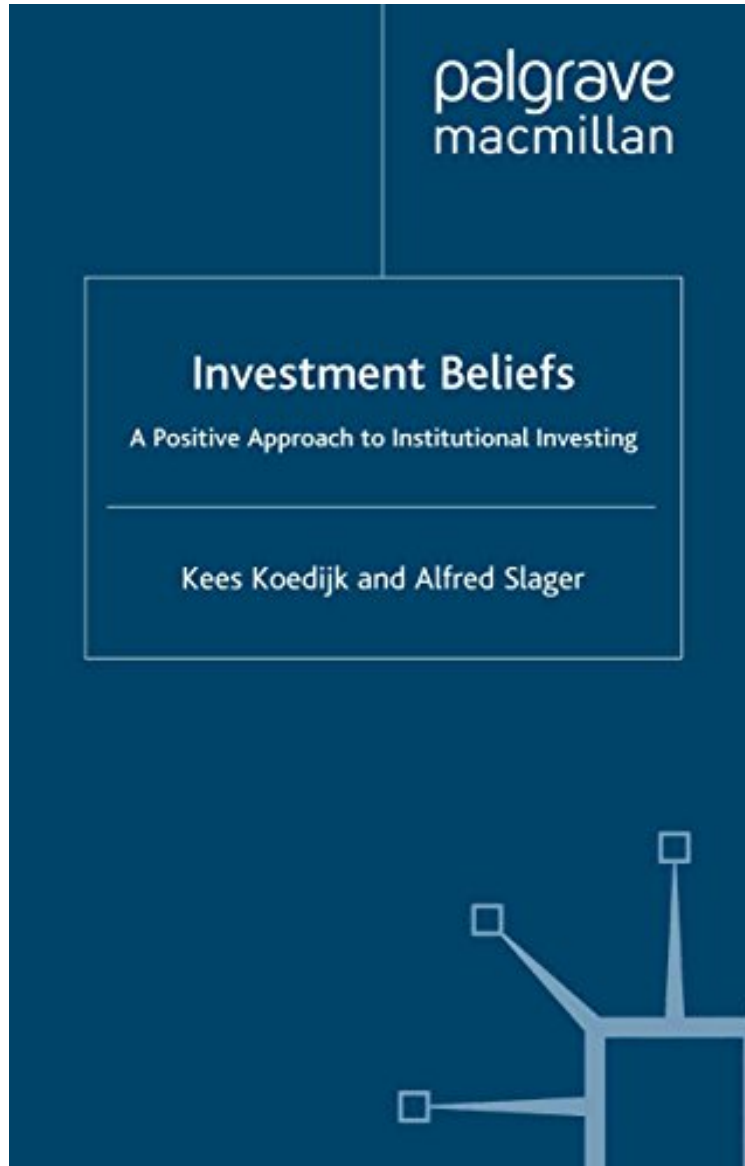


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Investment Beliefs: A Positive Approach to Institutional Investing

K. Koedijk, A. Slager

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K. Koedijk, A. Slager : Investment Beliefs: A Positive Approach to Institutional Investing before purchasing it in order to gage whether or not it would be worth my time, and all praised Investment Beliefs: A Positive Approach to Institutional Investing:

1 of 1 people found the following review helpful. A good startBy investingbythebooksI'm of the firm opinion that all participants in the financial markets need a set of investment beliefs structured into an investment philosophy. That is, they need a view on how markets work and how money is to be made according to this. Why? Because to get an edge a firm must act coherently. Only when everybody in the organization walks in the same direction will it become strong

