

## Blog Post: Pender's Holiday Reading List – December 2018

### David Barr

I'm looking forward to reading three books this holiday season. Two relate to decision making, while the third has contributed to my never-ending quest to keep myself organized and it's time for a refresher.

[Thinking in Bets: Making Smarter Decisions When You Don't Have All the Facts](#), Annie Duke

Annie Duke is a former professional poker player who has written about decision making theory. There are some great tie-ins with probabilistic thinking in this book and I'm looking forward to seeing how they relate to stock investing.

[Gridiron Genius: A Master Class in Winning Championships and Building Dynasties in the NFL](#), Michael Lombardi

Football is a very strategic game and this book talks a lot about coaching and decision making, and how you can stack the odds in your favour. I hear it's a little like the *Moneyball* of football. Another way that a different discipline can inform our investment process.

[The Bullet Journal Method: Track the Past, Order the Present, Design the Future](#), Ryder Carroll

I am always on the look out for ways of making my journal keeping and note taking more effective and efficient. I've been bullet journaling for the last two years and can recommend this method for staying organized.

### Felix Narhi

[Why We Sleep: Unlocking the Power of Sleep and Dreams](#), Matthew Walker

Whether you are an investor or not, this book has universal appeal. Or at least, it should. After all, most of us spend more than a quarter of our lives sleeping. Yet, "why we sleep" has remained a mystery for most of mankind's existence. No longer... We have all heard of those people who claim they don't need too much sleep, as if it's some sort of weakness and a waste of productive time. Take such claims with a grain of salt, because this book is full of eye-opening revelations about the harm of sleep deprivation. There is mounting evidence that folks who don't get enough sleep are more stupid, overweight, unhappier, poorer, sicker, worse at sex, as well as more likely to get cancer, Alzheimer's and to die in a car crash. I dare you not to schedule more shut-eye after reading this book. A favourite passage. *"Scientists have discovered a revolutionary new treatment that makes you live longer. It enhances your memory, makes you more attractive. It keeps you slim and lowers food cravings. It protects you from cancer and dementia. It wards off colds and flu. It lowers your risk of heart attacks and stroke, not to mention diabetes. You'll even feel happier, less depressed, and less anxious. Are you interested?"*

[100 to 1 in the Stock Market: A Distinguished Security Analyst Tell How to Make More of Your Investment Opportunities](#), Thomas W. Phelps

When recommending books on investing, there is always a temptation to choose something "new". However, many investment-related best sellers just rehash old ideas and don't add much to the discourse. Others cover the hot topics of day, but will quickly become dated within a few years. Ideally, we prefer to read about ideas and principles that have a longer shelf life. I sometimes ask myself, what did I read 10 years ago that I still care about today? Similarly, I'd prefer to read about topics that my future-self would still find valuable over the next decade. Originally published in 1972, this book has stood the test of time and is amongst a handful of tomes that have had a big impact on me. Particularly when it comes to thinking about how wealth is accumulated over time through Compounders. The author reveals some historical strategies that have worked to increase wealth one hundredfold through "buy-and-hold"

investing. Although the examples are necessarily dated, the core principles hold up. Until recently, I think it could rightly be considered "one of the five greatest investment books you've never heard of". I initially bought a copy on the recommendation of Tom Gayner from Markel years ago, and my copy was acquired second hand because it had long gone out of print. It has since regained cult following and is now available again in print. A favourite passage: *"To make money in stocks you must have "the vision to see them, the courage to buy them and the patience to hold them". Patience is the rarest of three."*

[Capital Returns: Investing Through the Capital Cycle: A Money Manager's Reports 2002-15](#), Edward Chancellor

This book is a collection of essays culled from Marathon Asset Management LLP's letters to clients between 2002 and 2015. The book delves into their "capital cycle" analysis, a powerful long-term investment approach that combines an analytical edge (e.g. Michael Porter's competitive analysis) with a behavioral edge. This is one of the best books I have read on Close the Discount opportunities because it added to my appreciation of how the supply side of the capital cycle can play an outsized role in investment outcomes. In addition there are insightful discussions about Compounders, such as the chapter on digital moats. Of note, back in 2007, the authors were singing the praises of future superstar companies like Amazon.com and Priceline.com, articulating variant theses that are now widely appreciated. A favourite passage: *"Long-term investing works because there is less competition for really valuable bits of information."*

