# Index

Absolute return strategies, 21, 122, 127–128, 131  
Accenture report (2012), 205–206  
Account snapshot, in Brinker Capital website, 271–272, 273  
Accumulation bucket, 31, 32, 45, 165, 249  
Action, in Redhead model, 228  
Activation, in Redhead model, 228  
Active management strategy, 145–148, 170–172  
Active manager:  
management and, 170–172  
selection of, 148–151  
successful, traits of, 175–176  
Advisors. See also Investment managers  
adherence to market benchmark, 230–232  
Dalbar’s recommendations to, 26 over the last thirty years, 15–17  
Personal Benchmark and, 30, 281 responsibilities of, 9  
skilled, 13–14  
tailoring portfolio to benchmark, 231  
Advisory practice, through financial planning, 21  
Affect, risk and, 93  
AG Becker, 115  
“Ambiguity aversion,” 56–57  
America:  
economy in, 11–12  
financial markets in, 11  
post-World War I, 111  
post-World War II, 11, 13  
risk and, 85  
American Institute of CPAs (AICPA 2012), 205  
American Psychological Association, 66, 202  
Americans, certainty and, 73  
“An Essay toward Solving a Problem in the Doctrine of Chances” (Bayes), 120  
Anxiety, managing, 203  
Ariely, Dan, 78, 154  
Arlow, Jacob A., 199  
“Asch Conformity Experiments”, 233  
Asch Solomon, 233–234  
“Aspiration” needs, in Behavioral Portfolio Theory, 165  
Asset allocation frameworks, 15  
Asset classes. See also Brinker Capital multi-asset class investment anticipated performance, 143–144  
broad diversification across and within, 150  
developing, 138–142  
macroeconomic environment and, 141–142
Asset classes (Continued)
neutral, 133–135
non traditional, 180
performance of, 183
strategy selection, 145–148
within themes and opportunities, 151
traditional, 135, 179–180
Asset growth, in retirement and 529 plans, 247, 248
Attenborough, David, 205
“Autonomy,” concept of, 209
Availability heuristic, 60
Baby Boomers, 205, 208
Backfill bias, 180
Bacon, Sir Francis, 72
Balanced funds, 116, 118, 119
Balanced portfolios, 115, 116
Barclay’s Aggregate Bond Index, simple index and, 21
Barclays Capital Aggregate Bond Index, 23
Bernoulli, Jakob, 120
Bias:
avoiding status quo, 27
backfill, 180
behavioral, 59, 280
confirmation, 72, 229
equity-like, 119, 121–122
status quo, 229
survivorship, 180
“Bias fatigue”, 59
Black-Litterman model, 51
Black-Scholes model, 120
Blog, Fi, 59
Behavioral finance:
benefits of, 78–79
birth of, 78
definition and framework for, 57–77
Behavioral Portfolio Theory, 157, 245
Behavioral risk, 102–104
Behavior gap, 14–15, 211
Dalbar study on, 103
investor, narrowing, 245–246
Benchmark. See also Brinker Capital Personal Benchmark process
adherence to, 197, 231–232
affixing goals to, 193
comparisons, 179–180
external, 221, 224, 226
impersonal, 192–193
index, 222
performance and, 197, 231–232
personal, pursuing, 218–235
Berkshire Hathaway, 175
Best practices, 15
Beta:
as measure of volatility, 87–89
risk as measured by, 90
Bias:
avoiding status quo, 27
backfill, 180
behavioral, 59, 280
confirmation, 72, 229
equity-like, 119, 121–122
status quo, 229
survivorship, 180
“Bias fatigue”, 59
Black-Litterman model, 51
Black-Scholes model, 120
Blog, Fi, 59
Bloomberg “Fund Classifications”, 117–118
Index

Bonds:
- decline in value of, 14
- interest rates and, 126
- risk of, 87
- through early 1940s, 111

Bounded rationality, 219–220, 225

Brinker Capital. See also Asset classes;
- Brinker Capital multi-asset class investment; Brinker Capital Personal Benchmark; See also
- Brinker Capital Personal Benchmark process
- investment managers at, 175–176
- investment offering at, 28
- investment strategy matrix, 255
- moderate portfolio, 135
- performance of, 37, 179–186
- portfolios, 31
- purpose of, 245

Brinker Capital multi-asset class investment:
- application process for multi-asset class theory, 133–137
- applying six asset classes, 122–132, 252–255
- diversification and, 115–117
- equity investing redux, 111–112
- history of investing, 110–111
- implementing the philosophy, 137–151
- modern portfolio theory, 112–115, 142–145
- multi-asset classifications, 117–120
- philosophy of, 35–39, 119–122

