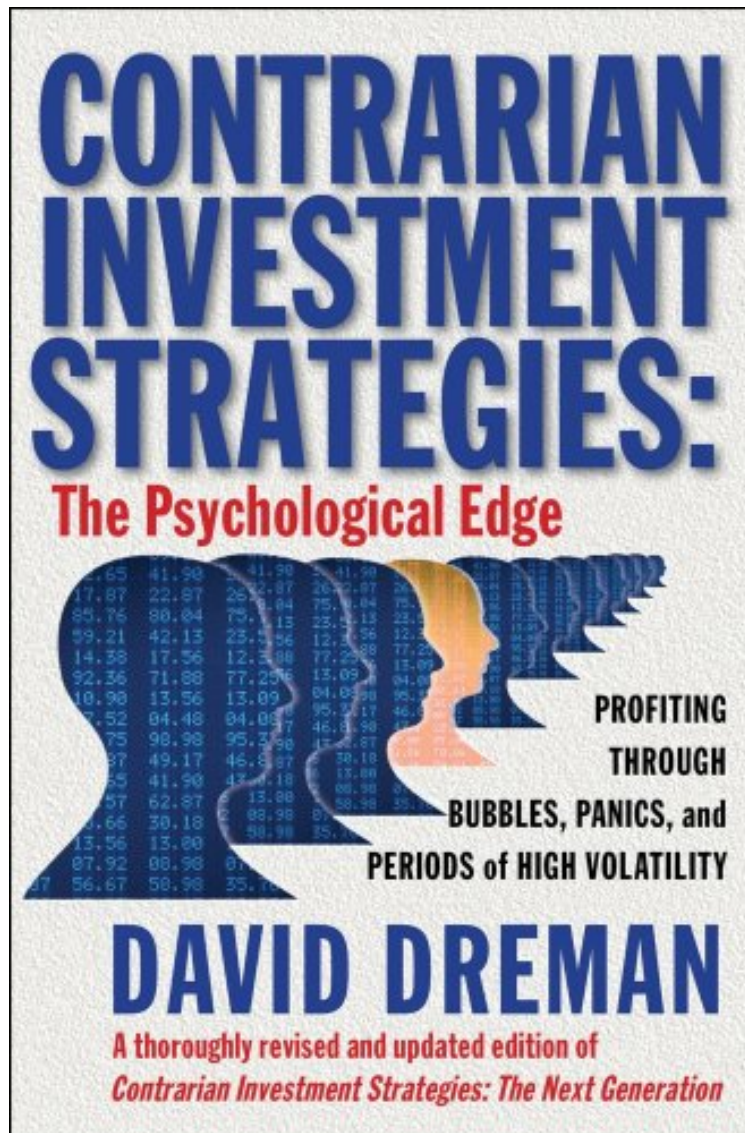


Contrarian Investment Strategies: The Psychological Edge

David Dreman

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David Dreman : Contrarian Investment Strategies: The Psychological Edge before purchasing it in order to gauge whether or not it would be worth my time, and all praised Contrarian Investment Strategies: The Psychological Edge:

2 of 2 people found the following review helpful. Value investing wins, but Dreman's book lingers too long on familiar ground
By Jack Wilshere
David Dreman is a very good writer. The book is enjoyable to read. His argument for investing in low P/E stocks is backed by a lot of data. He offers a few case studies of successful investments. I gave it three stars because he spends a great deal of time revisiting financial moments in history that are well-covered elsewhere. For example, this new edition of the book (2012) spends many pages re-hashing the sub-prime crisis, tech

