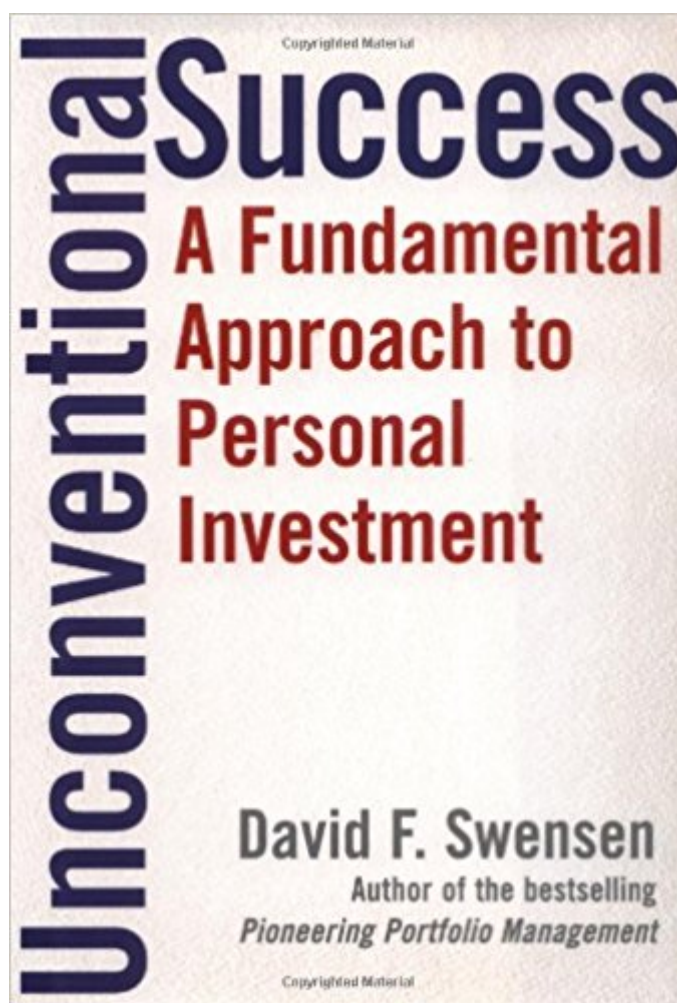


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Unconventional Success: A Fundamental Approach To Personal Investment



Synopsis

The bestselling author of *Pioneering Portfolio Management*, the definitive template for institutional fund management, returns with a book that shows individual investors how to manage their financial assets. In *Unconventional Success*, investment legend David F. Swensen offers incontrovertible evidence that the for-profit mutual-fund industry consistently fails the average investor. From excessive management fees to the frequent "churning" of portfolios, the relentless pursuit of profits by mutual-fund management companies harms individual clients. Perhaps most destructive of all are the hidden schemes that limit investor choice and reduce returns, including "pay-to-play" product-placement fees, stale-price trading scams, soft-dollar kickbacks, and 12b-1 distribution charges. Even if investors manage to emerge unscathed from an encounter with the profit-seeking mutual-fund industry, individuals face the likelihood of self-inflicted pain. The common practice of selling losers and buying winners (and doing both too often) damages portfolio returns and increases tax liabilities, delivering a one-two punch to investor aspirations. In short: Nearly insurmountable hurdles confront ordinary investors. Swensen's solution? A contrarian investment alternative that promotes well-diversified, equity-oriented, "market-mimicking" portfolios that reward investors who exhibit the courage to stay the course. Swensen suggests implementing his nonconformist proposal with investor-friendly, not-for-profit investment companies such as Vanguard and TIAA-CREF. By avoiding actively managed funds and employing client-oriented mutual-fund managers, investors create the preconditions for investment success. Bottom line? *Unconventional Success* provides the guidance and financial know-how for improving the personal investor's financial future.

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Customer Reviews

Swensen, CIO of Yale University and the author of *Pioneering Portfolio Management*, reveals why the mutual fund industry as a whole does a disservice to the individual investor. Soft money, 12b-1 fees, overtrading, market timing, and other management practices lower performance and virtually guarantee that most mutual fund returns will fall short of their benchmark, such as the S&P 500. Furthermore, for-profit mutual fund companies have a fiduciary obligation to their stockholders, not to their investors, and this relationship "inevitably resolves in favor of the bottom line." Swensen is also highly critical of the Morningstar rating system, which only causes investors to chase hot performing funds and managers. He advises considering alternatives to the for-profit mutual fund industry, including Exchange Traded Funds and not-for-profit financial institutions such as Vanguard and TIAA-CREF. He highly recommends that as an individual, you should play a more active role in your financial future. This includes periodic portfolio evaluation and rebalancing, to ensure that your asset allocation remains diversified and suits your investment time line. David Siegfried

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"Mutual fund managers and marketers are not going to like David Swensen's thoughtful and intelligently opinionated analysis of their 'colossal failure' resulting from the fund industry's 'systemic exploitation of investors.' Coming from the mind and heart of one of America's most successful and integrity-laden money managers, this is a book that will change the way you think about mutual funds. It's high time for you to follow the elegantly simple advice he presents in this wonderful book."

