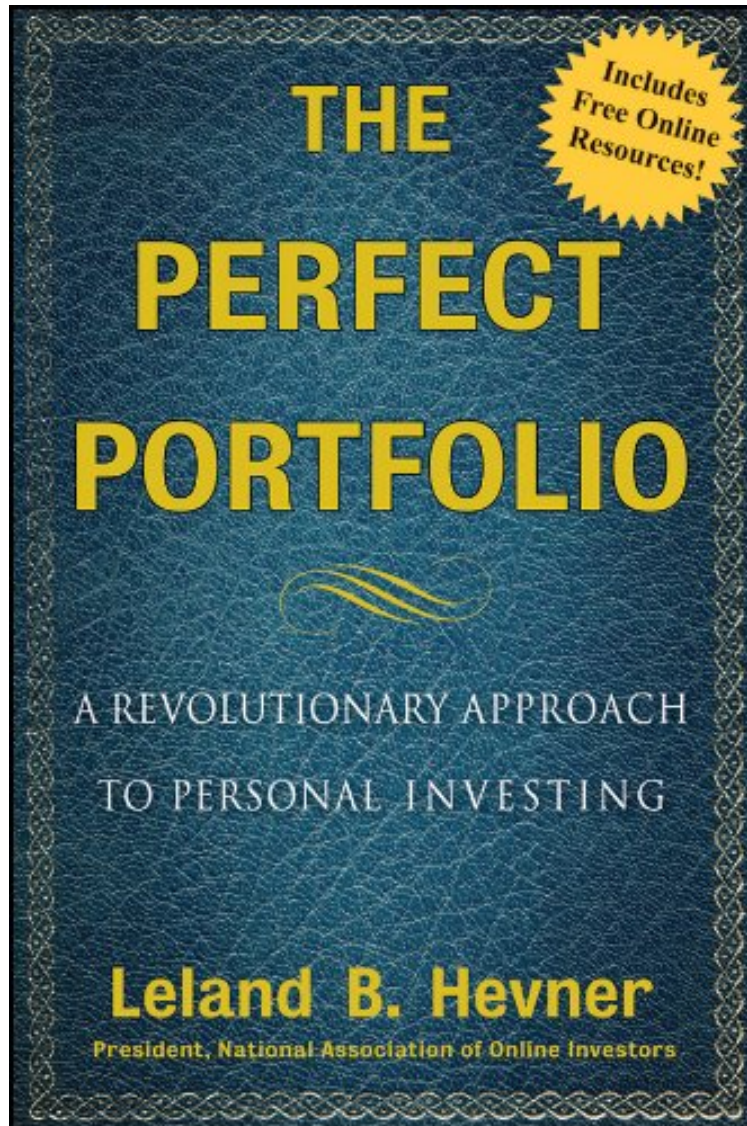


(Read free) The Perfect Portfolio: A Revolutionary Approach to Personal Investing

# The Perfect Portfolio: A Revolutionary Approach to Personal Investing

*Leland B. Hevner*

*ePub | \*DOC | audiobook | ebooks | Download PDF*



DOWNLOAD



READ ONLINE

#1844785 in eBooks 2009-03-27 2009-03-27File Name: B00261OP8Y | File size: 58.Mb

**Leland B. Hevner : The Perfect Portfolio: A Revolutionary Approach to Personal Investing** before purchasing it in order to gage whether or not it would be worth my time, and all praised The Perfect Portfolio: A Revolutionary Approach to Personal Investing:

143 of 148 people found the following review helpful. Much Better Methods AvailableBy Research GuyI give the author credit for pointing out what should be obvious to investors over the past decade - that the old-school approach of simply building a diversified portfolio, with periodic rebalancing (the buy-and-hold approach) carries high risks.