### **Geoff Castle**

[The Responsibility Virus](#), Roger Martin

Written in 2002, but still readily available online, Roger Martin's *The Responsibility Virus* is a book about leadership, and particularly about a set of problems that develop when responsibility within a group is not shared optimally between leaders and followers. Heroic leaders, the stuff of lore, are generally poor at delivering everyday effectiveness in the organizations they lead. They assume all responsibility for delivering results which tends to be met with passivity and deference by their teams, whose engagement and efforts these leaders must draw upon to succeed. Upon discovering his solo-efforts are likely to fail, this heroic leader often withdraws, blaming subordinates who are left to mop up the mess. This mix of over- and under-responsibility can spread within an organization like a virus, argues Martin, and leads to fairly predictable failure.

How then, can efforts be organized to circumvent the problem of "control freaks" and "shrinking violets"? Attempts to answer this quandary, including structuring the making of key decisions in a business more scientifically ("Choice-Structuring" in Martin's parlance), form the heart of the book. Martin also argues that the Responsibility Virus stems to a large degree from very unproductive conversations (or non-conversations) about the distribution of responsibility for an organization's decisions. Framing decisions as one of several steps on a responsibility ladder, from completely delegated decisions at the bottom to unilateral executive decisions at the top, can allow for a range of involvement that can drive engagement and superior results. A well-written book, I would recommend this to anyone, leader or follower, who works in a team and who would like to improve their results through collaboration.

### **Maria Pacella**

[Measure What Matters: How Google, Bono, and the Gates Foundation Rock the World with OKRs](#), John Doerr

This book is about a management system made famous by the late, great Andy Grove during his time leading Intel. Objectives and Key Results are "OKRs". Objectives answers the "What" needs to be accomplished, and Key Results answers the "How". For all organizations, no matter how small or large, profit or non-profit, this methodology is important, not only for driving focus, measurement and alignment, but also for building a results-driven culture. With numerous examples – from when Google

was still in a garage to the Gates Foundation, John Doerr walks the reader through how OKRs can be adapted to different situations. For more on this, you can also read [High Output Management](#) by Andrew S. Grove.

[Nineteen Eighty Four](#), George Orwell

A friend of mine recently re-read this book during a flight and has inspired me to read again as well. Perhaps it's a sign of the times, looking for an explanation for all the geopolitical strife and fake news, or just the social media overload and my mobile telling me where I am going next, that gives me pause to reflect on what this all could mean. Is Big Brother watching me?

### **Sharon Wang**

[AI Superpowers: China, Silicon Valley, and the New World Order](#), Dr. Kai-Fu Lee

Artificial Intelligence (AI) is one of the most disruptive technology trends we face today. Many of us have wondered about the future of AI and its impact on humankind. In this book, Dr. Kai-Fu Lee, who has been at the forefront of the AI revolution for more than 30 years, has shared his unique perspective of AI, based on his firsthand experience and multicultural background. It is a brilliant book on the history of AI, the current stage of the AI race and the future of AI. I find this book especially insightful on how China has become a dominant player in the AI field and the relative strength of China, given how AI is transitioning “from age of discovery to age of implementation” and “from age of expertise to age of data”. I really appreciate Dr. Lee's view that the Silicon Valley system and the Chinese system are both valuable and work in a “parallel universe”. More importantly, his vision of how AI and humans coexist in the future reminds us to think about why we are human beings in the first place.

### **Amar Pandya**

[Give People Money: How a Universal Basic Income Would End Poverty, Revolutionize Work, and Remake the World](#), Annie Lowrey

A key topic of discussion within the Pender investment team in the past year has been the consequential shift towards a capital-light economy in which companies, best illustrated by the “FAANG's”, require minimal investments in assets and labour in order to grow their businesses. This is in stark contrast to the capital-intensive businesses of the past like GE and Sears, which continue to falter, eliminating tens-of-thousands of jobs in their decline. While this shift has benefitted efficiency, asset utilization and economic growth, it also has the implication of making labour increasingly irrelevant. With poverty rising, chronic underemployment and wages stagnant, the rise of automation replacing human labour may require a radical rethink.