Brinker Capital Personal Benchmark:
- benefits for advisors, 280–282
- case of Jim and Jane Dodd, 31–45
- four buckets, 164–166, 249
- history of innovation, 29–30
- investment and, 240
- Performance Report, 272, 277–279
- solution, 30–31, 251–258
- using, 259–280

Brinker Capital Personal Benchmark process:
- accessing investor’s portfolio, 260–261, 262, 263
- account summary, 273–274
- implementing strategy and monitoring investor performance, 272–280
- investment allocation, 274–280
- Investor’s documents and proposal, 266–269, 270, 271, 272
- Investor’s portfolio investment strategy, 264–265, 266
- Jim and Jane Dodd scenarios, 259–260
- signing onto, 260–261
- viewing and creating Investor’s Personal Benchmark, 261–262, 264, 265
- Browne, Christopher H., 230, 231–232
- Brunel, Jean, 164
- Buffett, Warren, 67, 69, 73–74, 97, 175, 251
- The Capital Asset Pricing Model (CAPM), 86–87, 88
- Capital market:
  - indices, 20–21
  - returns, 13, 25–26
  - securities industry and, 12
  - system, advisors and, 16
CAPM. See Capital Asset Pricing Model (CAPM); The Capital Asset Pricing Model (CAPM)
Carlotti, Steve, 110
Casady, Mark, 19
Case of Jim and Jane Dodd. See Dodd, Jim and Jane
Case study, Goal-Based Mental Accounts, 164–166
Catching Lightning in a Bottle (Smith), 11
“Celtic Tiger”, 216–217
Center for Applied Research, 17
Certainties, using, 26
Chanel, Coco, 211
Choice architecture concept, principles guiding, 27–28
Cialdini, Robert, 66
Civilization and Its Discontents (Freud), 199
Clancy, Tom, 209
Client focus, in successful investment firm, 173
Cognitive limitations, 219, 220, 225
Commitment, managing client relationships and, 173
Commodities, 129
Communication, in successful investment firm, 174–175
Confidence, as defined by Oxford Dictionary, 76
Confirmation bias, 72, 229
Conflicts, resolving
Conservatism, 229
Consumer price index (CPI), 129
Contingency, 165
Convergence trade, 55
Cool Hand Luke (movie), 25
Correlations, Modern Portfolio Theory framework and, 143
CPI. See Consumer price index (CPI)
Cramer, Jim, 74–75
“Crystal Diversified Income”, 34
“Crystal Strategy I Absolute Return Portfolio”, 29, 34
Culture, in successful investment firm, 173
Curtis, Gregory, 99
Cutler, Jay, 192
Dalbar:
  recommendations to advisors, 26
  study on “behavior gap”, 103
Dalbar Effect, 18, 21, 23, 26
Dalbar report, 26
“The Dark Knight” (movie), 205
Davies, Greg, 68, 78, 83, 91, 96
Decision-making:
  emotional, 68–69, 245
  financial, behavioral view of, 227
  investment, bias and, 59
  limitations in, 219–221
  process, instituting, 177
  Redhead model and, 226–229
  “Destinations Defensive”, 34–35
  “Destinations Moderate,” as capital investment strategy, 32–34
Determinism:
  deterministic models, 197–198, 199–200
  idea of, 194–196
  in psychology and economics, 193–200
Developed economies, 125–126
Developed international equities, 125
Diversification:
  across and within asset classes, 150
  concept of, 115
  importance of, 185–186
Index

in multi-asset class investment, 119, 120

Dodd, Jim and Jane:
Brinker Capital delivery system, 31–45
creating the proposal for, 32–33
presenting the proposal for, 35–39
reporting performance for, 39–45
using Personal Benchmark for, 259–280

Dollar-weighted rates of return, 182

Domestic equity, 122, 123, 124–125, 126, 131

“Doorknob Case”, 201

Downside risk, 148

Drive (Pink 2011), 210

Earnings before interest, taxes, depreciation, and amortization (EBITDA), 139

East Asian debt crisis, 55

EBITA. See Earnings before interest, taxes, depreciation, and amortization (EBITDA)

Econometrica, 50

Economic freedom, 10–11

Economic growth, 12, 13, 22

Economic liberalism, 121

Economics, determinism in, 193–200

Economic thought, 121

Economic Times, 153

Economy, in America, 11–12, 112

Economy of One, 200–202

Efficiency:
to assess performance, 181–182
myth of, 52–53

Efficient frontier, 15–16, 95, 113

Efficient market hypothesis (EMH), 55, 57, 197

behavioral finance and, 58

Davies on, 83–84

Fama and, 90

idea of, 52–53

on informational efficiency of investors, 217–218

risk and, 85

subjective utility and, 56

Efficient portfolio, 113

1889–1978, S&P 500 Index during, 86

Ellsberg Paradox, 56

Emerging economies, 125–126

EMH. See Efficient market hypothesis (EMH)

