

Blog Post: Pender's Holiday Reading List 2017

David Barr

A Man for All Markets: From Las Vegas to Wall Street, How I Beat the Dealer and the Market

Edward O. Thorp (Author), Nassim Nicholas Taleb (Foreword)

Investing is a probabilistic endeavour and that drew me to this book about Edward Thorp. Thorp is a mathematician and former MIT professor who devised a method for counting cards that could “beat the dealer” at Blackjack. Understanding probabilities and betting aggressively when the odds are in your favour proved to be successful in Blackjack, but knowing when the odds are in your favour is also a key aspect of our investment strategy. Thorp’s curiosity drove him to create a quantitative hedge fund that delivered market-beating returns over the decades. I’m looking forward to learning more about the approach that made him successful across the disciplines.

Intelligent Fanatics Project: How Great Leaders Build Sustainable Businesses

Sean Iddings (Author), Ian Cassel (Contributor)

I first came across these authors on Twitter. They are constant commentators on the North American microcap universe, an area where we find some of our most wonderful investment opportunities. Several of the topics they focus on are consistent with the way we believe you can generate strong long-term returns in the markets. One area of overlap is the search for proven management teams and leaders. Their book highlights eight “intelligent fanatics” who built strong, enduring companies, as evidenced by the 24.6% annual average return these leaders delivered to shareholders over time. Similar to one of our favourite books, The Outsiders¹, understanding what successful CEOs “look like” helps us to identify the next generation of potential intelligent fanatics.

Nudge: Improving Decisions About Health, Wealth, and Happiness

Richard H. Thaler and Cass R. Sunstein

As Richard Thaler won the Noble Prize in Economics this year, I figured it was finally time to read this book that’s been sitting on my Kindle since it was on sale for \$1.49. Now that’s value.

One area where we are always trying to improve is in our decision making ability. With a combined knowledge from several undergraduate courses in social psychology and reading other books on the topic, it is truly amazing to understand how, as humans, we are totally wired to make poor decisions...especially investment decisions. Well, admitting it is the first step. Now we try to read as much as we can on the topic to help protect ourselves from biases and behaviours that will have a negative outcome on our investment process. Hopefully Thaler and Sunstein provide some take-aways we can layer into our investment process to improve our outcomes.

Felix Narhi

Einstein: His Life and Universe

Walter Isaacson

Like many readers, I frequently buy interesting books that I plan to read, but just haven’t gotten to yet for one reason or another. This tome on one of the world’s most famous scientists came to my attention years ago when Charlie Munger first recommended it. It is marketed as the definitive, internationally bestselling biography of Albert Einstein where curious readers can find answers to questions like “How did his mind work? What made him a genius?” It has been on my “to read” pile for a long time, but I was recently inspired to pick it up after I came across an interview about Elon Musk for Rolling Stone's latest

cover story. In the interview, Elon noted, “*I was raised by books. Books, and then my parents.*” Musk is clearly a very accomplished, fascinating and visionary figure, so after I learned that his world view was greatly shaped by the many books he had read, I googled which ones had the biggest impact on him. I was excited to discover that one of his favourites was still sitting unread on my shelf. Munger and Musk clearly found this book very impactful. More than ever, I am eager to learn why.

Adaptive Markets: Financial Evolution at the Speed of Thought

Andrew W. Lo

I have long been a student of behavioural finance and am fascinated by the psychological drivers of the markets. Thus, I picked this book up by Andrew Lo to learn about his new framework, the Adaptive Markets Hypothesis, in which he outlines how rationality and irrationality actually coexist. Mark Twain once warned about the natural human tendency to be over-dependent on narrow skill-sets and resources when he said, “To a man with a hammer, everything looks like a nail”. To fight this tendency, Lo draws upon psychology, evolutionary biology, neuroscience, artificial intelligence and other fields to find possible solutions to complex problems that can’t be easily found when people become too narrowly silo-ed in their own field of specialty.

The Subtle Art of Not Giving a F*ck: A Counterintuitive Approach to Living a Good Life

Mark Manson

The title of the book grabbed my attention while I was scanning the shelves at an airport book shop (how could it not?). I’ve already dipped into it, and it’s a hilarious read which nevertheless underscores an important message. Written as an unconventional self-help guide, the author cuts to the chase to show the reader how to stop trying to be “positive” all the time so that we can truly become better, happier people. For decades, we’ve been told that positive thinking is the key to happy and rich lives. Not so. Instead, pick your spots, author Mark Manson says. The key to happiness is that there are only so many things we can truly care about, so we need to figure out which ones really matter, and then not “give a damn” about the rest. To successfully navigate through today’s “always on” world and a ubiquitous social media culture, the subtle art of not giving a f**k may be more important than ever. *(Note: readers that may be put off by vulgar language should take a pass on this book).*

Geoff Castle

The Brain's Way of Healing: Remarkable Discoveries and Recoveries from the Frontiers of Neuroplasticity

Norman Doidge

A very interesting, and accessible, study of the ways in which the brain can change its own structure and function in response to activity and mental experience. From overcoming injury to merely improving performance, Doidge highlights a number of cases where the brain’s “plasticity” is demonstrated.

Maria Pacella

Troublemakers: Silicon Valley’s Coming of Age

Leslie Berlin

As Carl Sagan said, “You have to know the past to understand the present.” In Troublemakers, we meet the major figures behind the launch of the key platforms that laid the groundwork for all the subsequent innovation we see and use today. This book shows us how, in the early days of building an innovation ecosystem, it is necessary to have many components of society - government, university, business, finance, etc. - working together, even though it may be a bumpy road to get there!

