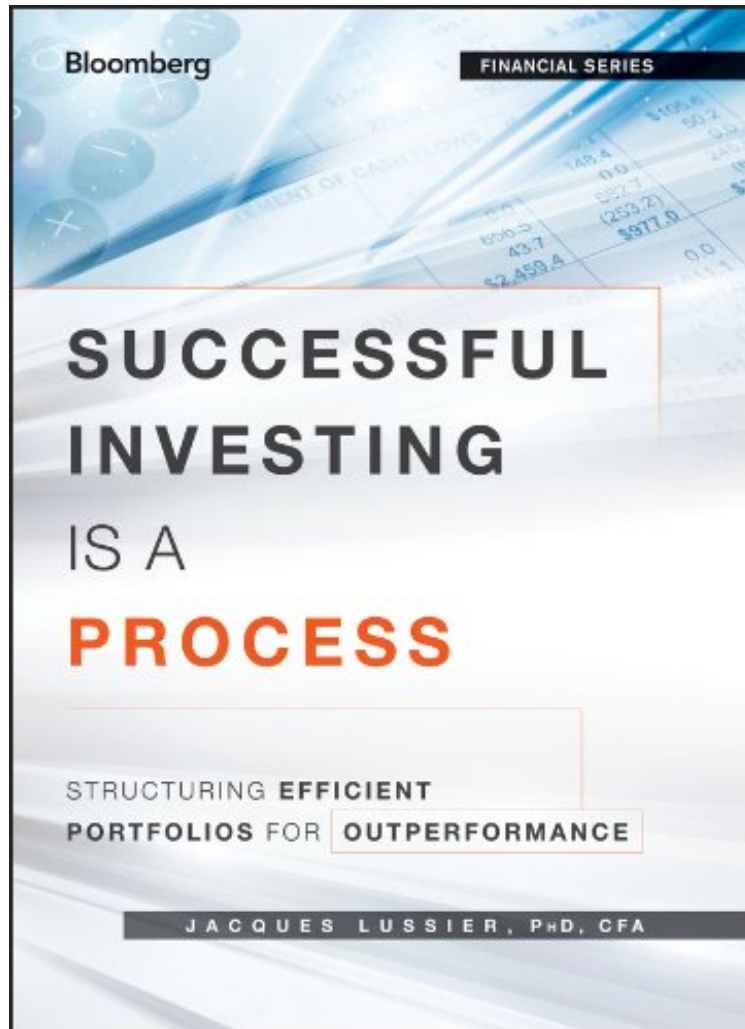


Successful Investing Is a Process: Structuring Efficient Portfolios for Outperformance

Jacques Lussier

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Jacques Lussier : Successful Investing Is a Process: Structuring Efficient Portfolios for Outperformance before purchasing it in order to gauge whether or not it would be worth my time, and all praised Successful Investing Is a Process: Structuring Efficient Portfolios for Outperformance:

4 of 4 people found the following review helpful. Rigorous read , catchy but misleading title.By Lou MAs an individual investor with long investing background this is a very analytical and rigorous read . Most useful are the statistical summaries of combinations of "protocols" of asset allocation such as diversification, minimum volatility fundamental.The tabulations take some re-reading to get a grasp of the combinations, time periods and assumptions. This is clearly an academic presentation more suitable for investment professional or grad school.Still , i found myself highlighting throughout and now have a better perspective on allocation strategy. Not a cookbook or for the typical

