

Blog Post: Pender's Holiday Reading List – December 2019

BUSINESS BEST PRACTICES

Gina Jones

[Deep Survival: Who Lives, Who Dies, and Why](#), Laurence Gonzales

A few Saturdays ago I opened *The Globe and Mail* and read "[Death at Howse Peak](#): How three climbers perished on an Alberta mountain", the harrowing account of a mountain climb, by three members of The North Face's elite Global Athlete Team, which resulted in a tragic ending. I found myself wishing that those climbers had read *Deep Survival: Who Lives, Who Dies and Why*.

Using anecdotes about firefighters, fighter pilots, shipwreck survivors, as well as avalanches, white water rafting and off-road tours which go terribly wrong, the book provides analysis and training for thrill-seekers and leaders, including business leaders, on what happens and why. These stories examine what went wrong, as told by the rescuers and survivors, and are analyzed with the aid of psychologists and physiologists, to help us learn how not to die, to recover from injury, and to understand what it takes to be prepared to survive. This is so applicable in the face of the inevitable challenges of running a business in a rapidly changing world.

Deep Survival takes us through real-life situations, at the "boundary region between life and death". The book resonates in particular because it integrates some common Pender touchpoints; the need to be aware of the quirks of behavioural psychology, the benefit of robust response systems that are flexible in meeting the specifics of situations that arise, and the amazing power of laughter to help teams bridge chasms, especially in times of stress.

"Emotion is the horse and reason is the jockey. There are some things we can't control. To stay alive when things go wrong we need to stay calm and alert, and we had better know how we are going to react."

Everyone who takes even one step out into the great Canadian wilderness, or anyone who logs in each morning for another challenging day, should read this book.

Felix Narhi

[A Dozen Lessons for Entrepreneurs](#), Tren Griffin

I've long been a fan of Tren Griffin and his excellent "dozen lessons" series gleaned from accomplished individuals in business, investing and technology. He is a master of synthesizing key insights from his subjects. This particular book is a collection of invaluable lessons from three Silicon Valley coaches and 31 venture capitalists who have backed firms like Facebook, Spotify, Uber, Zillow, amongst others. It is packed with wisdom about leadership and investing from VC celebrities like Marc Andreessen, Mary Meeker and Peter Thiel, to less well-known business leaders who have also enjoyed huge, but lesser known success. It is a timely read given today's "age of disruption". Consumer expectations for speed, convenience and price are at a historical high and are accelerating at what seems like a nauseating pace. Concurrently, the cost of starting a new company has collapsed making it easier to launch an enterprise, encouraging more entrepreneurs to experiment, further fueling the disruption. Although most of these experiments are destined to fail, ultimately, we learn that while experts lead industries, industries are transformed by neophytes. For investors, lessons from this book are worth internalizing because much of the publicly-traded investible universe is comprised of established incumbents run by "experts". A key takeaway for entrepreneurs is that while there are best practices, there is no single recipe that they should follow. A favourite passage: *"Anybody can rent the means of production, which means entrepreneurship is becoming truly democratized, which means nobody is safe."* – Eric Ries.

Kenndal McArdle

[Trillion Dollar Coach: The Leadership Playbook of Silicon Valley's Bill Campbell](#), by Eric Schmidt, Jonathan Rosenberg, Alan Eagle