Sharon Wang

Deep Value: Why Activist Investors and Other Contrarians Battle for Control of Losing Corporations

Tobias E. Carlisle

Dear Chairman: Boardroom Battles and the Rise of Shareholder Activism

Jeff Gramm

I recently went to the Practitioners' View on Shareholder Activism event, hosted by CFA Society, Vancouver. The two speakers were Tobias Carlisle, well known for his blogs at Greenbackd.com and his book Deep Value, and Jeff Gramm who recently published Dear Chairman. I really enjoyed their perspective on value investing and shareholder activism so I decided I needed to read these two books.

Deep Value is a practical guide that reveals little-known valuation metrics that activist investors and other contrarians use to identify attractive, asymmetric investment opportunities with limited downside and enormous upside. For these value strategies to work, investors must be patient and brave. This reminds me of what we do here at Pender – looking for mispriced stocks from unloved and neglected hunting grounds.

Dear Chairman traces the rise in shareholder activism from 1920's to today. The book reveals an insightful history of boardroom battles and helps investors to understand the factors that cause conflicts between management and shareholders. In this book, the author collects original letters from famous investors including Benjamin Graham, Warren Buffett, Ross Perot, Carl Icahn, and Daniel Loeb. Some of the letters have never been published. It should be an interesting read.

Amar Pandya

Common Stocks and Uncommon Profits and Other Writings

Philip A. Fisher

As a new member of the Pender Investment Team, Dave Barr suggested I orient myself to the Pender investment style by reading Philip Fisher's widely influential investment classic, which has remained in print ever since it was first published in 1958. Fisher's investment philosophies have been studied and followed by many of the world's top investors, with Warren Buffett describing himself as 85% Benjamin Graham and 15% Phil Fisher. Fisher's principles focus on the qualitative side of investing, identifying great companies with sustainable competitive advantages which can compound returns for the long-term, contrasting with Graham's more quantitative approach to investing.

Fisher advocates a "scuttlebutt" method of investing, similar to Pender's private equity approach to public markets. The method requires talking with customers, suppliers, competitors and various industry insiders to assess and evaluate the relative strengths and weaknesses of a company. Fisher's key investment principles can be summarized as finding great out-of-consensus companies with compelling growth prospects, understanding these companies well, holding a concentrated portfolio of these companies and, after purchasing shares, holding them for the long-term.

Fisher's principles stand the test of time and argue that successful long-term investing requires a significant amount of work – more work than most investors are willing to do.

Sapiens: A Brief History of Humankind

Yuval Noah Harari

This book has been on my to-read list for a while with strong recommendations from Bill Gates, Barack Obama and various friends and colleagues. The book immerses readers in a 70,000-year journey of human history, from the Cognitive Revolution where our species evolved to possess imagination, to the Scientific Revolution and the emergence of objective science and reasoning. Professor Harari, explores how history has shaped humankind and the repercussions of our species' development on our society,

our environment and our personalities. Asking thoughtful and provoking questions along the way about: Who we are we as a species? Has our continued development actually increased our happiness? And, where is our species going?

Kenndal McArdle

Gray Rhino: How to Recognize and Act on the Obvious Dangers We Ignore

Michele Wucker

If one wants to write a bestselling book discussing financial stability, it seems a coloured animal title will get you off to a good start. In the same essence of the critically acclaimed [Black Swan](#)², [Gray Rhino](#) aims to arm the reader with a robust risk management framework that can be applied to life and economies alike. While Taleb in Black Swan focused on how we tend to underestimate the frequency and impact of improbable risks, Wucker discusses plain, in sight risks that we tend to ignore. The book came onto my radar due to the widespread media attention that quickly followed reference to the term by the [China's People's Daily](#), a Communist Party sponsored publication. [Gray Rhino](#) is now the number one English language bestseller in China. Undoubtedly, this result is either due to the book's substance or a well-executed marketing campaign - I hope after reading I can report back on the former.

Behave: The Biology of Humans at Our Best and Worst

Robert M. Sapolsky

As the title suggests, [Behave](#) delves into human behavior at our best and worst. Sapolsky, a neurobiologist and primatologist, is said to take the reader on a cross-discipline journey as he tries to unravel the many influences that shape our behavior. I am intrigued by the multitude of positive reviews the book has garnered for its supposedly nuanced and subtle approach. This seems in stark contrast to other psychologist authors who, I find, tend to over simplify by using casual comparisons to make their point. I am excited to begin what [The Guardian](#) calls "an epic journey backwards through time" as the author attempts answers his own question; what explains the fact that humans can massacre one another but also perform spectacular acts of altruistic kindness?

Parul Garg

Distress Investing: Principles and Technique

Martin J. Whitman, Fernando Diz

A cross functional recommendation from our CIO and PM on the equity side Felix Narhi, this book was written by Martin J. Whitman, a legendary investor in distressed situations. It discusses high yield credit valuations and the importance of contractual and legal rights. For many credit investors, the game can end at bankruptcy, but for us, finding value can start with these situations. The book provides a lot of insights into how companies that look like they are heading to bankruptcy can still hold value for credit investors.

¹ [The Outsiders: Eight Unconventional CEOs and Their Radically Rational Blueprint for Success](#) by William N. Thorndike

² [The Black Swan: The Impact of the Highly Improbable](#) by Nassim Nicholas Taleb

