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## **Blog Post: Pender's Summer Holiday Reading List – July 2017**

Summertime is a slower time of year for travel for us, fewer companies to see, conferences to attend or clients to meet with. This gives us the opportunity to use this time to dive deeper into areas or topics that can “sharpen the investing knife”. This summer there are a couple of books on our list that are relevant to the current market environment.

### **David Barr**

[The Manual of Ideas: The Proven Framework for Finding the Best Value Investments](#), John Mihaljevic Felix and I are keen followers of the Manual of Ideas website and are active contributors to their online Value Conferences. John Mihaljevic, one of the founders, wrote a book called [The Manual of Ideas](#) several years ago. While I read it when it first came out in 2013, I thought it would be useful to reread it this summer. The book explores various investment strategies that exploit market inefficiencies, including areas where active management can outperform. Being well into a bull market run, trying to uncover other parts of the market where we can potentially generate above market returns is a wonderful thing to do.

### [The Clash of the Cultures: Investment vs. Speculation](#), John C. Bogle

To quote Sun Tzu in The Art of War, “If you know the enemy and know yourself, you need not fear the result of a hundred battles.” On the theme of exploiting parts of the market where active management has an edge, I will take a moment to “know the enemy”, namely passively managed strategies such as ETFs. Geoff, Felix and I have all written in the past year about various market distortions caused by index funds and ETFs. We believe it is always important to understand the other side of an argument and in this vein, I’m looking forward to reading [The Clash of the Cultures](#) by John Bogle, the founder of Vanguard, who basically invented the index fund. I think this could be particularly interesting given some of his recent public comments about the risks inherent in passive strategies today.

### [Shoe Dog: A Memoir by the Creator of Nike](#), Phil Knight

Two of the people I admire most, my wife and Warren Buffet, have both recommended I read [Shoe Dog](#), the autobiography of Phil Knight and how he built Nike into the global brand it is today. It details the entrepreneur’s journey and is of particular interest to me as I meet founders and visionaries in the small cap space on a day to day basis.

### [My Life in France](#), Julia Child

Since it is, after all, the summer, a beach read is in order. Long overdue for me is [My Life in France](#) by Julia Child. Julia tells the story of her time in France with her husband, Paul and how she discovered her love for French cuisine. I’m pretty sure the discussion of food, wine and the French countryside will lead to inspiration and a smile as I escape.

## **Felix Narhi**

Deep Work: Rules for Focused Success in a Distracted World, Cal Newport

One of my favourite authors/thinkers on all-things-investing (Michael J. Mauboussin) recommended this book in a recent podcast. We live in a world where ubiquitous online connectivity, an active social media presence and immediate response through instant messaging/email is expected and widely embraced. Yet this comes at a real cost. One of the most valuable skills in our economy is becoming increasingly scarce – the ability to focus, without distraction, on a cognitively demanding task. The book makes the case that in almost any profession, cultivating a deep work ethic will produce massive benefits, which will only increase in a world where most white collar workers spend a growing amount of their time in a distracted state on relatively shallow tasks. The core message of this book is counter intuitive, yet persuasive.

The Art of Execution: How the world's best investors get it wrong and still make millions, Lee Freeman-Shor

This thought-provoking book reports on the findings from a real-world study on concentrated investing. The author gave \$25-\$150 million to 45 of the world's top investors to invest over a seven year period. Only one rule was given: the investors could only invest in their 10 best ideas. The results are a fascinating study of human behaviour and a vivid reminder about how markets really work. There are important lessons here about how the actions of successful investors differ from their less successful counterparts on both losing and winning investments, thus tilting the odds in their favour. As the book's title teases, one can be wrong and still win big. We believe internalizing the winning habits of the books "investment titans", while avoiding the losing habits of most investors is a worthwhile exercise.

## **Geoff Castle**

The Escape from the Balance Sheet Recession and the QE Trap, Richard Koo

One of the more influential thinkers on the post-2008 markets and economy, Koo's earlier work had focused on the idea of a "balance sheet recession," which came about when heavily indebted consumers refused to borrow more, regardless of the level of interest that was charged. Originally developed with respect to the post-bubble collapse in the Japanese economy, Koo's framework has been applied to many Western countries post 2008. This more recent work focuses on the path Koo sees to escape the "balance sheet recession" which involves fiscal stimulus and reflation.

