

Evenlode Investment View

August 2020 – Evenlode Summer Reading List



In my July investment view, released last week, I updated on the Evenlode Income portfolio and some of the key talking points emerging from interim reporting season. The vast majority of companies in the portfolio have now released results, and I'll give a further update in September.

Meanwhile, as it's summer holiday season, the Evenlode investment team have compiled a selection of the books that we've found interesting over the last year. This is something that we last attempted three years ago but will aim to do at least annually from now.

As I mentioned last time we compiled a book list, the journalist Lucy Kellaway once wrote an amusing satire on 'Summer Reading Lists' from the business world. To quote: *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.*

I'm afraid that, true to stereotype, many of the books are indeed tech, biography or history of some kind. Many (but not all) are quite 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

The Culture Cycle – James Heskett
(Evenlode Reviewer – Chris Elliott)

Company culture is often discussed as a key factor in corporate success, but investors rarely attempt to quantify or measure it. Heskett sets out a framework for approaching this task with plenty of excellent examples of different corporate cultures in the US. Discussions range from the "misfits" driving innovation at 3M to Bill Campbell's leadership of Intuit through moments of adversity. While Heskett himself acknowledges the limitations of any study into corporate culture and the work that remains to be done in the field, this informative thesis is useful for both investors and managers alike.

The Man Who Solved the Market – Gregory Zuckerman
(Evenlode Reviewer – Rob Strachan)

Focused more on people than equations, this is the origin story of probably the most successful hedge fund in the world, Renaissance Technologies, founded by mathematician and codebreaker Jim Simons. Simons and Renaissance were among the pioneers of quantitative investing, using complex algorithms, written by academics and fed by large mounds of data, to systematically look for returns. Now ubiquitous, this approach presented an enormous challenge to Simons back in the 1980s.

Central to Renaissance is the Medallion fund, the original fund now only open to employees. Between 1988 and 2018, the fund averaged an unfathomable 66% gross annualised return before fees (39% annualised return after fees, with fees of '5 and 44' – 5% annual management fee and 44% performance fee), earning them over \$100bn in trading profits. Despite these figures, Renaissance are notoriously

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secretive, which makes the book a rare window into the personalities of those involved, taking centre stage in the narrative. This insight makes for a fascinating read.

Adaptive Markets: Financial Evolution at the Speed of Thought - Andrew W. Lo
(Evenlode Reviewer – Callum McPherson)

Pulling ideas from many fields, from psychology to artificial intelligence, Lo aims to show us that the efficient market hypothesis isn't wrong, it's just not complete. He uses neuroscience to show humans can't always make rational decisions, behavioural psychology to explain decision making biases and empirical data to show anomalies in market behaviour.

When markets are unstable the perfectly rational human being is replaced by investors reacting instinctively. This fear or greed reaction creates inefficiencies which others can exploit. A though provoking blend of traditional and behavioural finance.

“Fear is a very efficient mechanism for learning”

The Ascent of Money: A Financial History of the World – Niall Ferguson
(Evenlode Reviewer – Bethan Rose)

Pulling you through a comprehensive and clear backstory of both the ascent and descent of money, Ferguson summarises a broad sweep of financial history in a knowledgeable way whilst also providing the reader with a wealth of interesting facts.

In the world we live in today, with tap on credit cards and instant digital transactions it is easy to forget the process and development relating to the mediums of exchange we have used, and in some cases still use today. This book takes you through century after century across continents covering everything from currencies and inflation to crises of the past. Although this book is comprehensive it is a fairly easy read with some observations and theories proving controversial among other readers.

Business Biography

The Intel Trinity, How Robert Noyce, Gordon Moore and Andy Grove Built the World's Most Important Company - Michael S. Malone
(Evenlode Reviewer – Chris Moore)

This book chronicles the history of Intel and its founders. As the inventor of the microprocessor, it highlights the importance of Intel in the computer and internet revolution. It provides insight into the history, culture and scale of change in Silicon Valley. Surprisingly, for all the technological achievements at Intel, this book also shows the importance marketing, brand building, canny management and customer obsession played in its success. A highly recommended read but, if like me, you're not a computer whizz, start with the Appendix which provides a useful “Tutorial on Technology”.

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The Everything Store – Brad Stone (Evenlode Reviewer – Chris Elliott)

A fascinating insight in the development and ethos of the digital-retail behemoth that is Amazon. Stone gives the reader an unbiased and detailed view into the customer first (and sometimes only!) mentality that pervades one of the world's most high-profile companies. Bezos' uncompromising attitude and determination to build a world-leading enterprise is brought to life by company anecdotes, ranging from the inspirational to the frightening! The book also provides the interested investor with a detailed explanation of how the Amazon Flywheel strategy works and how the company evolved through the dot-com boom and bust.