The Trillion Dollar Coach is part memoir and part leadership playbook about the late Bill Campbell. Although the book sports what seems like an ostentatious title, you quickly learn why, if anyone is deserving, it is Bill Campbell. Bill was a former collegiate football player and coach who found himself in Silicon Valley in the early 1980's by way of Kodak. His executive career is impressive enough - former VP and board director of Apple, CEO of Apple spin-out Claris and CEO of Intuit Corp. What this book details however is his even more impressive executive coaching resume. Bill coached, among others, Google co-founders Larry Page, Sergey Brin; Steve Jobs (founder of Apple); Jeff Bezos (founder of Amazon); Marissa Mayer (former CEO of Yahoo) and Sheryl Sandberg (COO of Facebook). After reading the book I have a greater appreciation for forging deep personal relationships in business. Without a doubt, Bill personally touched many lives, exemplified by the fact that former Google mentees Eric Schmidt (former Google CEO) and Eric Rosenberg (former Google SVP) co-authored the book out of gratitude to Bill after his passing. A second learning is Bill's ability to listen and get to the heart of a conflict. Rarely would Bill give direct feedback on a product or sales and marketing strategy, but apparently one of Bill's greatest strengths was to listen and ask questions that confronted the real issues. Often these issues, regardless of company size or executive stature, would come down to ego and personal relationships. At Pender we try to never underestimate the importance of people in a business and, after reading *The Trillion Dollar Coach*, this understanding has only solidified.

BUSINESS EVALUATION

David Barr

[The Acquirer's Multiple: How the Billionaire Contrarians of Deep Value Beat the Market](#), Tobias Carlisle
Having read other books by Carlisle, as well as listened to his podcast, [The Acquirer's Podcast](#), which has featured numerous interesting guests, I'm looking forward to reading this book. It is focused on deep value investing, which is a small part of what we do. However given the book's title I am looking to see how it may tie in with our focus on private market value, and what an acquirer may pay and the probability of that, which has driven our catalyst-based approach to investing in small cap companies.

Geoff Castle

[Profit from the Core: A Return to Growth in Turbulent Times](#), Chris Zook with James Allen

I first read *Profit from the Core*, written by my former Bain colleagues Chris Zook and James Allen, on its initial 2001 publication, and its lessons have guided me for many years in evaluating businesses in which I have either invested in or passed on. The book addresses a common problem that occurs when management confronts change or turbulence in their home industry. The natural tendency, Zook and Allen demonstrate with data, is for management to respond to growth challenges by entering "hot" new markets, all the while neglecting competitive issues in the profitable core of their business. As an antidote to this tendency towards "di-worsification," *Profit from the Core* focuses on the drivers of business unit competitive advantage and how to sustain them. Zook and Allen, in a relatively short 200 pages, lay out a very actionable framework for identifying a business' profitable core, diagnosing early stage competitive problems and evaluating potential actions to shore up the main profit engine. Going further, they provide a process for evaluating higher potential adjacent business opportunities that may prove to be solid growth drivers that have the added benefit of reinforcing competitive advantage in the core. I would recommend this book to an investor or manager of any business, large or small, as a timeless roadmap to building long term business value.

CORPORATE CULTURE

Maria Pacella and Tony Rautava

[What You Do Is Who You Are: How to Create Your Business Culture](#), Ben Horowitz.

Famed entrepreneur, venture capitalist and author of [The Hard Things About Hard Things](#) has released his second book about creating and sustaining company culture. A top of mind topic these days as we see a disconnect between mission statements, behaviours and the actual business of the business (WeWork: “To elevate the world’s consciousness” being a recent example). Through four historical examples (chosen not because they are ideal but rather because of their effective implementation), Horowitz uses anti-slavery revolutionary, samurai warriors, Genghis Khan and prison gangs to demonstrate how culture can be created, nurtured and changed over time and in different contexts. Culture is not simply about values and a set of rules. “Culture is a system of behaviours that you hope most people will follow most of the time”. And culture alone will not lead to company greatness but will act as fertilizer to a crop or nutrition to an athlete, and will be particularly important in giving people a sense of purpose during tough times. It is clear to us as investors that building the right culture is critical to success and this book is a must read for the leader of any organization or team.