Irresistible – The Rise of Addictive Technology and the Business of Keeping Us Hooked, Adam Alter

An interesting exploration of the effects on people of mind-engaging technology such as cell-phones, social media and video games. Adam Alter reviews the mechanisms that technology developers use to increase engagement in their products and explores vulnerabilities and addictions that arise in the user base. Alter both explains the irresistible forces behind technology adoption, as well as providing a framework for consumers to defend against the devastating effects of technology addition.

## **Maria Pacella**

Originals: How Non-Conformists Move the World, Adam Grant

Adam Grant, a highly respected Wharton professor and recognized as one of the world's 25 most influential management thinkers, has three New York Times bestsellers: Option B: Facing Adversity, Building Resilience, and Finding Joy, Give and Take: Why Helping Others Drives Our Success, and Originals: How Non-Conformists Move the World. Through his study of "Originals", Adam Grant explores

how to be an original and perhaps more importantly, how to be original *effectively*. His learnings and insights challenge a lot of the common thinking around innovators and creativity. Do you try new things, or stick to convention and the rules?

Magic Box Paradigm: A Framework for Startup Acquisitions, Ezra Roizen

A must-read for entrepreneurs and investors of early to mid-stage technology companies. From his direct experience as an entrepreneur and co-founder of two technology companies, Ezra Roizen provides a blueprint for a successful M&A process. Since many acquisitions result from successful partnerships, the author encourages early-stage companies to develop those relationships from the beginning. Ultimately, as a start-up you are helping strategic partners develop their Big Idea and how you fit into that idea. You can therefore be the key catalyst of the idea which will lead to the acquisition of your company.

**Sharon Wang**

This summer I'm taking a deep dive into one author in particular to get their perspective all in one go.

Good to Great: Why Some Companies Make the Leap...And Others Don't, Jim Collins

Finding great business at reasonable valuations is essential to my research process. Jim Collins and his research team revealed some basic patterns in the Good to Great transformation. It is important to identify the characteristics that great businesses have in common and to understand what makes these business where they are.

Great by Choice: Uncertainty, Chaos, and Luck--Why Some Thrive Despite Them All, Jim Collins and Morten Hansen

Another great book by Jim Collins ten years after he published the Good to Great book. This book focuses on how great companies steer through difficult times and remain the best in class. I believe this book can give us clues to how we can all learn how to prepare ourselves to succeed in an unpredictable world.

**Kenndal McArdle**

Machine, Platform, Crowd, by Andrew McAfee and Erik Brynjolfsson

This is a book written by the co-directors of MIT's Initiative on the Digital Economy. It touches on how the economy, business and individual firms will be affected by our increased interaction with intelligent machines. The title of the book helps frame the authors' perspective. There is a set of dichotomies that companies have to wrestle with: "Machine vs. Mind", "Platform vs Product" and "Crowd vs Core". A company like Google can be built by leveraging machine power over a platform to a crowd of people, but not every company must choose that route to be successful. As an example, a machine can also be leveraged to enhance a single product to a set of core users. There is a surprising ripple effect to the economy as a whole and to the structure of organizations now that value creation has multiple paths. As an example, it is now possible to build democratized systems that enhance economic activity as opposed to this function being the sole responsibility of corporations or firms. I am excited to dive into the authors' analysis and hope to come away with an improved framework to deal with the escalating disruption we see today.

Unbound: How Eight Technologies Made Us Human, Transformed Society, and Brought Our World to the Brink, by Richard L Currier and Tom Gjelten

I am trying to read more history related books as I believe that the past can be a reliable predictor of the future. Unbound chronicles how different technologies have shaped us as a species, from primitive tools to modern day supercomputers. Some have described the book as “A breathtaking analysis of human technological, social, and cultural history”. Judging by the title, I think there will also be a cautionary tale on the limit to which we can take things as we reach for progress. I am excited to learn the authors’ perspective on where they see our progress headed and the lessons we can learn from the past.



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