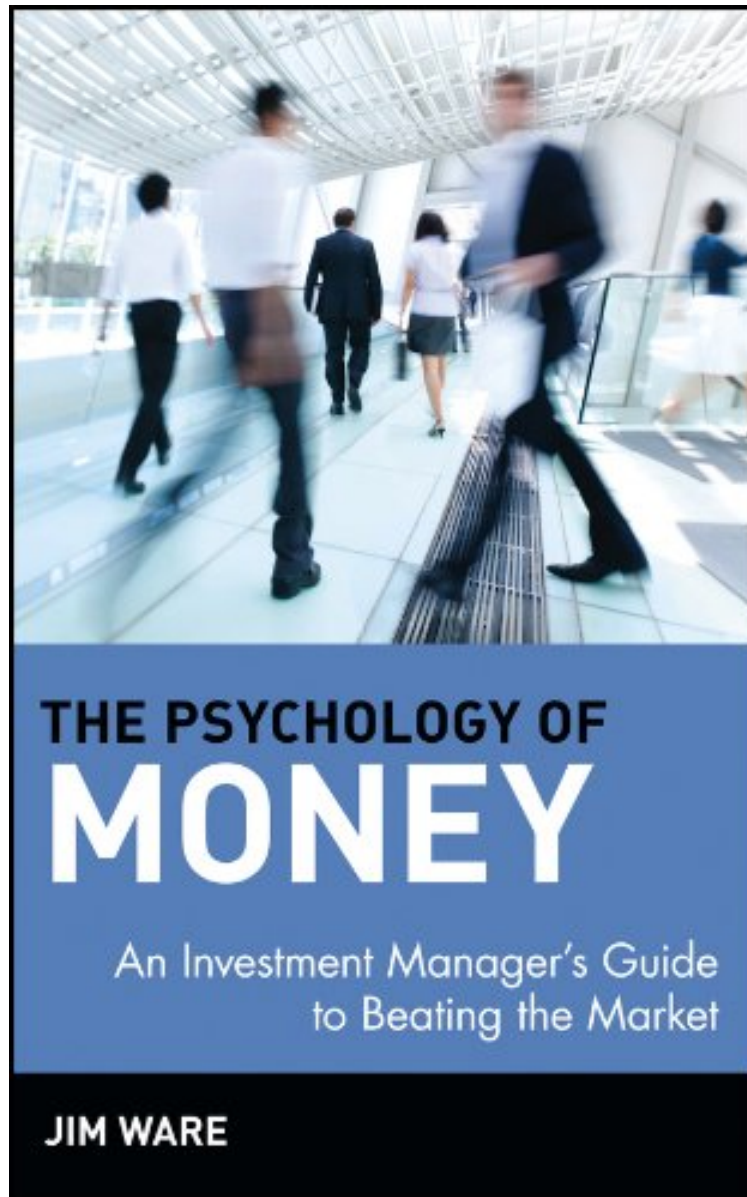


[Pdf free] The Psychology of Money: An Investment Manager's Guide to Beating the Market

The Psychology of Money: An Investment Manager's Guide to Beating the Market

Jim Ware

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Jim Ware : The Psychology of Money: An Investment Manager's Guide to Beating the Market before purchasing it in order to gage whether or not it would be worth my time, and all praised The Psychology of Money: An Investment Manager's Guide to Beating the Market:

2 of 2 people found the following review helpful. Managing money? This one will help you by ...By Rats... making

you aware of your own/your clients' biases and giving you practical tools to defuse them. Specifically, by way of example, money managers (I am one) will learn to:- recognize their own typical behavior, or that of colleagues or clients, as belonging to one of several psychological types ... - thereby stopping short of saying/doing stupid things and also circumventing problems at the workplace; - identify actions that will boost behavior that you or your firm seem to lack: creativity, focus, a will to use analytical skills, etc; - identify industry mantras ("team approach", etc) for what they are or identify actions that transform a mantra into action

