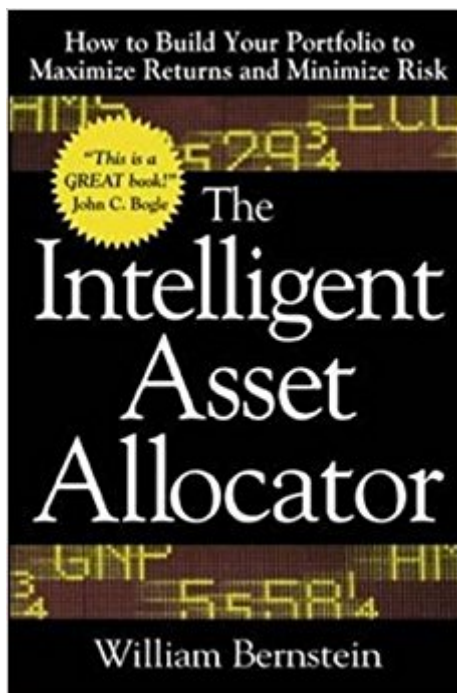




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# **The Intelligent Asset Allocator: How To Build Your Portfolio To Maximize Returns And Minimize Risk (Professional Finance & Investment)**



## Synopsis

“Bernstein has become a guru to a peculiarly 90s group: well-educated, Internet-powered people intent on investing well and with minimal help from professional Wall Street.”—Robert Barker, *BusinessWeek*

William Bernstein is one of today's most unlikely financial heroes. A practicing neurologist, he used his self-taught investment knowledge and research to build a popular investor's website. Now, in the plain-spoken *The Intelligent Asset Allocator*, he shows independent investors how to build a diversified portfolio without the help of a financial advisor. A breath of fresh air for investors tired of overly technical investment tomes, this book will help investors: Learn the risk/reward characteristics of various investment types Understand and apply portfolio theory for an improved risk/reward ratio Sharpen their focus, and take control of their investment programs

William Bernstein runs a website [www.efficientfrontier.com](http://www.efficientfrontier.com) known for its quarterly journal of asset allocation and portfolio theory, *Efficient Frontier*.

## Book Information

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## Customer Reviews

A practicing neurologist in remote coastal Oregon, Bernstein comes to the problems of saving and investing not from a broker's perspective, but as someone who had to figure this out himself, from first principles up.

Time-Tested Techniques - Safe, Simple, and Proven Effective - for Building Your Own Investment

Portfolio. "As its title suggest, Bill Bernstein's fine book honors the sensible principles of Benjamin Graham in the Intelligent Investor Bernstein's concepts are sound, his writing crystal clear, and his exposition orderly. Any reader who takes the time and effort to understand his approach to the crucial subject of asset allocation will surely be rewarded with enhanced long-term returns." - John C. Bogle, Founder and former Chief Executive Officer, The Vanguard Group President, Bogle Financial Markets Research Center Author, common Sense on Mutual Funds. "Bernstein has become a guru to a peculiarly '90s group: well-educated, Internet-powered people intent on investing well - and with minimal 'help' from professional Wall Street." - Robert Barker, Columnist, BusinessWeek. "I go home and tell my wife sometimes, 'I wonder if [Bernstein] doesn't know more than me.' It's humbling." - John Rekenthaler, Research Chief, Morningstar Inc. William Bernstein is an unlikely financial hero. A practicing neurologist, he used his self-taught investment knowledge and research to build one of today's most respected investor's websites. Now, let his plain-spoken The Intelligent Asset Allocator show you how to use the time-honored techniques of asset allocation to build your own pathway to financial security - one that is easy-to-understand, easier-to-apply, and supported by 75 years of solid history and wealth-building results.