Sustainability

There is No Planet B – Mike Berners-Lee (Evenlode Reviewer – Sawan Kumar)

'There is No Planet B', has accurately titled itself as a 'handbook' as it is an evidence-based practical guide to the choices we can make to our lives now, in trying to reduce our own carbon footprint. Mike Berners-Lee, an English researcher and writer on carbon foot-printing, does not claim to have all the answers but instead throughout the entire book, asks the readers questions; Should I go veggie or vegan? What is the catch with energy efficiency? Why might wealth distribution matter more than ever? At a time when more robust climate policies need to be shaped by the government, this book makes for a fascinating read in how we can address the global problem at a more personal level.

Oceans of Life – Callum Roberts (Evenlode Reviewer – James Knoedler)

The Earth is mostly a water planet; 70% of its surface, and 99% of its habitable space, is made up of oceans. Humans are a land-based species, but our survival and prosperity are inextricably linked to the health of the world's waters. Callum Roberts's book is a comprehensive description of the fertility, complexity, and resilience of our oceans and the enormous variety of species living in them. It is also a searching discussion of the cumulative impact human beings have had on them.

Grow the Pie – Alex Edmans: (Evenlode Reviewer – Chris Elliott)

The popular focus on environmental, social and governance factors in investment has been primarily focused on the "right thing" to do. In this book, Edmans goes beyond that question, asking instead what is reasonable for businesses to do and addresses the balance between improved social outcomes and ongoing profitability. His solution is to "grow the pie" or total value of the company by focusing on their ability to serve societal need and improve the outcomes for all stakeholders. The book contains a detailed summary of the academic research relating to the field and reaches balanced,

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though occasionally surprising, conclusions on issues ranging from the proliferation of share buybacks to executive pay and shareholder activism.

The Ethical Capitalist: How to Make Business Work Better for Society - Julian Richer
(Evenlode Reviewer – Callum McPherson)

The founder and managing director of Richer Sounds makes the argument that business leaders need to think proactively about the societal impact of their companies. It will ultimately make them more successful; treat your employees well and they'll in turn treat your customers well. He insists that Capitalism has lost its way, each week we hear about another company exploiting its workers or evading tax bills. With a few subtle, but fundamental changes to the way corporations are run success does not need to be achieved at the expense of others or society.

“Ethically run businesses are invariably more efficient, more motivated and more innovative than those that only care about the bottom line”

Long-Termism

The Good Ancestor: How To Think Long-Term in a Short-Term World – Roman Krznaric
(Evenlode Reviewer – Hugh Yarrow)

A perhaps timely release this summer, during ‘The Great Pause’, public philosopher Roman Krznaric wants us all to reawaken our ‘cathedral thinking’ and ‘legacy mindset’, cut out the noise and think for the very long-term. He describes today’s tendency to short-termism as a conceptual emergency. In his polemical and politically charged way Krznaric attempts to shake us out of the here and now and help us look back at ourselves from the distant future. How did we do?

Innovation and Science

How Innovation Works – Matt Ridley
(Evenlode Reviewer – Hugh Yarrow)

Ever-optimistic Matt Ridley’s new book is full of stories from humanity’s history that weave together to form a biography of the innovation process (dogs, toilets, coffee, vaccines, mosquito nets, computers, search engines, etc.). For Ridley, *innovation* is the process that turns *inventions* into useful, affordable things available to everyone for mass consumption. He quotes Amara’s Law: ‘*people tend to overestimate new technology in the short-run, but underestimate it in the long-run*’. Ridley argues that the process of innovation is still poorly understood, particularly given how important it is to human history and the way we live today. The nature of innovation as a collaborative and incremental effort is discussed: the early post-war computers for instance (ENIAC and Colossus) were not the product of one genius mind, but were distinctly collegiate enterprises that built on the work of many theorists that pre-dated them (Turing et al). Ridley also suggests that several factors are particularly important

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to encourage the innovative process, and several others can too easily stifle it. The book (having had its publication delayed) includes an afterword that acts as a call to arms for the current crisis: Ridley argues that we must unleash the power of collaborative innovation to help solve the problems that we all face today.

A Crack in Creation – Jennifer Douna
(Evenlode Reviewer – Chris Elliott)

The advent of genetic editing appears to offer an exciting new avenue for personalised therapies. As one of the developers of the CRISPR technology, Douna is uniquely placed to undertake an exploration of the historic development of genetic editing in humans. The complex science is explained in an understandable and highly readable fashion, enabling the reader to reach their own conclusions on the ethical questions raised by such an important technology. An excellent read for anyone with even a passing interest in science and technology.

Other Non-Fiction

The Choice – Dr Edith Eger
(Evenlode Reviewer – Hugh Yarrow)

Edith Eger (now aged 92) has an extraordinary story to tell. Sent to Auschwitz with her family as a teenager, she survived unbelievable trauma including the death marches of winter 1944/45. After emigrating to the US after the war, she became a psychologist and therapist. This book is hard to put down, unflinchingly honest, disturbing and ultimately uplifting. It's a very personal account of coping with adversity and learning to live with a deeply traumatic past. In Eger's own words "*just remember, no one can take away from you what you've put in your own mind*".

