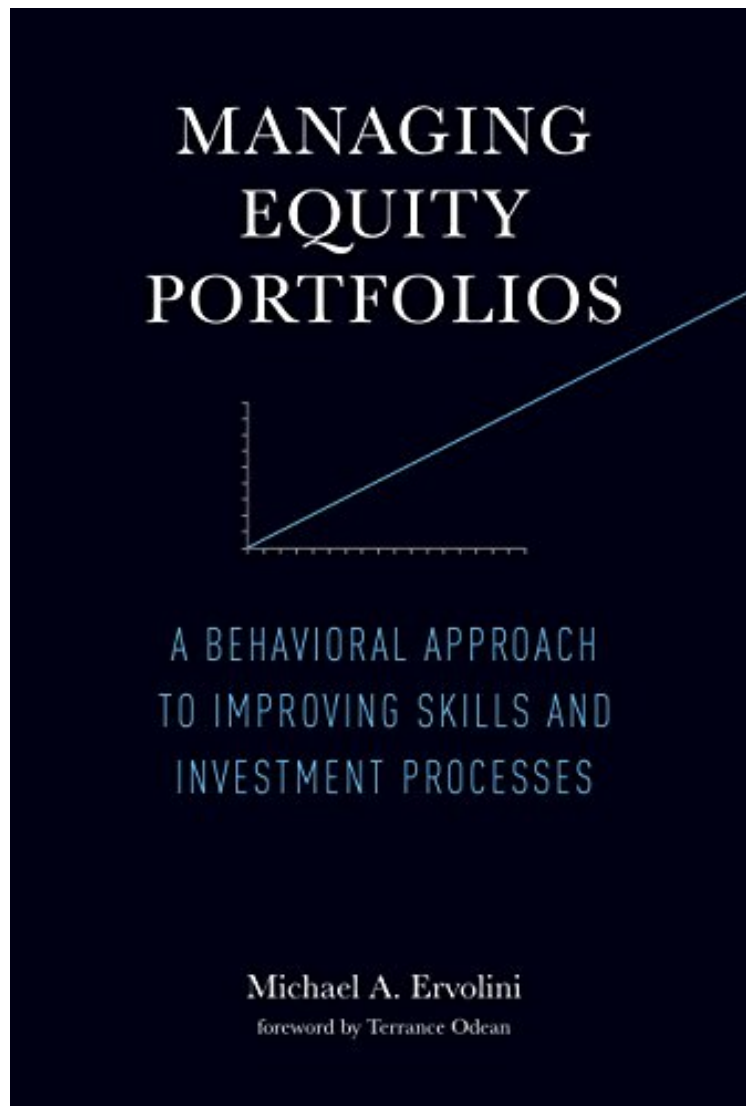


[Library ebook] Managing Equity Portfolios: A Behavioral Approach to Improving Skills and Investment Processes (MIT Press)

## Managing Equity Portfolios: A Behavioral Approach to Improving Skills and Investment Processes (MIT Press)

*Michael A. Ervolini, Terrance Odean*  
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**Michael A. Ervolini, Terrance Odean : Managing Equity Portfolios: A Behavioral Approach to Improving Skills and Investment Processes (MIT Press)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Managing Equity Portfolios: A Behavioral Approach to Improving Skills and Investment Processes (MIT Press):

5 of 5 people found the following review helpful. What I learned from the book was that these "Masters of the

