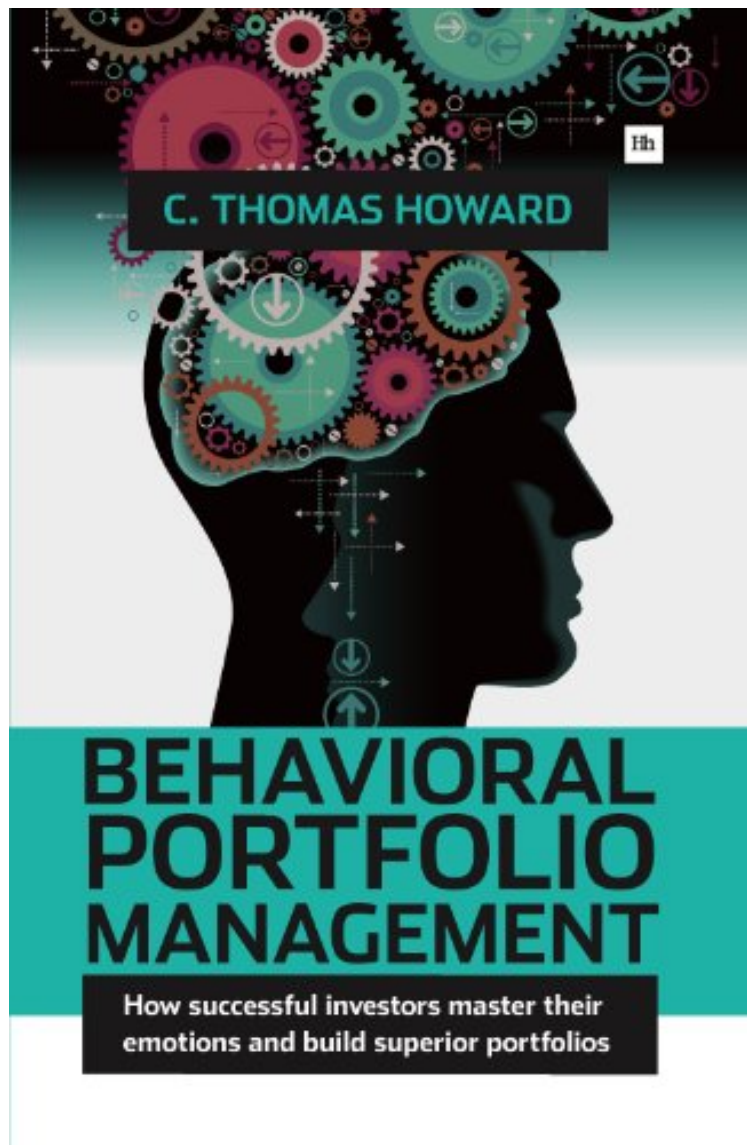


[PDF] Behavioral Portfolio Management: How successful investors master their emotions and build superior portfolios

Behavioral Portfolio Management: How successful investors master their emotions and build superior portfolios

C.Thomas Howard

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C.Thomas Howard : Behavioral Portfolio Management: How successful investors master their emotions and build superior portfolios before purchasing it in order to gauge whether or not it would be worth my time, and all praised Behavioral Portfolio Management: How successful investors master their emotions and build superior portfolios:

5 of 5 people found the following review helpful. In *With the New . . .* .By statdudeIn spite of the fact that most current investment thinking is built around models like the Efficient Market Hypothesis, Modern Portfolio Theory, and other models the research that I and others have done does not support these theories. As a result most popular investing currently in vogue is sub-optimal on a good day. The author discusses the weaknesses in the current models drawing heavily on the work of Robert Haugen and his own research. He also brings in a large dose of behavioral finance drawing heavily on the work of Daniel Kahneman. The result is a good summary of the slow disintegration of the old thinking and insights into where investment thinking is headed. However, the book is more than that. If you are willing to actively participate in his 12-step program you can discover ways to significantly increase your investment returns. You will read about things like Myopic Loss Aversion (MLA) and how it effects your investments. How diversification may not be the best thing for you. Just to name a few issues. In summary I found the book absolutely fascinating. With that said be aware of 2 issues: 1) although the book is particularly quantitative much of the work challenging old theories is fairly quantitative. 2) If you are firmly attached to the old theories of MPT and EMH you will find the ideas in this book to be very different and very disquieting.

5 of 5 people found the following review helpful. A *Work in Progress* By J. Murphy This book provides some high level ideas regarding Behavioral Investment Theory. It is a work in progress and provides some general ideas for consideration but lacks details regarding analysis specifics that would enable a practitioner to implement them and/or to validate the authors conclusions.

2 of 2 people found the following review helpful. By far and away the best book I have read on the topic of Behavior ... By Charles D. Etzweiler By far and away the best book I have read on the topic of Behavioral Finance. It simply takes the subject matter to another level of application and relevance. A superb book for anyone interested in this fascinating and growing field of study!

