

FT WEALTH

## **Stockpickers to fill your stockings.**

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I'm not quite a Scrooge but I really don't enjoy the holiday season very much. Too many people want to "visit". I like to sit at home and stare at the computer most of the time, which is not the best social skill.

And you can forget about getting any deals closed. Every December I think to myself, "this time it will be different" as I attempt to complete a deal or investment and the same thing happens each time - everyone is away, or busy, and "let's all get back in touch in January".

Another problem is working out what gifts to get everyone. Fortunately, the last part is easy. I have compiled my Christmas reading list to help decide the best investing-related books for this season.

1 Little Book That Beats The Market by Joel Greenblatt is the book of the year and I encourage people to read it. He provides a step-by-step argument why his "magic formula" consistently beats the market and why even revealing it won't prevent it from beating the market in the future. If you haven't already read it, I also strongly recommend his last book, You Can be a Stock Market Genius. The title is corny but his writing style is very down-to-earth and he describes his approach to trading spin-offs, stubs, and other situations that he feels lead to anomalies.

2 Fortune's Formula by William Poundstone dives into the history of information theory and how it applies to statistical arbitrage and money management. The chapters on Ed Thorp were most interesting. Thorp was the author of the 1962 classic, Beat the Dealer who went on to make probably hundreds of millions of dollars in stat arb.

3 The Search by John Battelle. I can't get over how phenomenal it is that essentially most of the information in the world is now catalogued by one source for the first time in history - Google. Battelle describes the startup phase (I like the story of how one of their early investors encouraged them to actually raise the valuation they were asking for) and then the quest for a business plan after the dotcom bust. Also worth reading is David Vise's book The Google Story.

4 Unconventional Success by David Swensen. The second half of the book lags when he goes on about how bad mutual funds are. But I enjoyed the first part where he dissects the sources of returns for many asset classes, including venture capital, private equity and hedge funds.

**5 The Future for Investors by Jeremy Siegel. Siegel explores some of the myths behind so-called passive stock indices. In particular, he accuses index-makers of primarily being growth chasers and compares the returns of companies added to indices with the tried and true stocks that no longer have the sizzle and are dropped from their respective indices.**

**His work is worth reading to understand a little what Siegel, Michael Steinhardt, and Jonathan Steinberg (son of Saul, husband of CNBC's Maria Bartiromo) are planning with their company WisdomTree Investments (publicly traded as a pink sheet company).**

6 Race Day by Max Watman. Nothing is closer to the feeling of watching a quote screen full of red and green stocks rushing towards the close of the day than standing at the race track, watching your horse attempt to pull back from last place. Watman describes an ideal day at the race track and explores the history of horseracing along the way.

Money management, finding value where other investors have abandoned the field (thus increasing the odds) and plain old fashioned greed, are among the many parallels to be found between the two arts.

7 The Essential Drucker by Peter Drucker. Drucker, the founder of management philosophy, recently passed away. His writings are a must-read for anyone starting a business or even anyone attempting to analyse a business.

Correct me if I'm wrong about this but I think Drucker's primary belief was that the only way a business can succeed is if employees are persistently motivated from the bottom up. A sample quote: "The leaders who work most effectively never say 'I'. And that's not because they have trained themselves not to say 'I'. They don't think 'I'. They think 'we'; they think 'team'."

8 The End of the Line: The Rise and Fall of AT&T by Leslie Cauley. When SBC closed on its deal with AT&T last week it was the end of an era. It is timely to read about that era and learn from its lessons.

9 Freakonomics by Steven Levitt and Stephen Dubner. The authors claim there is no common thread linking the topics presented but I disagree. In each chapter, whether analysing the origins of crime in New York City or asking the question "why do drug dealers live with their moms?" the authors are constantly turning conventional wisdom on its head and presenting the tools for doing so.

10 Just One Thing by John Mauldin. Mauldin follows up on his book Bull's Eye Investing by convincing 12 successful investors and entrepreneurs to write about what they view the one most important lesson they have learnt from their experiences.

I was sceptical at first but then ended up enjoying each chapter.

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