INVESTING PHILOSOPHY, PROCESS & BEST PRACTICE

Parul Garg

[The Predictioneer's Game: Using the Logic of Brazen Self-Interest to See and Shape the Future](#), Bruce Bueno de Mesquita

This book focuses on the science of Applied Game Theory, with the underlying assumption that people always compete in their own best interests. I was especially interested in how Bueno overlays this particular idea onto various situations in politics, business, policy and even some everyday examples, like buying a car, to show prediction and outcome scenarios. Bueno uses simple maths but complex multiple iterations (using his own computing model) in his examples. He has been an adviser to the American government on national security matters and his successful application of game theory is featured in a declassified study by the C.I.A. This is a good book for understanding key elements of the strategy and helps to unravel some of the complexities of crisis situations. My key takeaway is all about asking the right questions while building up your investment thesis (beware of “garbage in, garbage out”), especially in gauging the risk to reward when your decision making timeframe is very short, and particularly when one is dealing with distressed debt and needs to understand various outcomes quickly.

Sharon Wang

[The Most Important Thing: Uncommon Sense for the Thoughtful Investor](#), Howard Marks

This book is a “roll up” of Howard Marks’ memos, in which he generously shared the investment philosophy that he adhered to in his decades of investing. If you have read his memos, you’ll probably be familiar with many of the concepts, but Howard Marks’ intelligent and simple way of saying things can still help to reinforce several important investing concepts. This book is not just about “the most important thing” but covers many important aspects of investing, including second level thinking, psychology, controlling risks and understanding market cycles. One of the key takeaways for me is second level thinking, which we talk about a lot at Pender. Second level thinking is contrarian in nature but being contrarian is not simply taking the opposite side. It is a much deeper thought process that should be based on solid reasoning, analysis and understanding of why a different view is valid. Developing that superior judgment, non-consensus view, forecasting the projections and holding that patiently, sometimes for years is not easy. Hopefully having this book at my desk and reflecting on it regularly will equip me with the “uncommon sense” to navigate “a challenging, exciting and thought-provoking journey.” After all, it is hard not to read a book when Warren Buffet says, “This is that rarity, a useful book”.

MACRO FACTORS

Amar Pandya

[Homo Deus: A Brief History of Tomorrow](#), Yuval Noah Harari

I was enthralled by Yuval Harari's book [Sapiens](#) which was a captivating history of humankind from our early evolution through various stages of development to the present day. So, having purchased both books in a set, I was highly anticipating digging into the sequel, *Homo Deus*. The follow-up moves on from our past and looks to the future of humanity. Harari examines how humankind might be shaped and influenced this century, driven by technological innovation. He discusses how intelligence is uncoupling from consciousness as computers and AI can process, organize and manipulate data far faster and more efficiently than humans ever could. The book discusses the challenges and opportunities this uncoupling will present, allowing our species to advance at a far greater pace than at any point in our history but also bringing up challenges in the human suffering that could occur at the hands of those who possess superior intelligence. The view corroborates the disruption we see in businesses today with the world's largest technology companies possessing so much data, scale and intellectual capital that they can quickly take share from incumbents when they enter a new industry. Harari closes the book asking readers "what will happen to humans when highly intelligence algorithms know us better than we know ourselves?"

Emily Wheeler

[The Prosperity Paradox : How Innovation Can Lift Nations Out of Poverty](#), Clayton M. Christensen, Efosa Ojomo and Karen Dillon

Clayton Christensen is a Harvard Business School professor best known for his book "[The Innovator's Dilemma](#)" in which he deals with the concept of disruptive innovation and how even great companies might fail if they do not recognize when a traditional business practice should be abandoned. I had the opportunity to see him speak a number of years ago when he came through Vancouver. At the time he had fairly recently recovered from a heart attack, cancer and a stroke, all of which he experienced within the span of three years. He was inspiring, not only from the perspective of his visionary work relating to business theory, but also from a human perspective as a survivor. In *The Prosperity Paradox*, Christensen and his co-authors discuss how struggling economies can create growth and economic prosperity through the creation of new markets in areas of previous "non-consumption". It is these markets, they believe, that have the capacity to "pull" in the infrastructure necessary to support themselves and, when resources are pulled in this way, they tend to last. The book illustrates these concepts through the use of examples such as Tolaram, the maker of Indomie instant noodles. Packages of their noodles sell in Nigeria for the equivalent of 20 US cents and provide a low-cost meal to a population where the majority live on less than \$2 a day. Prior to 1988, when Tolaram entered Nigeria, the majority of Nigerians had not eaten, let alone seen noodles, however they became such a success that the company currently sells 4.5 billion packs of noodles per year in this country, making Nigerians the 11th largest consumer of instant noodles in the world. By identifying an urgent need, the company was able to create a market significant enough to create and support tens of thousands of jobs, the building of electricity, sewage, water and logistics systems, and the development of a \$1.5 billion deep water port in Nigeria's commercial capital. Through an illustration of America's innovation story and how visionaries such as Henry Ford, Isaac Merritt Singer and George Eastman all produced products that created new markets that supported not only employment but the development of road systems, railways, power stations and further industries, we get a glimpse into not only what is possible for struggling economies that have not yet reached the same levels of prosperity but also the merits of thoughtful innovation. Innovation, as this book illustrates, has the capacity to change the world.