Overall, I agree with the other reviewers that this book is a surprise, a very positive one. Basically it convinced me that every money manager should have, packed with his/her baggage of technical skills and intelligence (standard and "emotional"), also some psychological training. This book goes some way towards such education. I am uncomfortable with a couple of Ware's ideas, particularly the "listen to intuition" advice towards the end of the book. As an "owl" I would be inclined to say this, but basically I met too many fakers who would justify rash investment moves only on intuition and long-running experience, lose money or fail to recognize the moment to take profit, and never talk about it afterwards. Intuition may come before analysis, but if it cannot be supported by reasoning I don't see that it should be followed; as a matter of practice you won't be able to anyway, because first you have to sell it to clients, team members, or bosses, and you won't. But stars measure how good is the book, not how much I agree with it, and this one is great. I'm serious, buy it. Even more so if you don't believe in the psych stuff: do violence unto yourself, buy it now and read it, you'll need it more than others do.

0 of 0 people found the following review helpful. Interesting leads

By investingbythebooks

The starting point for this Jim Ware's first out of currently three books is the observation that very few portfolio managers continuously manage to beat their benchmarks and that the standard solution to this problem is to do "more of the same", only with more energy. The author who after an exam in psychology worked as an analyst for the legendary Gary Brinson, then a PM at Allstate and in 1998 founded Focus Consulting Group (a management consultancy working with the investment industry), explores if there aren't other ways to look at the problem. There are as I see it three big ideas in this book. The first is that superior investors display a broad range of personality traits fostering a holistic and flexible perception of issues and a person can train and improve the traits he's lacking. The second is that to succeed an investor should match his personality to an appropriate "investment philosophy". The third idea is that to get an edge on competition investors must complement their left-brained logical thinking with more right-brained creativity. The market is constantly changing and only by being creative can an investor stay ahead of the curve. All of these three topics are extremely interesting, in my view correct and could each warrant a book in their own right. The end result of cramming them into the same text is a bit too unsynchronized to receive top marks and the second idea doesn't get the full follow-through it deserves. In the book's language: "I'm an introvert, owl-like lion, which type of investment philosophy or style fits me the best?"

The first few chapters look to the personality traits of a number of successful investors and Ware's list of their abilities include breadth in taking in information but also depth in intense focus on a company or a task; creativity in seeing the big picture and themes but equally observational skill in noticing details; passion with a deep devotion to investing but as well objectivity in being able to be clear and unemotional; and finally flexibility to be open to change plus discipline to be decisive and organized. The great investors display a complexity in that they combine actions and thoughts that most people segregate.

Continuing on the same path Ware presents the so-called Myers-Briggs Type Indicator, a tool to diagnose personality types along the scales introvert-extrovert, sensing-intuiting, thinking-feeling and judging-perceiving. Depending on the combinations an investor displays he's a so-called owl, dolphin, fox or the most common investor type - a lion. The premise from above is that superior investors actually score high on all factors, apart from perhaps both being introvert and extrovert, so Ware presents some exercises to strengthen one's weak sides. With this the author leaves the individual traits and turns his focus to the investment team. The investment industry is to a large extent a lone-wolf industry with brightly or not so brightly shining stars. How does one foster teamwork in groups mostly consisting of lions that are competitive, analytical and used to criticize everything? One obvious solution is to consciously diversify among personality types when recruiting, another is to design processes to aid the team's collaboration. A good 2/5 of the book then goes through creativity tools. To me this was the least interesting part as it focused on how to succeed with brainstorming session-type of exercises without specifically targeting investors or investing. It is as important that investors are creative in their day-to-day thinking as in group exercises like this.

The last few chapters are meant to show evidence of the premise that creativity or intuition is equally important as logic in the investment process. Although I fully agree, I don't think the text really proves the point that is made. In the words of Bill Miller I think that "behavioral alpha" currently is the most unexploited source of outperformance. There are several interesting leads to achieving this alpha in the text. However, the book doesn't really tie up all the loose ends.