bubble and Long Term Capital Management meltdown. I found this to be tedious, well-trodden ground. If you're a reader who hasn't been exposed to these stories, then you will find them enjoyable (or, I should say, frightening). Also, I would have liked a chapter on "here's how I go about finding investment candidates". It's very easy to run a screen for low P/E and low Price/Book Value stocks. However, more often than not, a deeper dive into the numbers reveals a company that is cheap for a reason. Of course it's hard to find investments. Buffett and Munger only fund a few every year that they like. So I am not under an illusion that Mr. Dreman's book was going to be the holy grail for finding brilliant stock picks. Still, it would have been nice to know more about Dreman's methodology. He helpfully offers that his fund is available for those who wish to partake in his methods. 4 of 4 people found the following review helpful. Worthwhile content, though a little too long. By Glenn Corey On the one hand, I agree with much of what the one-star reviewer said in that the book is a bit long and spends too much time trying to convince the reader that markets aren't efficient. It seems like Dreman is trying to do too much: write a useful, practical book that the individual investor can use in making smarter investment decisions and at the same time establishing his academic bona fides. The second goal could have been attained by summarizing the existing literature on the topic and providing all the references a curious reader might have needed to explore the topic in more detail. I also got the impression, like the one-star reviewer, that Dreman feels slighted by the academic community for not taking him seriously when, in fact, he turned out to be right. Perhaps this is justified, but I thought it veered off course a bit without adding anything for someone simply looking for practical investment advice. On the other hand, because psychology is so important in investing but the average investor still doesn't seem to realize that, Dreman needed to spend some time making his case for exactly why the strategies he would eventually present are effective. I think the book is organized such that an intelligent reader would be able to figure out what parts could be safely skimmed and which should be paid attention to if not all the material is of interest. The weakest part of the book is the analysis of the ongoing financial crisis. In my opinion, the moral hazard introduced by the government, including the Federal Reserve, by bailing out the big banks is the single most important factor that created the current crisis. The Fed's big bailouts started soon after it was established and has conveyed to the big banksters that the Fed will always come to the rescue if things get bad. So go ahead and take as much risk as you want since you won't have to pay the penalty, and as long as things work out, you get to keep your winnings. And of course the most recent bailouts did nothing to lead the banksters to believe this won't happen again. Dreman seems more optimistic about the future than I believe is warranted (not that he thinks it'll be a cake walk, but I don't believe he thinks it'll get too much worse), and he doesn't emphasize the importance of still haven't a full trading/investment plan in place with rules about when to get in and when to sell. However, the strategies and psychological considerations make the book a worthwhile read, in my opinion. While it's not the best book on investing I've read, it's certainly not the worst, either. 0 of 0 people found the following review helpful. Why needed or why not. By Mr. Futures Why would you buy this book? In my opinion this is a must have book! I consider this book not for beginners due to the extensive data on market information; you need to have an understanding about P/E, P/B and other stock indicator to really appreciate this book. Let's assume you understand stocks; if you believe in Market Efficiency Theory you come to the right place, because David Dreman may provide a reality check for you. He has put together his extensive research for over 20 yrs of stock performance and the information is just amazing. He studies how high P/E vs Low P/E behave on the long run. This book will give you psychological guidelines to keep your head from being speculative. It will make you mind strong in the investment world and most important to stick with your opinions. NOW! Here is the thing in my opinion, if you already are a contrarian (Thinker) you can reinforce your approach to the market, But the first 200 page of the book will drive you crazy like happened to one of the reviewers, because Dreman destroy the EMT. If you don't follow EMT just skip the 200 pages and when you finish the book come back to the 200 page and read it. After the 200 page the book gets really interesting and powerful. Dreman conducted a numerous experiments that is really worth reading. THATS REALLY WORTH THE PRICE OF THE BOOK!!! Also is a good book for reference on your library don't throw this book away it will serve you well in the next bubble (either cloud or gold, :) So buying this book is worth every penny.

In this major revision of his investment classic, one of the premier investment managers introduces vitally important new findings in psychology that show why most investment strategies are fatally flawed and his contrarian strategies are the best way to beat the market. The need to switch to a new approach for investing has never been more urgent. The Crash of 2007 revealed in dramatic fashion that there are glaring flaws in the theory that underlies all of the prevailing investment strategies—efficient market theory. This theory, and all of the most popular investing strategies, fail to account for major, systematic errors in human judgment that the powerful new research in psychology David Dreman introduces has revealed, such as emotional over-reactions and a host of mental shortcuts in judgment that lead to wild over and under-valuations of stocks, bonds, and commodities and to bubbles and crashes. It also leads to horribly flawed assessments of risk. Dreman shows exactly how the new psychological findings definitively refute those strategies and reveals how his alternative contrarian strategies do a powerful job of accounting for them. He shows readers how by being aware of these new findings, they can become savvy psychological investors, crash-proofing their portfolios and earning market beating long-term returns. He also introduces a new

theory of risk and substantially updates his core contrarian strategies with a number of highly effective methods for facing the most pressing challenges in the coming years, such as greatly increased volatility and the prospect of inflation. This is every investor's essential guide to optimal investing.