-- John C. Bogle, founder and former CEO, The Vanguard Group

"Swensen is the best. Always a pioneer, his new book presents an approach to investing that is both brilliant and practical." -- Barton Biggs, former Chief Global Strategist, Morgan Stanley

"A legendary institutional investor reveals the conflicts of interest that induce most financial services companies to provide inadequate products for the individual investor. Swensen's wise solution: Low cost, tax efficient, market-mimicking funds available either through Exchange Traded Funds (ETFs) or from not-for-profit mutual fund companies. *Unconventional Success* does for the individual investor what Swensen's *Pioneering Portfolio Management* did for the institutional investor." -- Burton G. Malkiel, author of *A Random Walk Down Wall Street*

"David Swensen is one of today's best endowment managers, if not the best. *Unconventional Success* is a perfect summary of what is wrong with a very important industry. This book should lead the reader to better investment decisions." -- Michael

F. Price, Managing Partner, MFP Investors"Unfortunately, at the bottom of our industry -- money management -- there is a rather thick layer of muck, and Swensen's *Unconventional Success* rakes through this muck in spectacular fashion and great detail. It is the truth, the whole truth, and the very ugly truth. If you want to avoid the snares that lurk in money management, and save yourself lots of money, you must read it." -- Jeremy Grantham, Chairman of GMO

The hardest part about index fund, buy-and-hold investing is staying the course during market downturns. You can never really know how tempted you will be to sell during a crisis. This book provides the knowledge necessary for investors to choose their asset allocations, and most importantly, to be able to justify their asset allocations to themselves. The author details which investments belong in a portfolio, and which do not, using a variety of factors. Understanding the justifications for their investment choices asset allocations will give investors the conviction to stay the course during bear markets, rather than sell in a panic.

This book serves as an excellent tool to the world of investing in mutual funds. Written in plain English so that anyone who is interested in investing can understand what the author is saying. It also exposes the mutual fund business as one in which the investor is behind the eight ball so to speak. But it is a valuable reference for the average investor in today fund driven world.

This is a great book. Boiled down, it says that equities drive returns but that investors (individuals, endowments, etc.) can't stand the volatility. To address this, the book goes over what the author thinks are the best equity assets for driving returns and the best assets for reducing volatility and protecting against inflation, deflation, and panic. The latter is designed to buck you up and prevent you from selling at the bottom and locking in your losses when things get dicey, which they will from time to time. The book gives you general ideas for a framework in evaluating assets to be included in your portfolio but, despite giving some general recommendations as to the portfolio composition, doesn't give a lot of specific advice. This seemingly disappoints some. However, if you understand why you have one asset or another it shouldn't be hard to decide what works best for your situation. For example, there has been a lot of discussion as to what duration treasury bonds the author suggests. If you understand that the bonds are designed to protect against deflation and panic, then you should be able to determine for yourself what the duration should be (e.g., if you're 85 years old you shouldn't be concerned about purchasing power in 30 years). Likewise, if you're 85 years old you probably want to have more bonds than the recommended portfolio since you shouldn't be as

concerned about returns over the next 50 years. Managing a retirement account for an individual is different than managing a portfolio for a university with an almost unlimited time horizon. The author makes this clear in numerous ways, though the language may be more academic than most investing guides. In this regard, some may find William Bernstein or Ric Edelman more accessible. David Swensen may be more insightful in parsing the various asset classes but they have a more folksy approach using more examples -- people often find induction works better than deduction. My advice would be to start with Edelman, move to Bernstein, and then read this book. The message isn't all that different, but ultimately your investing is a personal journey and the more ways of understanding the issues the better prepared you will be for tackling the job. Plus repetition never hurts!

There are of course many investment books out there, but most are written by armchair quarterbacks, so to speak. Swensen is the real deal; he has been the Chief Investment Officer at Yale since 1985, in charge of Yale's multi billion dollar endowment. I'll trust my future to someone who actually does, instead of a writer that talks about doing, thank you very much. Swensen's sample "lazy" portfolio always does well in backtesting; routinely producing better returns than many other lazy portfolios out there. This book isn't the easiest read, but it's not mega technical either; some books go overboard with technicalities, and the message gets lost in the details, not so here. Highly recommend.

While this is an excellent book, I knocked off a star for one main reason: I believe it to be a little too advanced to be called "fundamental." This is the perfect book for a person with two critical attributes: 1) You have already read Burton Malkiel's "A Random Walk Down Wall Street" 2) You are looking to go beyond a employer-sponsored defined contribution plan and would like some help determining who gets your money. I say read Malkiel first because having an understanding of the Efficient Market Hypothesis will help you get a lot more out of reading this book. While Swensen presents an excellent work, it is a bit dry and academic. If, however, you can commit to reading it carefully, I am confident you will be a better money manager for it. Since an individual employee has little control over the firm chosen to administer the company 401(k), I believe this book to be less helpful than "A Random Walk" if you are simply seeking guidance for selecting investments in a defined plan. If, however, you are about to open your own IRA or a standard, taxable account, this book will serve as an invaluable guide. Stick with it, and happy investing!

This is the best primer on personal investment strategy that I have read in the last ten years. Could only have been written by someone with Swensen's credentials who is totally un beholden to the mutual fund companies and other financial services players who are systematically bilking small investors through high fee, high risk investment strategies that do not pay off for the investor in the long term. Swensen's advice is sound, based on proven portfolio management principles, battle-tested via Yale's global endowment, one of the largest and most sophisticated investors of our time. The chapters on the proper use of ETFs- exchange traded funds- in a personal investment portfolio are worth the purchase price alone. Of course, most investors will never take the time to read and reflect on a book like this--but you should! Just don't count on your mutual fund company to tell you about it!

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