retail investor. I would have like to have seen explicit relationships to factor based strategies that would lend clarity to implementation .7 of 7 people found the following review helpful. An amateur investor's opinion: The excellent book *By A Customer* First of all - this book is written for professionals and I'm an amateur investor only. Hence my humble opinion might be reflect only viewpoint of non-targeted audience. Nevertheless because many so-called professionals in financial service industry do not really know that they are doing I think that the experienced amateur investor can use some of ideas discussed in the book to improve own performance. I cannot claim that I understood all nuances of the book but some parts are excellent and as far as I know unique for investment books. Almost unbiased discussions of indexes, some assets (and pseudo-assets) classes, taxes, liability investing are very fruitful. Although the book is dedicated to quite pro-active portfolio management suitable probably for institutional investors, the results are useful also for amateur investors who can decide that can be ignored in noise created by Wall Street marketing machine. I put 5 stars for the book although there are some minor issues (partially due to non-perfect editors work and probably constrain on book volume) but to compare with hundreds other investment books it is really outstanding. 0 of 0 people found the following review helpful. Impressive *By investingbythebooks* Jacques Lussier, the CIO of the Canadian asset Manager DeJardins Asset Management, has written an essential book on asset allocation for the serious investor. The topic at hand is not the tactical type of asset allocation that investment banks try to advice you on but the strategic asset allocation ndash; the base setting, the important stuff ndash; plus the practices around the SAA. The text is organized in 4 parts and a number of chapters. According to the author the book is aimed for institutional investors, asset managers and sophisticated individual investors. I would skip the last of these. This is rather a book written by a CIO for other CIOs, asset allocators or strategists at pension funds, endowments, sovereign wealth funds or insurance companies. Although the writing is surprisingly fluent and there are very few equations, the technical and detailed nature of the topics and the academic bent of the writer make this a book less suited for the individual investor. Considering this knowledgeable target audience I found Part I of the book largely superfluous (and also the chapter on tax effects ndash; nearly all institutional investors are tax exempt). The author in chapters 1 through 3 pretty much covers the standard understanding of any institutional investor that has some notion of what is the knowledge du jour of intuitional asset management. Then things pick up considerably. The chapter on the effects of volatility on long-term wealth might even be the most illuminating Irsquo;ve read and I liked the breakup into the determinants of equity returns. What is Lussier trying to convey? A number of things, but in my opinion the most important are: 1) an asset manager should formulate a logic process that he believes in and sticks to and because of this has time to perfect, 2) there is still more benefits to be had from good honest portfolio diversification using liquid securities and rebalancing using objective functions, so there is less need to lock the money up in endowment-style solutions that will make rebalancing difficult and deprive the asset manager the chance to buy cheaply after large drawdowns, 3) improve the functionality of the underlying asset class portfolios by using cheap non-market cap based constructions that are rebalanced, donrsquo;t waste time searching for alpha and look to long horizons and 4) preferably use volatility based solutions for allocation and rebalancing. By making many small right choices the author claims the combined effect over time of this ldquo;evidence based portfolio managementrdquo; could be higher Sharpe-ratios and an annual return increase of 1.5-2%. Even better than the books excellent and very true title is Lussierrsqo;s notion that ldquo;[o]ur objective is not so much to outperform the market, but let the market underperformrdquo;. Overall, Lussier has written a very impressive and voluminous text combining insights from academic research, from external product suppliers like Bridgewater, Research Affiliates etc. and from a fair amount of his own research. Why not give the book full marks then? I canrsquo;t shake the ldquo;conventionalrdquo; feeling that I picked up from start. Since the GFC all everybody has talked about is to lower the risk contribution of equities, volatility based solutions are everywhere etc. Irsquo;m a bit afraid that the last 30 yearsrsquo; bull market for bonds has affected what we see as the cutting edge knowledge in more ways than we realize. We may just have switched one set of risks for another. For example, volatility based allocation or rebalancing implies selling equities as they become more volatile before a presumed downturn. This is okay as long as not everybody does it at the same time. Further, there is no discussion on the difference between risk factors/style factors that have offered a return premium without repricing and those that have just become expensive. For the serious investor engaged in strategic asset allocation this book is an absolute must. For the non-CIO there are more suitable alternatives. This is a review by investingbythebooks.com

A process-driven approach to investment management that lets you achieve the same high gains as the most successful portfolio managers, but at half the cost What do you pay for when you hire a portfolio manager? Is it his or her unique experience and expertise, a set of specialized analytical skills possessed by only a few? The truth, according to industry insider Jacques Lussier, is that, despite their often grandiose claims, most successful investment managers, themselves, can't properly explain their successes. In this book Lussier argues convincingly that most of the gains achieved by professional portfolio managers can be accounted for not by special knowledge or arcane analytical methodologies, but proper portfolio management processes whether they are aware of this or not. More importantly, Lussier lays out a formal process-oriented approach proven to consistently garner most of the excess gains generated

by traditional analysis-intensive approaches, but at a fraction of the cost since it could be fully implemented internally. Profit from more than a half-century's theoretical and empirical literature, as well as the author's own experiences as a top investment strategist Learn an approach, combining several formal management processes, that simplifies portfolio management and makes its underlying qualities more transparent, while lowering costs significantly Discover proven methods for exploiting the inefficiencies of traditional benchmarks, as well as the behavioral biases of investors and corporate management, for consistently high returns Learn to use highly-efficient portfolio management and rebalancing methodologies and an approach to diversification that yields returns far greater than traditional investment programs