The investment industry is on the cusp of a major shift, from Modern Portfolio Theory (MPT) to Behavioral Finance, with Behavioral Portfolio Management (BPM) the next step in this transition. BPM focuses on how to harness the price distortions that are driven by emotional crowds and use this to create superior portfolios. Once markets and investing are viewed through the lens of behavior, and portfolios are constructed on this basis, investable opportunities become readily apparent. Mastering your emotions is critical to the process and the insights provided by Tom Howard put investors on the path to achieving this. Forty years of Behavioral Science research presents a clear picture of how individuals make decisions; there are few signs of rationality. Indeed, emotional investors sabotage their own efforts in building long-horizon wealth. When this is combined with the misconception that active management is unable to generate superior returns, the typical emotional investor leaves hundreds of thousands, if not millions, of dollars on the table during their investment lifetimes. Howard moves on to show how industry practice, with its use of the style grid, standard deviation, correlation, maximum drawdown and the Sharpe ratio, has entrenched emotion within investing. The result is that investors construct underperforming, bubble-wrapped portfolios. So if an investor masters their own emotions, they still must challenge the emotionally-based conventional wisdom pervasive throughout the industry. Tom Howard explains how to do this. Attention is then given to measureable and persistent behavioral factors. These provide investors with a new source of information that has the potential to transform how they think about portfolio management and dramatically improve performance. Behavioral factors can be used to select the best stocks, the best active managers, and the best markets in which to invest. Once the transition to behavioral finance is made, the emotional measures of MPT will quickly be forgotten and replaced with rational concepts that allow investors to successfully build long-horizon wealth. If you take portfolio construction seriously, it is essential that you make the next step forward towards Behavioral Portfolio Management.

"My compliments to Thomas Howard on a book well written." - Charles Lewis Sizemore, CFA, editor, Macro Trend Investor, and chief investment officer, Sizemore Capital Management "Professional money managers and investment advisers alike will find Tom Howard's thought-provoking exploration of the practical implications of investing in a world where emotional crowds dominate the determination of prices to be an interesting and engaging read." - Jim Peterson, Chief Investment Officer, Charles Schwab Investment Advisory, Inc. "By rethinking the basic challenges of equity investing from a behavioral viewpoint, Professor Howard has arrived at some totally fresh insights into what it takes to be an outstanding long term investor. Though aimed at professionals in the field of investment management, many of the ideas presented in this highly readable book will be invaluable to a wider audience." - Andrew Cox, Director, Janus Capital Group "Tom Howard masterfully bridges the gap between the insights of behavioral finance and the demands of portfolio management, and he explains behavioral data investing in a forthright and engaging style. Advisors and investors alike stand to benefit from this book." - Philip Lawton, Ph.D., CFA, Research Affiliates, LLC "There has been a glaring hole in the study of behavioral finance, namely, how to incorporate its caveats and principles into successful investment management. Behavioral Portfolio Management helps to fill the gap left behind by theorists with its creation of a unique framework for investment managers." - Jason A. Voss, CFA, CFA Institute Behavioral Finance Content Director, author of *The Intuitive Investor*, retired investment manager "Tom Howard was the most inspirational and influential professor in my master's program. I am pleased that he has taken his enthusiastic

and thorough approach from the classroom to the real world. His proven ability to harness behavioral factors and rigorously apply them to the portfolio management process makes this book a fascinating read!" - George Spentzos, Managing Director, Societe Generale, London, UK "This book gives good, conservative advice, and does not promote risky cowboy-like investment. I recommend it to anyone getting into finance, or looking to invest for their retirement." -- Ben Wolinsky, Olive Branch United "This book is not merely a boring reiteration of the necessary fundamentals, but contains a combination of facts that show weakness of MPT and original ideas. The book contains inconvenient author findings of good stock picking skills of fund managers and obstacles that prevent good fund performance. Although financial gains through common stocks are possible for any investor, the author shows that consistent investment strategy allows increase probability to achieve good results. IMO some author's ideas are still not proven adequately but I think it will be fruitful to read this book not only for CFAs (prime audience) but also for amateur investors."- J. Chang Hyjun, Seeking Alpha

About the AuthorDr. Howard is co-founder of AthenaInvest, a Greenwood Village-based SEC Registered Investment Advisor. He led the research project that resulted in Behavioral Portfolio Management, the methodology which underlies AthenaInvest's patented investment approach. Since 2002 he has managed Athena Pure Valuation/Profitability, Athena's signature equity offering, which has been recognized by PSN and Barron's as a top US active equity portfolio. He oversees Athena's ongoing research, which has led to a number of industry publications and conference presentations. Dr. Howard currently serves as CEO, Director of Research, and Chief Investment Officer at Athena. Dr. Howard is a Professor Emeritus at the Reiman School of Finance, Daniels College of Business, University of Denver, where for over 30 years he taught courses and published articles in the areas of investment management and international finance. For many years he presented stock analysis seminars throughout the US for the American Association of Individual Investors, a national investment education organization headquartered in Chicago. Dr. Howard has been a guest lecturer at SDA Bocconi, Italy's leading business school and at Handelshojskole Syd in Denmark and was a 2004 summer lecturer in international finance at EM Lyon in France. He consulted with a number of firms, most recently First Data Corp and Janus Capital Group, and served for ten years on the Board of Directors for AMG National Trust Bank N.A., a financial counselling and investment management firm headquartered in Denver. After receiving his BS in Mechanical Engineering at the University of Idaho, Dr. Howard worked for three years at Proctor Gamble as a production and warehouse manager. He then entered Oregon State University where he received an MS in Management Science, after which he received a Ph.D. in Finance from the University of Washington.