The Intelligent Asset Allocator sits right next to 'Stocks for the Long Run' and 'The Intelligent Investor' on my bookshelf; it's a classic. I enjoy thinking about asset allocation and how to best structure a portfolio. No matter what studies you may trust the most, asset allocation is clearly a major driver of portfolio returns. This book invites you to deconstruct your assumptions and build them back up again. I would have liked a book ten times as long, but then I really enjoy seeing all the intricacies. Even so, there is a lot hinted at in these pages that gives you further directions to explore. Even if you are familiar with diversification, various asset classes, portfolio theory and the reasons for indexing, there is a lot of value here. I will admit the book is growing somewhat dated with respect to the time frame it discusses, but the book loses nothing in relevance. I am still building assets, and because this book referenced both standard and aggressive growth portfolios (I employ a portfolio very similar to the 'Madonna' Portfolio he mentions, with a couple key differences), I knew I was on the same trail as the author, which was incredibly gratifying for me. For those with different backgrounds, the insights you find relevant may differ. I will say the book would benefit from a greater discussion of various portfolios. How important is it to mimic the market (or rather, what is the risk associated with failing to look like the market, which is true to some degree of every portfolio?) What is the role of TIPS in a portfolio (or rather, when does Inflation become a central risk? I maintain that you only need them in retirement, but am eager to hear different opinions.) How

much risk should you take with the credit portion of your portfolio (I use intermediate term treasuries myself - covariance vs equities is just too superior not to, even with the risk of rising rates. Again, I like to hear other opinions.) With reference to portfolios I've read about: the 'Gone Fishing Portfolio' was also amazingly comprehensive, if not as focussed on portfolio building as the IAA, and the portfolio it proposes is pretty solid. Swenson's books are very good, and his suggested portfolio is top notch, if history is any judge. Swedroe suggests a pretty bullet-proof portfolio, so even though returns won't blow you out of the water, they should be solid, and the ride should be serene (which can be very important in a retirement portfolio, as lack of volatility both increases SAFEMAX and decreases the odds of running out of money early... i.e. the trade-off for lower returns can yield a higher cash flow.) All of these authors are worth the read.

I first read this back in the 1990's when Bill Bernstein first published it online in manuscript - and it has been my guide ever since! I consider this to be one of the top 4 books any investor should have ... to be read from cover to cover. While math, statistics and charts are an essential part of this book, don't be scared off by them - they illustrate the very points Bernstein is trying to drive home - and it's all based on historically empirical data, not hypothetical scenarios. Bill is a very good writer and even if you don't "get" the math or statistics, the text is all you really need. (BTW, the other 3 books I recommend are Bernstein's "The Four Pillars of Investing," Benjamin Graham's "The Intelligent Investor" and Jack Bogle's "Common Sense on Mutual Funds.")

Bernstein has done a nice job in debunking the most important myth of the investment field - namely, that it is possible to beat the market on a sustained basis. It is an unfortunate reality that the investment management industry - stockbrokers, mutual funds, and many investment advisors - are still able to sell their products despite the long term research that Bernstein cites, showing plainly that no one beats the market consistently in the long haul. Earlier in my investment "career" I tried several of these "experts" and was frustrated that they made more money on the investments than I did. What Bernstein does well is to collect the results of much academic research with his own analysis, and clearly show the facts about investment performance. The principle findings are that each type of financial instrument - large cap stock, small cap stock, bond, etc., have characteristic historical performance; and that the most important decision investors face is their allocation of their investments across these classes. He gives simple but powerful suggestions. Bernstein's goal is to make this information available to all, whether or not the reader understands financial math and statistics. I believe that he does a good job at this, separating the mathematical and statistical

details for those who want to see them. I would strongly recommend this to any investors who are still purchasing individual stocks or actively managed mutual funds.

I found this book useful, especially the chapter that brings everything together and gives example index funds to use. However, I'm still left wanting more, especially regarding the more complex subject of bonds. Despite the author's repeated advice to avoid recency (a tendency to weight risk and reward based on recent market conditions), there is a lot of reference to "recent" market conditions. That would be fine, but at the time I write this review the "recent" events referenced happened about 15 years ago. It would have been useful if this book had been updated to reflect the events of 2008. No doubt the theory discussed still holds, but an exploration of how it would have affected portfolios over this period would have made the text more relevant to recent readers. Still, I would recommend this book as an introductory text to managing risk and reward. For readers wanting to take it to the next level, and are prepared to tackle the next level of math that this requires, then I would suggest taking a look at "Investment Theory & Risk Management" by Steven Peterson (Wiley Finance).

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