In her thoughtful, insightful and provocative book *Give People Money*, economic writer Annie Lowrey discusses the pros and cons of providing people with a universal basic income (UBI). Providing cold hard cash to people, every month, with no strings attached and nothing expected in return sounds radical but studies are showing that providing people in poverty with a financial and psychological cushion may be the best way of getting them out of that situation. Interestingly, the UBI movement has proponents and opponents on both sides of the political spectrum with governments across the globe giving serious consideration to the concept and actively running trials to assess the results. The book is a fascinating read on a concept that is likely to gain momentum, examining the philosophical, moral and cultural implication of a UBI and questioning what we as a society value and owe to each other.

### **Kenndal McArdle**

[Let My People Go Surfing: The Education of a Reluctant Businessman](#), Yvon Chouinard

*Let My People Go Surfing* is the story behind the now iconic performance clothing brand, Patagonia Inc. The book came onto my radar from a friend and was mentioned in a podcast I recently listened to. The book chronicles the life of Patagonia founder, Yvon Chouinard, and the trials and tribulations of creating a company that was decades ahead of its time. It is fair to say Yvon and Patagonia were early pioneers in understanding and implementing triple bottom line practices – where social, environmental and financial

responsibilities take equal precedent. Yvon is the epitome of a founder-operator with a long term mindset, and he has built an enduring business that has held up through multiple decades, an impressive feat in the fickle fashion industry. I hope to gain some unique insights not only into how he built his remarkable business, but also his personal outlook on life and attention to detail which I have been told is inspiring.

### **Parul Garg**

[On Being Certain: Believing You Are Right Even When You're Not](#), Robert A. Burton, M.D.

Felix recommended that I read *On Being Certain*, a non-investment related book that has given me an alternative perspective on aspects of our investment process. To be honest the book took me out of my comfort zone with a look at different aspects of cognition, certainty and the “feeling of knowing”.

Burton argues, through the results of his Challenger experiment, that we can be wrong, even when we are *convinced* we are right. He also suggests that the brain is a kind of machine which is equipped with a different sensory system for processing information gathered in the past. Sometimes processing that data can lead to a belief that we know something, even when we aren't sure why, and even when we are shown to be wrong. Something to beware of!

### **Victoria Zhang**

[Common Stocks and Uncommon Profits and Other Writings](#), Philip A. Fisher

Fisher wrote this book for a universal audience, to help investors of all levels of sophistication to understand his three-step process: what to buy, when to buy, and when to sell. His “fifteen points to look for in a common stock” encourages people to take a step back from all the jargon we normally use to analyze a company and reconsider the most important factors for a business to achieve long-term, robust, organic growth. The famous “Scuttlebutt” method reflects Fisher's focus on how the business actually operates, from various angles. He believed that investors can get a clear picture of how companies do their business and what their competitive advantages are by talking to their suppliers, staff and competitors. And these conversations indeed lead to a strong understanding of all the things that position an organization for healthy long-term growth. This may not be as practical and easy today as fifty years ago due to increasing market efficiency, but the idea of analyzing the core of a business is never outdated. *Common Stocks and Uncommon Profits* is not a simple checklist for making any investment, but rather inspiration on how to shape your thoughts when evaluating a business. With the current market volatility, Fisher's book reminds us to revisit our investment thesis, focusing on the business instead of being blinded by all the noise.

### **Lukasz Darowski**

[Everybody Lies: Big Data, New Data, and What the Internet Can Tell Us About Who We Really Are](#), Seth Stephens-Davidowitz

We live in a world in which all our actions, opinions and behaviors are logged and analyzed. The influence of big data is growing exponentially, and it touches every part of our lives. Companies allocate large portions of their budgets to gathering and analyzing data, and data has become an important input for many industries. This book explores the many insights we can draw from big data, from economics to the human psyche. I work with data every day; I hope that this book helps me look at our data differently and draw some useful conclusions.



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