

Fiscal Engineers Resource Index

Helping you to improve your knowledge of investing

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September 2007

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Investing in Knowledge



Investing in Knowledge

Investing is a journey; and like all journeys, knowing where you are going and the route you are taking helps you to anticipate the terrain and conditions along the way. The more you understand about investing, the more comfortable and confident you will feel with what is happening to your money and the way in which it is being managed on your behalf at Fiscal Engineers.

To help you to do so, we have identified a number of excellent books (of differing depth), that are worth taking a look at; all of which have had a profound impact on the way in which we manage our clients' wealth. They provide insight into the challenges of investing and how sensible, rational investors (and advisers) can build robust portfolios that enable them to meet the goals they have set themselves. Some are easier to read than others and are marked as such.

If there is anything that you read that you want to discuss further, please pick up the phone or arrange to come in and sit down with us to talk.

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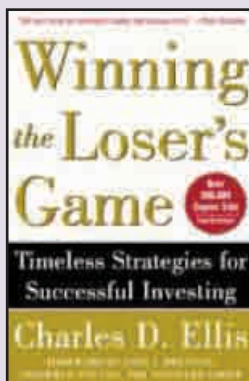
Where to start -

Fiscal Engineers' Recommendations

Where to start – Fiscal Engineers' Recommendations

Three Books for a Readable Introduction

These books provide an excellent starting point for expert and beginner alike. The messages are profound and compelling, and have strongly influenced the way in which Fiscal Engineers manages your wealth.



Winning the Loser's Game – Charles D. Ellis

A seminal and internationally acclaimed book that has influenced the thinking of a generation of investors; it sets out, in a very readable way, a robust philosophy for investing. It exposes the investment game for what it is – a loser's game, as the title would suggest - unless investors stop trying to beat the markets and, as importantly, take control of their emotions. In his own words: 'benign neglect is, for most investors, the secret of long-term success...the hardest work in investing is not intellectual, it's emotional'.

ISBN: 0-07-138767-6 Publisher: McGraw-Hill

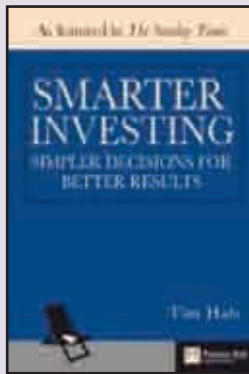


The Little Book of Common Sense Investing – John C. Bogle

A truly excellent exposé of the passive versus active debate, by one of the industry's titans (he founded Vanguard, one of the leading passive fund management firms with more than \$1 trillion of client assets), described by Fortune magazine as one of the four 'Investment Giants' of the 20th century. The conclusions are compelling and backed by sound empirical evidence. Again, this book is highly readable and non-technical. On trying to pick managers who beat the market his advice is as ever very straightforward 'Don't look for the needle; buy the haystack [i.e. the market]'.

Where to start -

Fiscal Engineers' Recommendations



Smarter Investing: Simpler Decisions for Better Results – Tim Hale

Tim's book provides a very readable and down-to-earth insight into what investing is about, and how to build an investment philosophy to manage wealth effectively. In addition, Smarter Investing is UK oriented, unlike many of the other good investment books, and looks into the different building blocks that will form part of your portfolio, and how they can be put together to create robust portfolios for all investment seasons.

Fiscal Engineers endorses Tim's philosophy and approach, and has worked with him on a number of projects.

ISBN: 0-27370800-7 Publisher: FT Prentice Hall

Where to start -

Fiscal Engineers' Recommendations

Three Books to Explore Investing More Deeply

These books are a little more technical in detail than those above, but are still accessible to anyone who is interested in deepening their knowledge. Give yourself some time to get into them – while you will have to think hard about what is being said, the rewards are there if you do.



The Intelligent Investor – Benjamin Graham

A true investment classic by one of the great investment advisers of the 20th Century, and a mentor to Warren Buffett, one of the 20th Century's most successful investors. Despite being written in 1950 it is still relevant today. Often described as the father of 'value' investing, Graham sets out the behavioural and business principles that lay the foundations for a rational and successful approach to investing. He is the forbear of many of today's widely accepted investment principles including his 'margin of safety' which makes avoiding losing money a top priority.

ISBN: 0-06-055566-1 Publisher: Harper Business Essentials



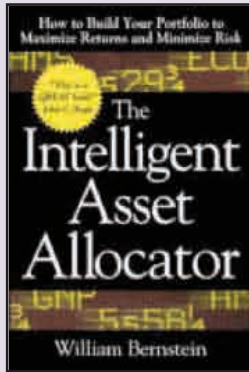
A Random Walk Down Wall Street – Burton G. Malkiel

Another classic, which at times irreverent, provides an academically strong defence of the randomness of short-term stock prices, where future price movements cannot be determined by recent past movements. The implications are immense: Wall Street, with its analysts, economists, fund managers and traders is an institution based largely on sand. It arms the reader with the insight to challenge those who claim to be able to beat the market – not something we try to do at Fiscal Engineers; a good follow-up to the three Introductory Books.

ISBN: 0-393-04781-4 Publisher: W.W. Norton & Company

Where to start -

Fiscal Engineers' Recommendations



The Intelligent Asset Allocator – William Bernstein

An interesting character – a neurologist by training – and an interesting book focused on the subject of asset allocation (i.e. the long-term mix of investments in a portfolio that have the best chance of meeting your financial goals). The book provides a good primer on the way in which portfolios can be sensibly constructed, covering how diversification works and some of the uses, challenges and limitations of software that is widely used in the industry to construct portfolios. This book compliments those above.