The question then becomes, is there a way to get decent returns with less risk? Those who believe there is generally rely on one of two methods - trying to time the market, and trying to pick winners. The author goes for timing the market. Extensive studies have shown that timing the market is possible, but only if proven, mechanical methods are used. (See below for books and websites that show you the right way to do this). The success rate drops precipitously as soon as an investor introduces vague or subjective strategies for moving into and out of the market. So the first rule is avoid any timing method that depends on subjective evaluation. The second is to pick a mechanical method that has a record proven with sound statistical methods. The record should tell the investor what annual returns to expect, what volatility to expect, and what maximum draw downs of his portfolio to expect. THE PERFECT PORTFOLIO approach does none of this. The author tells you his approach is good, but without any proof, and without any statistics on what kinds of risks and rewards you can expect if you try to use his system. In a nutshell, here is the approach advocated by the author, followed by my issues with it: Invest a portion of your portfolio in a core buy-and-hold allocation to cash, bonds, US stocks, and Foreign stocks. Then allocate another portion of your portfolio based on timing the market in each of the five asset classes of Gold, Real Estate, Energy, Emerging Markets, and Agriculture. These last five did fairly well in recent years, though with wild volatility in 2007-2009, suffering 50%-60% losses. And if inflation takes off, are likely to be good inflation hedges. Here are the problems: If buy-and-hold is not a good thing, why use buy and hold on ANY part of the portfolio, including a core position? US Stocks and Foreign stocks in the core position are just as subject to major volatility and losses as are any of the asset classes in the timed part of the portfolio. Even bonds are subject to significant losses if interest rates start to rise. Secondly, the timed portion of the portfolio relies on the subjective use of various technical indicators, which are notoriously difficult to use effectively. See the book Evidence Based Technical Analysis by Aronson for a severe critique on the hazards, failures, and weak evidence in support of timing the market with the kinds of technical indicator approaches that the author recommends. I've read perhaps 40 books on the use of such indicators, and spent several years trying to make money with them. A rare few traders with exceptional discipline and skill (and yes, luck) have been known to do this effectively, and even they have had bad stretches. The average investor doesn't stand a chance of making consistent gains this way. So, where does that leave the investor looking for a safer way to invest than the old-school approach? Fortunately there are some excellent web sites and books which have used the discipline of extensive testing and sound statistical methods to figure out what works, and with what degree of success. The following list should be a good starting point: The recently published book, The Ivy Portfolio, by Mebane Faber, gets it exactly right. He shows you proven methods for increasing returns and reducing risk, and backs up all his approaches with sound statistical evidence and lots of historical data on the risks and returns you can expect with the several approaches he demonstrates. Faber also has a free paper you can download that will give you a proven and easy-to-follow method for safe investing. The method has averaged gains of about 11.5% a year since 1973, with only one losing year in 2008, and even that losing year had a grand total loss of less than 1 percent. Search for the paper titled A Quantitative Approach to Tactical Asset Allocation. Mebane Faber has a free copy available on his website MebaneFaber. There are no guaranteed, fail-proof ways to invest, but the strategy outlined in this paper comes pretty close. Another book by an author who has done his homework, and provides a full accounting of risks and rewards and a tested mechanical approach is - Beating The Market, 3 Months At a Time by Gerald Appel. This book would be better for investors who don't wish to invest more than once per three months, and wish to stay in their mutual funds rather than trade through a brokerage account. However, the approach in the book is also well suited to the use of ETFs. The Decision Moose website offers a free [Update 08-31-11: there is now a modest subscription fee] weekly trading strategy with over ten years of steady, positive returns. He updates his website each Sunday night with witty commentary on the economy and various asset classes. Read his FAQ section to get a quick and clear explanation of how he does it. His exact methods are proprietary, but his general approach is outlined. All you do is put your money where the Decision Moose tells you to each week. He does all the work. This is not to say you trade every week. On average, you only trade once every few months. Fund manager Ulli Niemann runs a free weekly investment strategy which uses sound, mechanical methods published on his web site Successful Investment. His strategy is detailed on the web site, and uses sound methods for avoiding bear market losses. You can sign up for a free weekly email which keeps you in the loop on when to be in and out of the market, how to hedge (protect) yourself from downside risk, what the best funds to invest are, and so forth. My only reservation with Ulli Niemann's approach is that despite its avoidance of Bear Market downturns, it still relies a bit on subjective market timing. But the wiggle-factor is kept to a minimum, and overall the approach is based on proven methods. The CXO Advisory website is THE BEST free [Update 08-30-2011: Many articles now require you to join by paying a modest membership fee.] go-to resource for extensive academic research on what works and what doesn't in the investing world. The site is updated at least once daily with a new research topic - all very concise, very objective, unbiased, and useful. Especially read his essay titled What Works Best for a summary of academic research on the most effective investment techniques. 5 of 5 people found the following review helpful. for the lazy and uninformed By '78 Malibu Fan If you are someone who has never done any of your own investing and you think you may not take the time to learn how to invest properly, then this book is for you. This book could have been synopsized into a ten page pamphlet. Its very simple premise could be explained and then the last

page could simply read "pick a sector and repeat process as necessary" It is to overly simplified for the sophisticated investor. I thought I was going to learn something about ETF investing, but that is not the case. 0 of 0 people found the following review helpful. The Perfect Portfolio By William A. Pater A great book for someone who has the cash to set up a portfolio. The book does not require you to be a technical analysis expert. The methodology requires you to monitor your investments in order to keep them growing. The material in the book is supported by an internet site. I enjoyed the book.

