeared' along with some co-workers as Xi Jinping tightened government policy on foreign ties and excess. The book often veers a little into a vanity project for Shum, but it is a very useful first-hand account that adds colour to the inner workings of modern China - as we have seen during and post-COVID, decisions taken by the China autocracy have very real impacts on the rest of the world.

Science, Technology and Innovation

The Innovator's Hypothesis: How Cheap Experiments are Worth More Than Good Ideas – Michael Schrage (2014)
(*Evenlode Reviewer* – Tom Weller)

This book reminds me of a fragment from Kahlil Gibran's *The Prophet*: "all knowledge is vain save when there is work". Michael Schrage's *Innovator's Hypothesis* emphasises the importance of implementation over ideas, echoing *Experimentation Works* by Stefan H. Thomke (2020), and *The Lean Startup* by Eric Ries (2011). Many of the examples used in each book are very similar, but the anecdotes in Schrage's book are particularly enlightening - highlighting elements of a simple framework for generating not a set of innovation ideas, but a set of hypotheses and experiments. His framework has been designed to navigate all sorts of hard audiences in large and small organisations with a multitude of gatekeepers and tenured risk-averse stakeholders, whereas Thomke is addressing the academic student of innovation and Ries the action-hungry time-poor start-up founder. But all three books can be read as paeans to a convergence between the scientific method, an experimentalist's approach, and the pragmatism of business.

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Psychology and Ethics

Belonging: The Ancient Code of Togetherness – Owen Eastwood (2021)

(Evenlode Reviewer – Charlotte Lamb)

As human beings, we are hardwired with a need to belong - it's our tribal nature. Yet so many teams get this wrong. Owen Eastwood is one of the most in-demand performance coaches, having worked with Gareth Southgate's England football team, the South African cricket team, and NATO, to build the teams' identity stories and provoke a sense of belonging. After losing his father at a young age, Owen reached out to his ancestors to discover his unique heritage and membership of the Maori tribe, who hold the ancient belief of 'Whakapapa'. The idea is that each of us is part of an unbreakable chain of people who share an identity, and it is our duty that when it is 'our time in the sun' we do everything we can to make the tribe better. That is our legacy. This book walks the reader through the Whakapapa belief system and how Owen embeds it into high-performance environments.

The Life You Can Save: How to Do Your Part to End World Poverty – Peter Singer (2009)

(Evenlode Reviewer – Callum McPherson)

A bold and ambitious argument that the middle and upper classes in developed countries (and upper classes in developing nations) should be giving more to charity and have a moral obligation to do so. I enjoyed the layout of Singer's argument - he started with where we would end up and also set out the common arguments against the motion. He then dismisses them one by one in the rest of the book. The impact you can have on the poorest in the developing world by donating just a few percent of your income is significant. With organisations focussed on making sure the contributions reach their intended destination you can be certain they're working effectively too: the number of people living in extreme poverty (defined as less than £1 per day) has actually fallen from 1.9 billion in 1981 to 1.4 billion today and since 1960 the number of children that die before they reach the age of 5 has been reduced from 20 million to under 10 million (despite enormous population growth). Both encouraging statistics but there is still a long way to go. Whilst you may disagree with some of his arguments for giving more of your income to charity, I would be very surprised if anyone disagreed with all of them and Singer's general conclusion. I have myself been swayed by the arguments and recently increased the amount I give to charity. The book is both thought and action provoking.

Other Non-Fiction

The Thief at the End of the World: Rubber, Power and the Seeds of Empire – Joe Jackson (2008)

(Evenlode Reviewer – James Knoedler)

The Thief at the End of the World by Joe Jackson is two books. The first is a life of Sir Henry Wickham, a Conradian adventurer, perpetually on his beam ends, through the most violent and austere frontiers of late Victorian colonialism. The second is a profile of the various latex producing plants which are vulcanised into modern rubber, the growth of the rubber industry in the 19th and 20th centuries, and the identification of Brazilian hevea as the optimal source of rubber. The stories come together with Wickham's theft of 70,000 hevea seedlings from a distant tributary of the Amazon in 1876. The theft

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did not bear immediate fruit as British authorities failed to create a plantation industry for three decades, leaving an increasingly rubberised world dependent on wild tapped rubber from the Amazon and the Congo basins. Jackson's well written and scholarly book takes on real force when he discusses the genocidal cost of the wild rubber trade; had hevea been domesticated sooner, many lives would have been saved. The mass suffering of the Congolese and Amazonians forced at gunpoint into rubber tapping is contrasted to Wickham's tortured, self-destructive career in the harsh backwaters of empire, culminating in his long-suffering wife eventually leaving him after twenty-five difficult years while they were marooned on a failing copra plantation in the appositely named Conflict Islands in the South Pacific. A fascinating book and instantly captivating to any fan of Joseph Conrad or RL Stevenson.

Underland: A Deep Time Journey – Robert MacFarlane (2020)
(*Evenlode Reviewer* – Callum McPherson)

An underground journey 10 years in the making takes the reader through amazing journeys. Parisian catacombs, hidden oceans, and invisible cities. I'm unsure how to classify this book - it's part travel and adventure, but it contains plenty of history, geology, biology, and climate science. It encourages you to focus on the universe beneath your feet and our impact on it. For example, Plastiglomerate, a kind of stone not veined with metal or rock, but with melted plastic. Once deposited into strata this will create an indelible record of the Anthropocene. Or the "Wood Wide Web" an underground network found in many forests that connects plants, trees, and fungi together for the transfer of water, nutrients, and minerals. Using this network, a tree can send resources to its offspring when they are in need and knows not to compete with them. Whilst the subjects covered by MacFarlane are fascinating and thought provoking, the language that he uses is often wandering and can leave the reader feeling lost. But the key takeaway that is clear, and one that I keep coming back to, is his question "are we being good ancestors?"

"Into the underland we have long placed that which we fear and wish to lose, and that which we love and wish to save"

Hugh and the Evenlode Team
16 December 2022

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

Where opinions are expressed, they are based on current market conditions, they may differ from those of other investment professionals and are subject to change without notice. This document is not intended as a recommendation to invest in any particular asset class, security, or strategy. The information provided is for illustrative purposes only and should not be relied upon as a recommendation to buy or sell securities.

For full information on fund risks and costs and charges, please refer to the Key Investor Information Documents, Annual & Interim Reports and the Prospectus, which are available on the Evenlode

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Investment Management website (<https://evenlodeinvestment.com>). Recent performance information is also shown on factsheets, also available on the website.

Past performance is not a guide to future returns. The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested. Fund performance figures are shown in Pound Sterling, inclusive of reinvested income and net of the ongoing charges and portfolio transaction costs unless otherwise stated. The figures do not reflect any entry charge paid by individual investors.

Source: Evenlode Investment Management Limited, authorised and regulated by the Financial Conduct Authority, No. 767844.