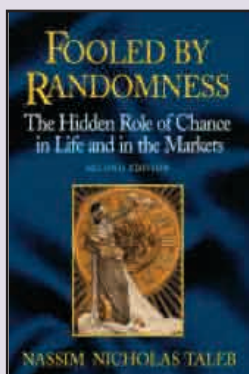
ISBN: 0-07-136236-3 Publisher: McGraw-Hill

Where to start -

Fiscal Engineers' Recommendations

Three Books to Get You Thinking

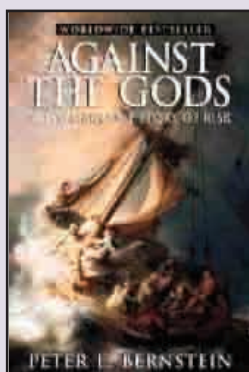
These books provide some thought provoking ideas and insight into the wider issues surrounding markets and investors. They gel well with the more directly investment oriented books above, as they link into the concepts of probability, randomness, luck and investor behaviour that we all face.



Fooled by Randomness – Nassim Nicholas Taleb

This is a wonderful and thought-provoking book that tackles the hard-wired human tendency to underestimate the role of chance and randomness in life and in the investment markets. Insightful as it is enjoyable, the book explores a wide range of topics including survivorship bias in life (e.g. today's traders are only those who have not been sacked, left the industry after failing to deliver, or failed yet!), and the seeming inability of many investors to believe in the presence of extreme 'black swan' events.

ISBN: 1-58799-184-5 Publisher: Texere



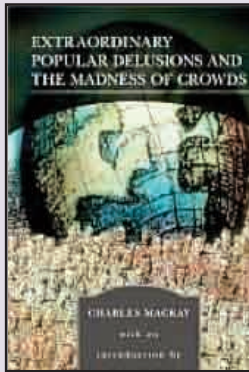
Against the Gods – Peter L. Bernstein

Given that the subtitle to this book is 'The Remarkable Story of Risk' it is in actual fact a remarkably entertaining, insightful and interesting book about risk. It provides not only an insight into the use of probability in understanding risk, but a history, philosophy and economics lesson at the same time. It is a highly acclaimed book, which helps to focus the reader's mind on this important, if seemingly unexciting, topic.

ISBN: 0471295639 Publisher: John Wiley & Sons.

Where to start -

Fiscal Engineers' Recommendations



Extraordinary Popular Delusions and the Madness of Crowds – Charles MacKay

This book is an extraordinary account of human folly across the ages. Written in the mid 1800s, it captures the 'madness' of crowds as they become fixated on financial schemes, scams and bubbles (e.g. the South Sea Company and Tulipmania) and other 'delusions'. As relevant today as ever, given the creation of investment 'stars' by marketing departments, hedge fund managers claims on skill-based returns, and asset price bubbles such as technology stocks in the late 1990s.

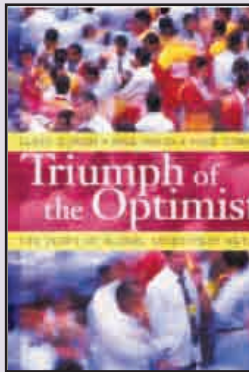
ISBN: 0-76075582-5 Publisher: Crown Publications

Where to start -

Fiscal Engineers' Recommendations

Three Data Oriented Books

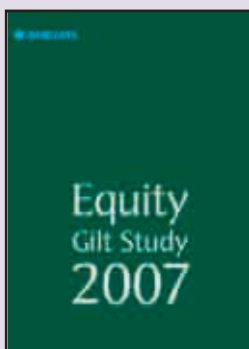
If you feel the urge to dig a little deeper into the numbers (i.e. the history of capital market returns), here are some useful sources of data and comment.



Triumph of the Optimists – Dimson, Marsh, Staunton

This book is a triumph in terms of its wide analysis (and cleaning of) global investment data. It provides academic comment, which is surprisingly readable, on a number of key investment issues including: capital market history; bond, equity and exchange rate discussion including, risk premia; the value and smaller company effects in global markets; and the prospects for the equity risk premia going forward, concluding that it would seem likely to be lower than in the past. While providing a wealth of data, it does not provide any data series which you can use for you own analysis - A book for those who really want to roll their sleeves up and read about capital markets in depth.

ISBN: 0-691-09194-3 Publisher: Princeton University Press



Barclays Equity Gilt Study – Barclays

This annual study is a useful source of UK (and US) investment data, as well as providing thoughtful comment on topical issues. Data series going back to 1900 for UK equities and Gilts and to 1926 for US equities and Treasuries, both before and after inflation, are provided. Index-Linked Gilts and UK Corporate Bond returns histories (for significantly shorter periods) are also provided.

This is a useful source of annual data for anyone looking to explore the history of capital market returns, perhaps using a spreadsheet.

Available only via equitygiltstudy@barclayscapital.com

Where to start -

Fiscal Engineers' Recommendations



Ibbotson Yearbook

The Ibbotson Yearbook provides a similar approach to the Equity Gilt Study above. It also provides long-term data (1926-present) on US Value and Growth and Large and Small Cap equities, as well as data on US Treasuries, Corporate Bonds, and REITs (property shares). Useful for analysis, insight and perspective – it can be purchased directly from Ibbotson Associates (now part of Morningstar).

<https://secure.morningstar.net/mstarstore/PurchaseOptions/ClassicBook.aspx>