Universe" were human beings just like you and me. By Richard V. Full disclosure.... I am not a financial analyst and I know the author. My goal in reading the book was to make a more informed decision when selecting a financial analyst. The book was chock full of very technical information, yet was totally understandable to someone without a formal financial background. What I learned from the book was that these "Masters of the Universe" were human beings just like you and me, subject to the same ego and bias. And the key trait to look for was an individual who was intent on improving. An amazing track record for the last five years is impressive, yet is no guarantee of future success. An analyst who does not chalk up success to skill and failure to bad luck, but instead examines their decisions in order to improve is the person I would want handling my money. 1 of 1 people found the following review helpful. Behavioral/emotional aspect of portfolio management. By Reba; Attila. Lack of reviews is strange for me, thus I decide to draw attention to this book. Not an easy read but well worth to go through. Besides practical advice how to separate and measure the individual skills of active management (buy, sell and position sizing) you can find a great deal of ideas how you can foster your soft skills and a more creative working environment for your investment team. I highly recommended for all those managers who believe that behavioral biases create not just market opportunities but obstacles which can be overcome only with highly structured, disciplined investment process. 1 of 1 people found the following review helpful. A way forward. By investingbythebooks. When someone writes a book on a subject and at the same time runs a company offering a software solution to the issues discussed this generally throws up warning flags. In the case of *Managing Equity Portfolios* this is unjustified. The author is clearly passionate about solving the issue and not only about selling products. The basic premise of this book is that money managers want to improve their skill but they are not sure how to do this. The reason is a combination of human biases and a performance measurement practice that looks to outcomes of a process with a very noisy cause and effect relationship, instead of the PM's skill at individual work tasks. This book aims to show a better way to improve as an asset manager and despite his commercial interests Michael Ervolini gives away large amounts of his pieces of the puzzle. One part of improving as an asset manager is doing the right things. That is developing an investment process with a good prospect of accomplishing what its meant to achieve and that also fits the personality of the asset manager himself. Another part is doing things right - to perfect the details of the process to optimize performance. This is where PMs run into trouble. They basically process information and then decide on which stocks to buy, how to size the positions and later which stocks to sell. Out of this process comes an investment performance and this can be measured from a number of angles showing out Sharpe-ratios, tracking errors, alpha, Sortino-ratios etc. The thing is, none of all these measures gives any real feed back to the PM. They are full of noise and only measure the end result not the skill in buying, sizing or selling. On top of things the investing environment is full of behavioral biases that set up effective roadblocks hindering learning when relying on memory. *Managing Equity Portfolios* has three quite distinct parts that respectively make up about a quarter, half and then another quarter of the book. The long middle section consists of 34 short theses on asset management, behavioral finance and the perils of improving in the asset management occupation. They are not too dissimilar to the papers James Montier wrote when he was a strategist at Dresdner Kleinwort and at Societe Generale, but perhaps without some of the dry British humor. Some of Ervolini's theses overlap slightly but not enough to disturb the reading. The opening and ending sections that frame all these short papers present the same learning issues in a longer more coherent form and then also bring forward solutions. The core of these solutions is developing a supplementary type of performance measurement that tries to capture the showed skill in buying, sizing and selling individually in some detail and by this provide the feedback that allows for improvement. Add to the above chapters on keeping diaries and using checklists to counter behavioral biases and Ervolini in my opinion delivers on his aim to show a way to develop as a PM. As the topic is clearly underdeveloped in the asset management business and it also is urgently important, plus the fact that the writing is perfectly agreeable despite an academic touch, the book would warrant the highest grade if it weren't for its odd structure. Most of what is said in the opening and ending parts are repeated in essay form in the middle part - almost everything is said twice in this book. To sum up, Ervolini makes an important addition to my knowledge that I'm quite sure I'll put to practical use. This is a review by investingbythebooks.com

Portfolio management is a tough business. Each day, managers face the challenges of an ever-changing and unforgiving market, where strategies and processes that worked yesterday may not work today, or tomorrow. The usual advice for improving portfolio performance -- refining your strategy, staying within your style, doing better research, trading more efficiently -- is important, but doesn't seem to affect outcomes sufficiently. This book, by an experienced advisor to institutional money managers, goes beyond conventional thinking to offer a new analytic framework that enables investors to improve their performance confidently, deliberately, and simply, by applying the principles of behavioral finance. W. Edwards Deming observed that you can't improve what you don't measure. Active portfolio management lacks methods for measuring key inputs to management success like skills, process, and behavioral tendencies. Michael Ervolini offers a conceptually straightforward and well-tested framework that does just that, with evidence of how it helps managers enhance self-awareness and become better investors. In a series of short, accessible chapters, Ervolini investigates a range of topics from psychology and neuroscience, describing their

relevance to the challenges of portfolio management. Finally, Ervolini offers seven ideas for improving. These range from maintaining an investment diary to performing rudimentary calculations that quantify basic skills; each idea, or "project," helps managers gain a deeper understanding of their strengths and shortcomings and how to use this knowledge to improve investment performance.

The Disciplined Trader meets Moneyball. This book is a worthwhile read for any portfolio manager, analyst, or trader focused on continual improvement and even greater success. (Warren Touwen, Core Product, Bloomberg)For fund managers seeking to improve their investing skills there are many publications offering tantalizing but fragmented paths for progress. In this book Michael Ervolini brings together topics such as fast and slow thinking, checklists, and self-awareness to construct coherent and pragmatic solutions. Using the principles of the scientific method he shows how a successful investment process can evolve through time, improving the consistency of decision making and keeping investing skills relevant in an ever-changing world. (Simon Savage, Asset Manager, GLG Partners)Michael Ervolini is a clever man in touch with reality. Recognizing that portfolio management is a tough, challenging business full of conflicts, he gets it that rationality is easy to talk about but difficult to implement. It requires recognition of deep uncertainty and the human resource that is emotion. Since passive investing puts you at the mercy of the market, active portfolio management has to be made to work. It can be, Ervolini says, if there is proper feedback. It requires a willingness to be curious about what we do and to create ways to learn from experience. This is what he does in this book. Read it! (David Tuckett, Director, Centre for the Study of Decision-Making Uncertainty, University College, London)After years of deep, questioning research into the biases and beliefs that can undermine the 'normal' behavior of equity portfolio managers, Michael Ervolini skillfully tells us how to improve our choices. He does this by providing practical ideas for learning how to do more of what we already do well and how to identify and fix what is not working. No asset class and no asset manager are immune from human fallibility when it comes to portfolio decisions, and with the help of this book you can learn how to showcase your skills while modifying behavioral tendencies. (Arnold S. Wood, President and Chief Executive Officer, Martingale Asset Management)Ervolini's analytical work willhellip; appeal to professional portfolio managers looking for performance help and readers who aspire to such a career. Both groups will find his generally jargon-free insights instructive. (Library Journal)About the AuthorMichael A. Ervolini is CEO of Cabot Research, a global software company that provides innovative analytics to money managers to help them improve portfolio performance.