Praise for The Perfect Portfolio "Today's markets are rife with challenges that confound novice and professional investors alike. Thankfully, The Perfect Portfolio provides the type of 'outside the box' thinking that can enable individual investors to not only cope with these challenges but also to view them as profit-making opportunities." —Lynnette Khalfani-Cox, *The Money Coach* (from the Foreword) To achieve long-term success in today's market, you can't place your faith totally in financial "experts" who are far too often salespeople first and objective advisers second. You must take personal control of your hard-earned savings and build a portfolio that gives you a realistic chance of earning returns that enable you to meet the investing goals you really want to achieve in life. That's why Leland Hevner—President of the National Association of Online Investors (naoi.org) and a longtime educator in the financial field—has created The Perfect Portfolio. This reliable resource outlines Hevner's proven investment approach, known as the Perfect Portfolio Methodology (PPM), and shows you how to use it to thrive in today's challenging market conditions. Divided into three comprehensive parts, The Perfect Portfolio will enable you to: Build a powerful and efficient portfolio using nine asset classes instead of the traditional three Completely avoid the complexities of analyzing individual stocks and mutual funds Virtually eliminate company risk from your portfolio Use amazing new Web-based tools to enhance and automate your trading activities Easily design a portfolio that matches your investing style and thrives in any market condition And much more This is not the stuff of your average investing book. The author is not simply putting a new "spin" on the outdated investing concepts being taught today. He is providing nothing less than a dramatically new portfolio design model and a revolutionary approach to the entire field of personal investing. And this bold challenge to the status quo is long overdue! With The Perfect Portfolio as your guide, you will realize that investing does not need to be as complicated as the financial services industry would like you to believe. You will learn a simple methodology for building a portfolio that can produce incredible returns with minimal risk. You will be empowered to take personal control of your investments. It's time to start your new life as a confident investor.

From the Inside Flap Today's world of personal investing is not a friendly place. Individuals are assaulted with an unending barrage of financial news, "expert" advice, investing tools, trading systems, and more, to the point where they are overwhelmed. As a result, most people simply entrust their portfolios to third-party advisers and, in doing so, lose control of their financial security. Nobody is more familiar with this situation than author Leland Hevner. As President of the National Association of Online Investors (naoi.org) and a longtime educator in this field, he understands that to succeed in today's chaotic markets you don't need more news, advice, or analysis tools. Instead, you need a completely new and simpler approach to building an effective portfolio on your own—one that includes updated investing concepts and dramatically new ways of looking at the market. That's why he created The Perfect Portfolio. Written in a straightforward and accessible style, this reliable resource shows you, step by step, how to use a revolutionary approach to investing called the Perfect Portfolio Methodology (PPM). Developed by Hevner over the course of his successful career and based on input from hundreds of individual investors, the PPM allows you to capture incredible returns under any market condition without exposing yourself to unacceptable risk or requiring you to devote an extraordinary amount of time to the investing process. The journey to creating your unique Perfect Portfolio is divided into three parts: Part I reveals the problems faced by today's investors, outlines a new approach for solving them, and gets you started by showing how to design the Core Segment—or foundation—of your Perfect Portfolio Part II details how to "supercharge" your Perfect Portfolio's returns by adding a Target Market Segment consisting of five newly defined asset classes Part III illustrates how you can bring the Core and Target Market Segments together to form a Perfect Portfolio that meets your unique investing profile and current market conditions This is a book that financial advisers will not want you to read. Why? Because it takes them out of the loop by empowering you to make informed and profitable investing decisions on your own. The Perfect Portfolio places the power to control your wealth firmly in your hands, where it belongs. The Perfect Portfolio is more than just a book. It also includes a supplemental online component you can access via the Web at [www.perfectportfolio.com](http://www.perfectportfolio.com). The use of this resource is not required to take full advantage of the book's content, but the information and tools presented in the online component can enhance your overall learning experience. About the Author Leland B. Hevner is the President of the National Association of Online Investors (NAOI), which he founded in 1997. With thousands of members, the NAOI is the nation's premier provider of academically rigorous investor education to the public. Hevner is a recognized expert and innovator in the field of personal investing and has been interviewed and quoted widely in

the national media. He has also provided consulting services to financial organizations around the world.