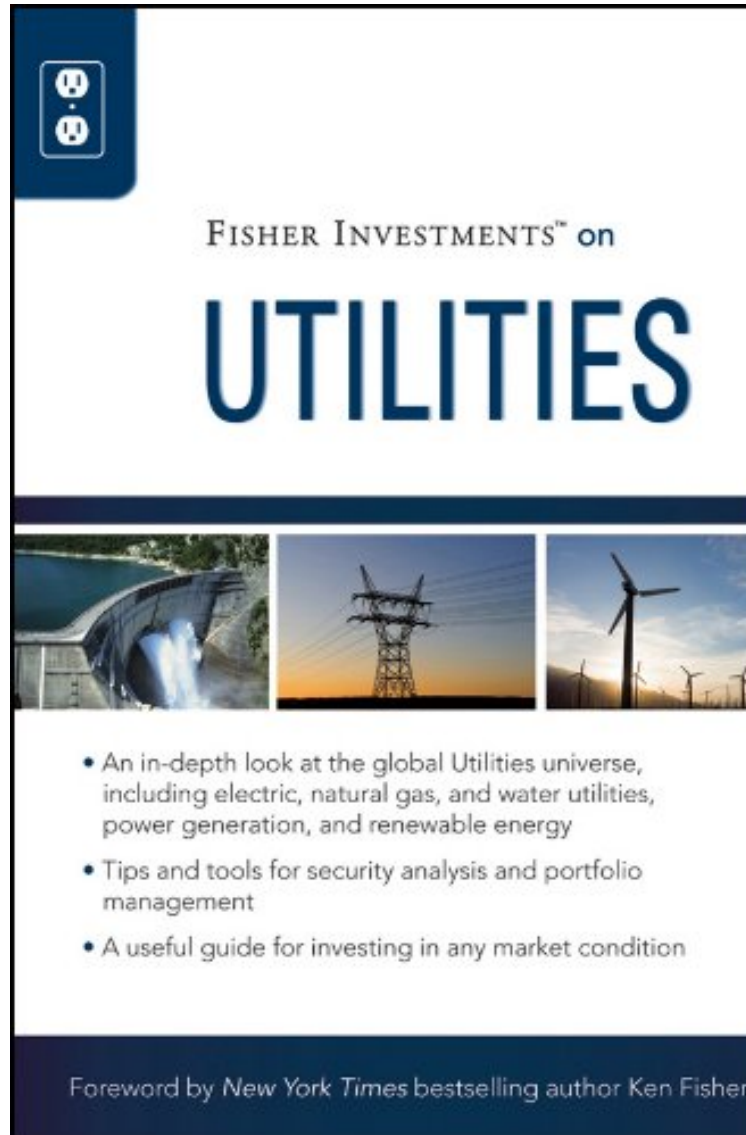


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Fisher Investments on Utilities (Fisher Investments Press)

Andrew S. Teufel, Theodore Gilliland

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Andrew S. Teufel, Theodore Gilliland : Fisher Investments on Utilities (Fisher Investments Press) before purchasing it in order to gauge whether or not it would be worth my time, and all praised Fisher Investments on Utilities (Fisher Investments Press):

0 of 0 people found the following review helpful. Five Stars
By Barbara Greschner bought for my husband -he likes it much
4 of 4 people found the following review helpful. An interesting sector
By investingbythebooks Gas, water and electricity companies make up the utility sector. Despite the mundane reputation it's an interesting group of businesses. Sure, the sales growth is slow, demand is inelastic, investors are focusing on dividends etc. but in the past decade, deregulation has allowed the regional differences between the energy companies to increase dramatically. This is a

very useful book as it will give the reader good insights into the sector. There have been previous reviews of the Fisher Investments on - series on EQTBooks.com and the structure of this text is exactly identical. In this review I thought I would concentrate on part three of the book called "Thinking Like a Portfolio Manager". This part is common for all the books in the series and gives readers advice on how to invest in the various sectors' shares based on something called "The Top-Down Method". Apart from being a tutorial on the basics of sectors, does the series give good advice on how to invest? Let's first describe method. It starts with the investor holding the benchmark weights of all stocks. The subsequent step is to overweight and underweight regions, countries and sectors after forming a view of the future in terms of how economies, politics and sentiment factors will play out. After this the investor should form a view on which themes he thinks will outperform, examples could be small vs. large caps, growth vs. value, subsector x vs. subsector y, low risk stocks vs. high risk stocks. Screens are used to produce the lists of shares that fit the preferred characteristics. In the end an analysis is done to help pick the best stocks out of the lists. This analysis has two goals and those are to first make sure that the stocks really display the characteristics of the chosen themes and second to find the stocks that will outperform the other stocks in their sub-segment of the index. To know which stocks will outperform the investor is advised to take the consensus expectations regarding a company's coming profits and form an opinion of whether the company will perform better or worse than that and then simply overweight the stocks with low expectations and underweight the others. "Knowing the benchmark weights and having opinions on the future performance of each industry or sub-industry are crucial steps in building a portfolio designed to beat the benchmark. Should you make the correct overweight and underweight decisions, you're likelier to beat the benchmark regardless of the individual securities held within. But even if you're wrong, you'll have diversified enough not to lose your shirt." Fisher Investments argue that a top-down model has the advantages of a) scalability as it helps the investor prioritize which stocks to focus on and which to ignore, b) enhanced selection since for example economic analysis can help determine which the outperforming stock will be, c) risk control through fewer unintended dependencies on factors outside the investors view and d) "macro overview" meaning that the investor focuses on the allocation issues that determines most of the variance of returns in portfolios. The authors argue that to succeed the investor needs an information advantage; he needs to know or understand something others don't. How are you then supposed to get this information advantage? The answer is that you should be like Alfred Einstein; dynamic, creative, see which information is relevant, which is noise and with a good sense of the big picture combine information in different ways than others do, yet be correct. You need to think differently. Presumably the authors aim to give individuals some of the structure and diversification found in institutional management - a noble goal. Coming from the institutional side I would however argue that this process is very similar to that which the majority is adopting - still they fail to outperform. The reason is that even if Ken Fisher is like Einstein, most of us others are not. Even though top down factors have huge impact on a portfolio, if you only have a 50/50 chance of correctly predicting them this does you little good. This is a review by investingbythebooks.com