enough to create exceptional results. The majority of pension funds and asset managers haven't specified what their edge is, and if they haven't figured that out then they most certainly haven't got one. Instead they mimic what other do, hire qualified personnel and give them good remuneration, close their eyes and hope for the best. The result is almost always that the firms at best perform in line with everybody else. At worst, they will switch methods that don't seem to be working anymore with the result that they will always be behind the curve, sinking deeper into mediocrity. The exceptional firms in our industry, whether it be Bridgewater, Vanguard, Baupost or someone else, all have clear investment beliefs, written or not. However, an investment belief almost sounds religious. A tire maker, clothing retailer or a telecoms operator have strategies and processes but they haven't got individual beliefs on how markets fundamentally work. Why is the investment industry different? The investment industry is unique because human action creates a market in constant evolutionary change on a deeper level than most markets. In the tire industry the correctness of "if we make a better product at a lower price and sell it with superior after-market service through a world class sales force, then we will take market share" is not made invalid only because other try to do the same. If competitors in the investment industry all do the same, what they do tends to stop working. When too many engaged in portfolio insurance in the late 80's it increased the risks instead of decreasing them. Also, the sometimes ridiculously low signal to noise ratio in the industry allows participants to hold different but rational beliefs. Kees Koedijk, Professor of Financial Management and Dean of the Tilburg School of Economics and Management and Alfred Slager, CIO at Stork Pension Fund have written the first book, to my knowledge, that explicitly discusses investment beliefs for pension funds. The text is divided into three parts where the initial one describes a framework where honestly assessed, well researched observations of the market and of academic research form the basis for investment beliefs. These are put into practice through actionable investment strategies and processes by an organization that should be formed in accordance to the beliefs and strategies. Over time the performance generated and new insights into how markets work feed through into new beliefs in a continuous feedback loop creating a balance between stability and adaptability. This framework is close to spot-on. Applauses are in place! My one quarrel is that I think the authors should have emphasized self-reflection more. Only through both self-understanding and market understanding will an investor be effective in developing an edge in the market. All investors differ both in institutional as well as organizational aspects in how they are able to compete. The second and third parts of the book are more disappointing. The bulk of the text comments on a number of examples of investment beliefs and then in the end some advice is given on how to put it all into practise. The text is competent but also very conventional. There is nothing new for anyone who has given even a passing interest to the pension management industry the last ten years. This is the base set of knowledge for pension trustees globally (strategic asset allocation is priority number one, diversification is a free lunch, low costs counts, CSR is an opportunity, active management is a zero sum game etc.). The feel is institutional and academic rather than business like. It's a recipe for the ordinary, not the exceptional. I also have a few academic and intellectual objections to what is being said, but I guess we simply have different investment beliefs... Ideally investment beliefs are set at an investment firm's formation but that shouldn't stop others from getting to work all the same. The first part of this book will be a very good start. This is a review by investingbythebooks.com

Having the right investment beliefs and putting them into practice is key to delivering the right results. Decision makers in the investment industry should worry less about the stocks and products they pick for their clients and more about getting the big picture right; developing investment beliefs are instrumental in making the right choices.

'THIS BOOK HAS MUCH TO OFFER FOR THOSE READY TO RECEIVE ITS MESSAGES. PETER DRUCKER AND JOHN MAYNARD KEYNES WOULD BE PLEASED.' - Keith Ambachtsheer 'This is an impressive contribution to trustee knowledge and understanding, written in an accessible manner with thought-provoking ideas and guides for action. I strongly recommend this book to trustees and investment professionals.' Professor Gordon L. Clark, University of Oxford, UK 'The authors are early narrators of an important realization in the investment world: investors need to develop and implement 'good' investment beliefs to be successful. This book is a highly readable account of the practical issues investors encounter in this area and draws from many interesting live examples. It should be required reading for trustees and investment committee members globally.' Roger Urwin FIA, Global Head of Investment Content, Investment Consulting, Towers Watson 'Wonderful reading with a clear and well thought out message. Pension trustees and asset managers would be wise to carefully study the recommendations made as it will translate into enhanced performance and the avoidance of financial fiascos.' Professor Frank J. FABOZZI, Yale School of Management, USA, and Editor of The Journal of Portfolio Management 'Koedijk and Slager have made a major contribution to the knowledge on investment beliefs and have become the current thought leaders on this topic. If your investment fund does not have a clear set of investment beliefs, give this book to every member of your Investment Committee, and it soon will.' Graham Pugh, Investment Risk Management, OMERS 'Sound investment beliefs are an important addition to the toolkit of trustees and their asset managers. This book is a helpful guide to make it work.' Else Bos, Chief Institutional Business and Executive Committee member PGGM 'As a pension fund trustee you should focus on the important issues for your pension fund like the risk appetite, the asset allocation and the choice of

investment instruments. This process of understanding, making choices and supervising implementation can be approached in a structured way by formulating and discussing the investments belief system. This book shows you the way. Koedijk and Slager do a great job in bridging the gap between academic research and everyday practice. By reading and applying it, you will greatly increase the effectiveness of your board role.' Professor Jean Frijns, VU University Amsterdam, The Netherlands

About the Author

KEES KOEDIJK Professor of Financial Management and Dean of the Faculty of Economics and Business Administration at Tilburg University, the Netherlands. He has won several awards for his research on sustainable development. He has published extensively on finance, European integration, and monetary policy.

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