BIOGRAPHIES

Rolf Dekleer

[E=mc²: The Biography of the World's Most Famous Equation](#), David Bodanis

The science writer and Oxford lecturer David Bodanis was inspired to write this book after the actress Cameron Diaz asked "What does E=mc² really mean?". The resulting book is more than just a biography of Albert Einstein and his discovery of the world's most famous equation. It is also about what other scientists contributed and how the equation helped in the creation of the atomic bomb. It is written in a way that doesn't require a background in physics. Bodanis explains what each of the components of the equation means in a way that is both entertaining and insightful. And while it is accessible to everyone, notable experts in the field also found it a good read. John Polanyi, Noble Prize in chemistry 1986, University of Toronto professor said, "Exhilarating. E=mc² is to be treasured". For me, the book covers key technologies applicable to Pender investments' General Fusion (nuclear fusion) and D-Wave Systems (quantum mechanics).

Tracy Tidy

[The Everything Store: Jeff Bezos and the Age of Amazon](#), Brad Stone

The Everything Store: Jeff Bezos and the Age of Amazon is the story of the rise of Amazon and its visionary and relentless founder, Jeff Bezos. I was drawn to this book because we spend a lot of time at Pender talking about disruptive business models and how they are shaping both the world we invest in and live in. Amazon, by many accounts, has been the key disrupter in the retail industry and has forever transformed the way in which we consume products. Although [Amazon.com](#) began with books, its vision to become "The Everything Store" was there from the beginning. In this story, we learn how Amazon has invented industries and reshaped traditional processes by constantly challenging the status quo and always trying to find better ways to deliver more products to consumers faster and cheaper. At Amazon, the end goal has always centered on improving the customer experience. For investors or entrepreneurs, there are some great insights into how disruptive businesses can transform complete industries and it demonstrates how these "new" models continue to be challenged. Amazon itself has cannibalized its own inventions. This book really highlights the need to always be forward looking as the beliefs we once held may no longer be true in this age of disruption.

Victoria Zhang

[The Man Who Solved the Market: How Jim Simons Launched the Quant Revolution](#), Gregory Zuckerman

There is no doubt that Jim Simons is one of the most successful investors (or traders) in modern finance history. No one in the investment world has ever achieved a track record that is close to the flagship Medallion Fund of Renaissance Technologies, and what is even more intriguing is how secretive the fund is. However, you will be disappointed if you think this book is a peek-through of the secret ingredients behind Renaissance's consistent profitability. *The Man Who Solved the Market* is more like a novel or biography and is a very interesting read. It covers the diverse background of Jim during his pre-Renaissance life and presents a history of the world-famous hedge fund and how other key people were involved. Quantitative investing involves digging through billions of chaotic data, building mathematical models to find signals from the data to predict stock returns and thus develop money-making trading algorithms. In both the quantitative and fundamental investing worlds, it is always about looking for alpha factors by exploring market inefficiencies - the signals hidden in the noise that we capture but others don't, and we make sure that we have a solid thesis in place and understand those signals well. It is hard to do, especially under unfavorable market circumstances when we can easily panic and act instinctively. But what we always need to keep in mind that "P&L is not an input".



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