This is a review by investingbythebooks.com

1 of 1 people found the following review helpful. It's not just for investment managers

By Roger E. Breisch

I know Jim Ware, and he knows I love to read. So when his book was published he offered to send a copy. Sitting next to me was a large pile of "to-be-read" books, so I was certain a book for investment managers would reside near the bottom for a long while. That was then... Shortly after it arrived, knowing that reading diverse topics offers insights not available if I stick to the familiar and friendly, I began to read. What a shock (no offense Jim). This is a wonderful book! Even before I was finished, I

found myself referring to it in a conversation about different methodologies for strategic planning...totally unrelated to investments. By using Myers-Briggs Typology, Jim gave me a renewed sense for how I can be more successful when I approach others based on what makes them comfortable, rather than from my own comfort zone. Jim obviously shares my interest in synthesizing diverse subject areas. He, quite naturally I thought, shows how wisdom from quantum physics, large scale change, eastern thought, creativity and-god help those analytical investment types-spirituality can lead to new ways of thinking within any profession. Jim offers a wonderful synthesis for anyone who wants to see the world from several leading-edge vantage points. And, I loved Jim sense of humor. Near the end, he implies that many investment managers take the "fun" out of fund. I began to wonder if fund is the past tense of fun? Thank you Jim for this enjoyable journey.

Discover the Ideal Investment Strategy for Yourself and Your Clients "To enhance investment results and boost creativity, Jim Ware replaces the maxim know your investments with know yourself. And he gives us specific testing tools to do the job." mdash;Dean LeBaron, Founder, Batterymarch Financial Management, Chairman, Virtualquest.company, and investment author and commentator "Many investment firms fail, even though they are run by intelligent, qualified professionals, because they lack creativity. This book can rescue you. Jim Ware explains how to organize your business to encourage creative thinking. In five years, your customers will be working with an advisor who read this book, so make sure you are the one who did." Ralph Wanger, President, Acorn Investment Trust, CFA and author of A Zebra in Lion Country: Ralph Wanger's Guide to Investment Survival "Jim Ware has a great knack for understanding people and successful investing. This unusual combination of skills creates a rare find: useful insights to improve investment performance through helping people work together better. Jim's wit and humor make this a fun read as well!" mdash;Dee Even, Senior Investment Officer, Allstate Insurance Company, Property Casualty "The Psychology of Money represents a major step toward development of a portfolio theory that recognizes human dynamics and differences among people. Jim's content is solid, and his presentation is engaging. This book ought to be on every practitioner's bookshelf." mdash;Kenneth O. Doyle, University of Minnesota, Author, The Social Meanings of Money and Property: In Search of a Talisman "Finally, an insightful look at the human side of investing. A step-by-step guide to enhancing management performance to increase returns." mdash;Abbie Smith, PhD, Professor of Accounting, University of Chicago Business School

"The Psychology of Money is a well-written and entertaining book that challenges money managers and individual investors to rethink their view of the investment decision-making process." (Financial Analysts Journal) "This book should be read by everyone!" (Mimi Lord, Morningstar Senior Editor) "This book should be read by everyone!" (Mimi Lord, Morningstar Senior Editor) From the Inside Flap In a diverse investing climate, investors are always searching for the winning strategy. And with today's volatile markets and increasingly savvy individual investors and clients, there is exceptional pressure on professional money managers to be more creative than ever before. Unfortunately, despite the wealth of information on techniques and strategies, there has been little innovative guidance for finance professionalsmdash;until now. In The Psychology of Money, financial analyst Jim Ware approaches this crucial topic from a new angle, drawing on both the tools offered by Jungian psychology and his own substantial business experience to present an alternative to trendy strategizing. This eye-opening book reveals how determining one's "investment personality type" can provide a fuller understanding of how to best approach and react to the intricacies of the marketand;and, ultimately, profit from them. Using the Myers-Briggs Typology, a psychological test based on Jungian theory, Ware explains the basic investment personality types and how to use them to identify optimum investing styles. He also provides an intriguing and illuminating examination of the traits of master investors. Professionals will not only learn what their own style should be but understand the value of combining intuition with logic, and of creative collaboration among various personality types to earn the highest returns for their clients.