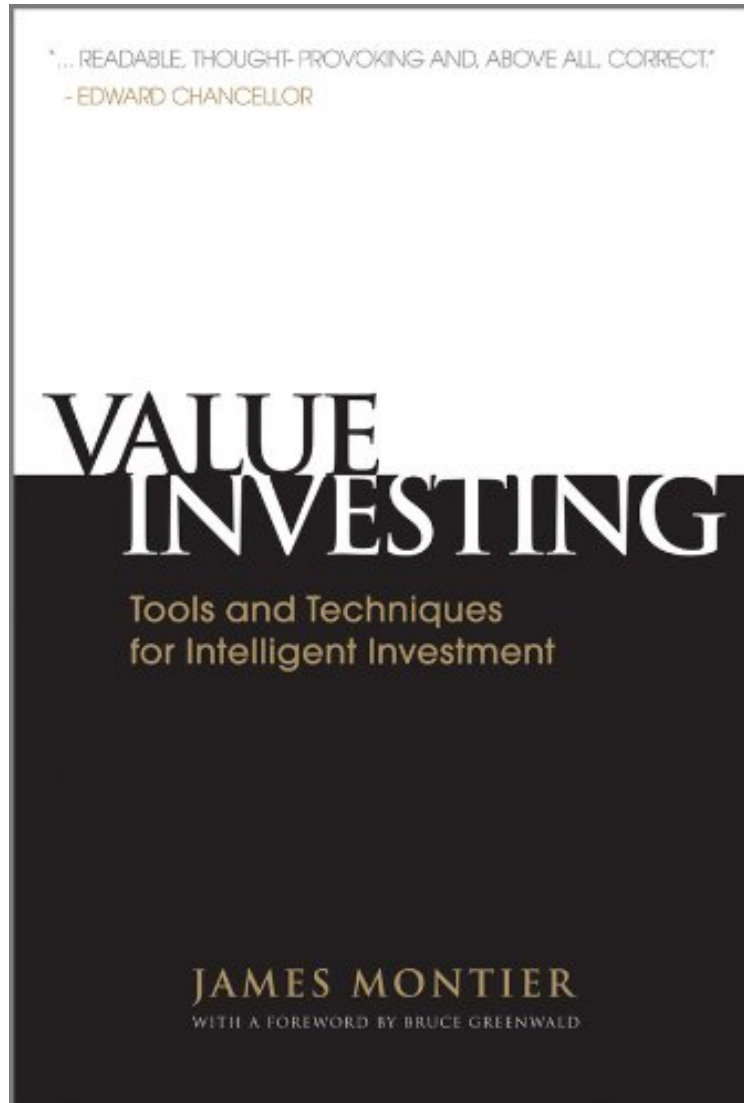


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Value Investing: Tools and Techniques for Intelligent Investment

James Montier

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James Montier : Value Investing: Tools and Techniques for Intelligent Investment before purchasing it in order to gauge whether or not it would be worth my time, and all praised Value Investing: Tools and Techniques for Intelligent Investment:

47 of 47 people found the following review helpful. A waste of an afternoon
By Erik T. Nelson
If you haven't read any of the other books available on behavioral economics, you didn't know that low p/e stocks (or p/b, p/s, etc) tend to outperform high p/e stocks, you think that markets are efficient, or you haven't heard of Ben Graham, then you'd probably get a lot out of this book. It's well written, and often entertaining. Personally though, I was disappointed. The first section spells out, in laborious detail, that the markets are not always rational. I'm sure there are a few academics

around who disagree, but not many. Other writers made the same points long ago, and I seriously doubt that anyone who would buy a book with "value investing" in the title takes the idea seriously. The second section is on behavioral economics. He goes over the same fifty or so experiments that every book on the subject seems to cover, and offers no new insights. The third and fourth sections lay out what he thinks value investing is all about. He's more along the lines of Ben Graham than Warren Buffett, and has little or nothing in common with Marty Whitman, who also wrote a book with the title "Value Investing." (Whitman's book is poorly written, and a much less pleasant read, but ultimately far more insightful and valuable.) Montier is fond of developing numerical models, then back-testing them to see how they would have done over the last 30 years or more. His approach strikes me as a bit naive. He rails against those who put too much faith in mathematical models based on past performance, then spends a lot of time discussing mathematical models based on past performance. Value investing, as I understand it, is figuring out much something is worth and buying it if you can get away with paying substantially less. Montier pays lip service to this idea, but that isn't really what he advocates in a lot of the book. The fifth section covers short selling. I found this to be the best section of the book. In brief, he explores the idea that a value investor, when unable to find much that's cheap enough to buy, might want to sell short the most expensive stocks. There's a bit more to it than that, including the basics of looking for problems on the balance sheet, problem CEOs, etc. I wasn't entirely convinced that the risks of shorting the high-flyers are worth the possible gains, but he did provide food for thought. I'll probably read this section again. The final section is largely a collection of thoughts on what to do when the market crashed in 2008-9. In a word, buy. Frankly, if you're a value investor, you didn't have to be told. A few other topics were covered, but I didn't find anything useful or insightful. I should also note, as other reviewers have, that the book is repetitive in the extreme. This is largely a collection of articles, with no real effort made to put them together in a cohesive way. In fact, you can probably track down a lot of it on the internet. You'll sometimes find the same sentence, or even an entire paragraph repeated verbatim three, four, or even more times. Several times I thought I might have misplaced my bookmark, but the problem was with the book, not with me. Bruce Greenwald, who wrote the Foreword, views this as an advantage. He's wrong. I should also point out that Montier, though sometimes insightful, at other times just doesn't make sense. For example, he spills quite a bit of ink telling the reader not to forecast. He doesn't admit it, but a lot of his methods (strictly speaking, all of his methods) involve forecasting. I think he's trying to distinguish some sorts of forecasts from others, but he doesn't make this clear, and certainly doesn't offer any convincing argument for this view. Oh, and there are precious few of the "Tools and Techniques" referred to in the subtitle.