From the Inside Flap Investors, be they high-net-worth individuals, institutional investors or other large entities, are often convinced to entrust their portfolio management to a team or individual with seemingly unique experience or expertise, and they then incur significant costs for the knowledge, analysis, and resources associated with that expertise. However, as Jacques Lussier reveals, many successful portfolio managers improperly attribute their success in the long term to their ability to forecast which security, sector or asset class will outperform, when the successes may be explained by their risk structuring and risk management processes. Understanding why some processes lead to outperformance allows investors to design portfolios whose excess performance will be statistically reliable. Successful Investing is a Process is all about investment processes and transparency of investment processes. It is about learning from more than half a century of theoretical and empirical literature and about learning from our experiences as practitioners. The approach is based on an overall investment framework that seeks to increase long-term returns by using a combination of processes that are likely to have a persistent impact on performance. This approach can also simplify the complexity of portfolio management and make it more transparent, reduce its cost, exploit the inefficiencies of traditional benchmarks, introduce efficient portfolio management and rebalancing methodologies, exploit the behavioral biases of investors and of corporate management, structurally incorporate LDI (liability-driven investments) concerns, maximize the benefits of efficient tax planning and effectively use the concept of diversification whose potential is far greater than what is usually achieved in most investment programs. The book is divided into four parts: Part One: Demystifies the fund management industry and debunks the belief that superior performance can be obtained only with superior analytical abilities. Part Two: Outlines the four dimensions of the investment process as well as basic notions and concepts about asset valuation and forecasting that are required to support the remainder of the book. Part Three: Explains how to build portfolio components and asset allocation processes that are statistically likely to outperform. Part Four: Combines everything into a coherent framework that can be adapted to the needs and requirements of individual investors and institutions. Successful Investing is a Process demonstrates that the objective is not so much to outperform the market, but to let the market underperform. It offers a disciplined, process-oriented approach that is easier and less expensive to implement and follow—and more likely to produce superior results—than the traditional knowledge-based model.

From the Back Cover Praise for Successful Investing is a Process "Should I want advice about the construction and the dynamic management of an investment portfolio, Jacques Lussier would be my first telephone call." — NASSIM N. TALEB, essayist, risk scientist, and former derivatives trader; author of *The Black Swan* and *Antifragile* "For the serious investor, Jacques Lussier provides a careful and clearly written analysis of what can and should be done to manage investments in a professional market where fees are large relative to value added. Successful Investing is a Process is always clear, always interesting and always educating." — Charles D. Ellis, founder of Greenwich Associates, Chair of the CFA Institute, associate editor of *The Journal of Portfolio Management* and *Financial Analysts Journal*; author of 16 books including *Winning the Loser's Game* "Successful Investing is a Process. It's not just a book title but an often-ignored reality. Jacques Lussier has done a superb job of synthesizing many of the developments in modern finance theory and practice into a well-crafted 'owner's manual' for building a successful investing process. This is an important book for any investor or fiduciary who wants to weather the likely challenges that the coming years seem likely to impose on us." — Rob Arnott, founder of Research Affiliates, former chairman of First Quadrant, editor of the *Financial Analysts Journal*; co-author of *The Fundamental Index: A Better Way to Invest* "Jacques Lussier is quite right. Investing IS a process, and not a formula. There is something for every kind of investment professional in this useful book. I rediscovered much I had learned over thirty years in this profession, but had perhaps forgotten. I appreciated, too, much that I do remember; it's good to have it all in one place. But most of all I appreciate the large amount of material that I had missed. The scope of Jacques' book is encyclopedic. This is one of those rare books that will command a permanent place on the limited real estate available on an investor's trading desk." — Vinay Pande, Partner at Brevan Howard, former Chief Investment Advisor at Deutsche Bank "Lussier offers credible new views on benchmarking and outperformance, gleaned from his own experience and his broad and critical survey of current academic and practitioner research, in particular the insight that investors should let the market underperform their investment protocols instead of attempting to beat the market at all costs. Lussier's book is an impressive achievement written by an accomplished veteran of the asset management industry." — Yves Choueifaty, founder of TOBAM, former CEO of Credit Lyonnais Asset Management

About the Author JACQUES LUSSIER, PhD, CFA, is

the Chief Investment Strategist at Desjardins Asset Management, and has been with the company since 1995. He is the current VP of the Montreal chapter of the CFA (Chartered Financial Analyst) Society. He is a regular speaker at conferences, seminars, and webinars. Previously, Mr. Lussier taught finance at HEC Montreacut;al. He holds a PhD in International Business with a minor in Bank Studies from the University of South Carolina, a master's degree in Finance and a bachelor's degree in Economics from HEC Montreacut;al.