Upheaval – Jared Diamond
(Evenlode reviewer – Callum McPherson)

Upheaval focuses on half a dozen countries that have coped with national crises. The author believes that these coping mechanisms are similar to the factors we use when dealing with personal crises. Therefore nations can use the same approach that is used by some psychotherapists. We can use models to blend taking responsibility, the willingness to learn from others, and the ability to compromise.

The way each of the nations in Upheaval reacted to their catastrophes – through selective change – was crucial to their recovery. Jared Diamond also investigates how we might negotiate upcoming challenges, for example the future of the EU and the rise of populism in the US. Interestingly for our current situation there are few models to look back on for pan-global crises.

"It is neither possible nor desirable for individuals or nations to change completely, and to disregard everything of their former identities"

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Leading – Alex Ferguson and Michael Moritz

(Evenlode Reviewer – Charlotte Lamb)

Leading walks the reader through Sir Alex Ferguson's unparalleled success, from his career in Scotland and later as the Manager at Manchester United. Written in collaboration with Michael Moritz, Partner at the VC firm Sequoia Capital, the book explores the traits that led to Ferguson's achievements. Although the anecdotes relate mostly to his football career, the book touches on aspects of being a good leader in all walks of life. It's easy to read, funny and the lessons he's learned are very relatable.

Why We Sleep – Matthew Walker

(Evenlode Reviewer – Rob Strachan)

Matthew Walker is a world-leading figure in the field of sleep science and an excellent writer. Written like a research paper but as engaging as a novel, this book is a showcase of modern science's discoveries about slumber. The science behind what goes on in our brains and bodies while we sleep is anything but sleep-inducing. Walker explains how good sleep makes us cleverer, more sociable, funnier, happier, more creative, more attractive, healthier, stronger, safer and makes us live longer (while also describing the significant consequences of not getting enough sleep). This book is the ultimate combination of interesting and useful, applicable to anyone anywhere doing anything. It's certainly changed the way I do things. Walker presents a convincing argument that there is nothing more important than a good night's sleep.

How to listen to and understand great music – Robert Greenberg

(Evenlode Reviewer – Ben Peters)

This is a lecture series available on Audible. I wanted to deepen my knowledge on music theory but needed an idiot's guide to some of the basics and came across this. The music in question is concert music, as in the stuff played by orchestras, string quartets and such. This is not my normal thing – I'm into the sort of electronic music that might have a banging donk on it – so I wondered if it would be for me. I need not have feared. Dr Bob takes us through musical history, explaining the music of the time and how it reflected society. This sounds dry but it is anything but. Using anecdotes, stories and case studies, he brings in technical elements of musical structure in a lively and outright funny way. I recommend it to anyone with an interest in music no matter what your usual oeuvre.

Algorithms to Live By – Brian Christian and Tom Griffiths

(Evenlode Reviewer – Chris Elliott)

The world of computer science seems unreachable to many, with barriers in the form of languages, logic and complexity. In this book, Christian and Griffiths take the learnings from computer science and apply them to relatable, real-world problems. The search-stop algorithm is applied to finding both a parking spot and a wife (with differing levels of success!) to give just one example of the humour

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that pervades the pages. It is difficult to overstate how much can be learned from this book, not only about computer science but also on cognitive psychology and how we behave in our day to day lives.

The Fourth Turning – Neil Howe and William Strauss

(Evenlode Reviewer – Sawan Kumar)

Neil Howe, the co-author of the book along with William Strauss, explains in some detail how generations are formed and how historical moments have shaped peer groups differently depending on the phase of the life they are in. The authors argue that an underlying pattern has existed through history in which generations follow one another in time, and as such have similar values and beliefs. As defined by the authors, the four 'generational archetypes' are called a Prophet, Nomad, Hero and an Artist. Each archetype lasts around 20 years and the underlying identity of the archetype remains intact over centuries. Whilst being in *the third turning* at the time of the book (published in 1996), the book provides a stark summary of the potential crisis that is yet to come. Not an easy read but great as an audible version whilst driving on the M25.

Fiction

The Anthologist – Nicholson Baker

(Evenlode Reviewer – James Knoedler)

The Anthologist is two books in one. The first one is a gently engaging character study of an oddball middle-aged American man living in New England, a refugee from academia trying to win back a girlfriend and restore some structure to a meandering life. The second is a highly idiosyncratic yet compelling study of English prosody (the technical scaffolding of poetry) which makes some fascinating arguments about rhyme and natural meters. Highly recommended.

Hugh and the Evenlode team

7th August 2020

Please note, these views represent the opinions of Hugh Yarrow and the Evenlode Team as of 7th August 2020 and do not constitute investment advice.