85 of 88 people found the following review helpful. Food for Thought on Value Investing By D. CHENI purchased this book some weeks ago, but finally had a chance to sit down with it this weekend at a coffee shop. My initial thought before I opened the cover was that it was yet another book on value investing. I would have been thrilled if I gleaned just a little tidbit from this tome. Boy, what an understatement. Montier has written a gem. It is an honor to be the first to post a review on because I feel like I "discovered" this book. Value Investing: Tools and Techniques for Intelligent Investment is a compendium of the author's pieces and speeches while he was chief strategist at Societe Generale (he is presently at Grantham Mayo according to the dust jacket). For those fortunate enough to have all the author's pieces from his SG days, this book may not be worth purchasing. For those of us who are not so fortunate, this book has more kernels of wisdom on value investing than any book I have read in years. A quick synopsis: Part I Montier debunks much of the academic literature on efficient markets and CAPM. He takes much of the issues Buffett has with modern finance theory and goes into further detail. Unlike many books on value investing which often give a mystical air to the subject of value investing, he backs up many of his assertions with a plethora of data and studies . . . and he doesn't mince words: Chapter Two is entitled CAPM is Cr-p*. Along the way, he provides value investing's definition of risk which is very different from how "modern finance" defines risk, but it is a definition of risk that investors post-2008 can readily identify with. His chapter on the Danger of Discounted Cash Flows echoes the work of Rappaport and Maboussin but does it succinctly in a scant 9 pages. Part II This section delves into the area of Behavioral Finance, which I gather has been the topic of his previous three books. The last chapter in this section addresses why value investing is so hard for many investors to implement and hence its continuing source of advantage for those who can overcome the psychological hurdles. Part III This section covers the philosophy of value investing. His "Ten Tenets of his Investment Creed" should be taped as a list to every value investor's computer screen. Part IV This section focuses on empirical evidence from overseas and applies an old formula from Benjamin Graham's playbook to global markets. Part V This section is unique among books on value investing in my opinion. It is devoted to short-selling. He provides a methodology and framework to finding short-sale candidates and empirical data on how well the methodology has worked over the years. Part VI This section entitled Real-time Value Investing contains articles from the 2008 and 2009 period. Unlike economists and many market strategists who hedge their calls sufficiently so that it is difficult to prove whether they are right or wrong, Montier is intellectually honest enough to put his thoughts during the recent financial crisis out in the open. Time will eventually tell if he was mostly right or wrong, but you have to admire his willingness to show where he stands. I own over 500 books on investing. After you've read the first hundred or so, I think it is easy to become jaded and think nothing new has been written in years. Montier's book proves me wrong. His book is an incredible "food for thought" for the thoughtful investor.

14 of 14 people found the following review helpful. Recycled By

tandembicycling While this book contains interesting info and stats, it is mostly composed of articles/columns that were previously written over several years. Each chapter references the current crisis from a different spot on a time line. Because each chapter also comes from a different analytical perspective, there are a lot of variables between chapters so the book doesn't feel like it hangs together. There is not a lot of practical advice. The many screening variables mentioned are not available in the screens I have access to on my brokers' websites or online. The behavioral chapters are pretty much repeated in his "Little Book of Investing" which I liked a lot better. Interesting, but too haphazard.

"As with his weekly column, James Montier's Value Investing is a must read for all students of the financial markets. In short order, Montier shreds the 'efficient market hypothesis', elucidates the pertinence of behavioral finance, and explains the crucial difference between investment process and investment outcomes. Montier makes his arguments with clear insight and spirited good humor, and then backs them up with cold hard facts. Buy this book for yourself, and for anyone you know who cares about their capital!" mdash;Seth Klarman, President, The Baupost Group LLC

The seductive elegance of classical finance theory is powerful, yet value investing requires that we reject both the precepts of modern portfolio theory (MPT) and pretty much all of its tools and techniques. In this important new book, the highly respected and controversial value investor and behavioural analyst, James Montier explains how value investing is the only tried and tested method of delivering sustainable long-term returns. James shows you why everything you learnt at business school is wrong; how to think properly about valuation and risk; how to avoid the dangers of growth investing; how to be a contrarian; how to short stocks; how to avoid value traps; how to hedge ignorance using cheap insurance. Crucially he also gives real time examples of the principles outlined in the context of the 2008/09 financial crisis. In this book James shares his tried and tested techniques and provides the latest and most cutting edge tools you will need to deploy the value approach successfully. It provides you with the tools to start thinking in a different fashion about the way in which you invest, introducing the ways of over-riding the emotional distractions that will bedevil the pursuit of a value approach and ultimately think and act differently from the herd.