Emotional salience, 60–62

Emotions:
behavioral and, 75
decision-making and, 68–69, 245
investment decisions and, 240
managing, 70–71

Personal Benchmark and, 71

Employee development and mentoring, in successful investment firm, 173

Endowment model, Swensen’s, 15–16

Entrepreneurial spirit, in successful investment firm, 174

Epley, Nick, 64

Equity(ies):
average return on, 86
domestic, 122–124, 124–125, 126, 131
international, 122–124, 125–126, 131
natural resources, 129
private, 122–124, 130–131
returns of, 121–122

Equity Investing Redux, 111–112
Equity-like bias, in multi-asset class investment, 119, 121–122
“Equity premium puzzle”, 86–87
“Equity risk premium”, 87, 121
ETFs. See Exchange-traded funds (ETFs)
eToys.com, 54
Evaluation, of Personal Benchmark, 42–43, 45
Evaluation process, of managers, 149–150
Exchange-traded funds (ETFs), 145, 171
Expense ratio, 148
Experts, financial decisions and, 73–74
External benchmark, 221, 224, 226
“Extraordinary Popular Delusions and the Madness of Crowds” (Mackay), 50

Fama, Eugene, 90
Federal Reserve, 14, 22
Feedback, tools for, 28
Fee market economy, 12
Fibonacci’s innovation, 120
Fillmore, Bob, 257
Financial decisions, Personal Benchmark and, 226–235
Financial gains, risk of, 88
Financial goals, 198, 202, 205
Financial inhibition, 229–230
Financial loss, 88
Financial markets:
- ambiguity aversion and, 56–57
- freedoms and opportunities of, 10–11
Financial planning, 76

Financial repression. See Monetary policies
Fixed income securities, 122–124, 126–127, 131
Forecasting, 75–76
Foreign developed markets, 125
“Fortune Cookie Effect”, 71
Fortune (magazine), 206
Framing:
- intentional, 158–160
- mental accounting, 62–64
- with purpose, 160–161
- questions, 250
Freud, Sigmund, 198–200, 206
Friedman, Milton, 27
Frontier concept, 15
Fund Classifications (Bloomberg), 117

Gates, Henry Louis “Skip,” Jr., 10
Gilovich, Thomas, 63, 250
Goal-based investing, 200–202
Goal-Based Mental Accounts (Case study), 164–166
Goals:
- of investors, 31, 164–165
- setting, 191–193
“Goals Based Wealth Management in Practice” (Brunel), 164

Gordon, Lee, 20
Governance, establishing, 177
Government:
- debt-to-GDP ratio, 23
- macroeconomic policy and, 13
Graham, Benjamin, 50, 201
Graham and Dodd’s “Security Analysis”, 120
Great Depression, 68, 111
Great Recession, 54, 68, 116
Gross domestic product, 12, 13, 142
Gut feeling, 69–70
Gut feeling, following, 69–70

Hedge fund AQR, 73
Hedonic Framing “Hedonism”, 160
Herd behavior, 66–67
Heuristics salience, 60–62
Historical volatility, 181
Hofstadter, Douglas, 204
Home value, inflation and, 238, 239
Homo economicus, 62
Housing bubble in the U.S, 64–65
Human behavior, 194–196
Human freedom, defined, 10
Human motivation, 210
Hyperbolic discounting, 160
Hypothesized returns, 89–90

Impersonal benchmark, 192–193
Incentives, 28, 174
Income bucket, 31, 32, 34, 165, 249
Index benchmarking, 116, 222
Inflation, 128, 129
Information:
  consumption of, 219, 220–221, 225
  objective, in Redhead model, 226–227
  perceived, 228
  perceiving conflicting, 72–73
  reacting to, 62
  simplifying, 63, 65
Information processing, in Redhead model, 228
ING Direct, 159
Innovation, in multi-asset class investment, 119, 129
“Innumeracy”, 204

Institutional investors:
  best practices of, 15
  multi-asset class investing and, 115–117, 119–123

Interest rates:
  bonds and, 126
  short-term, 112
Internal rate of return (IRR), 182
International equity, 122–124, 125–126, 131
Interviews, for selecting active manager, 148–149
Investing. See also Multi-asset class investing
  difficulty of, 75–76
  equity, 111–112
  history of, 110–111
  pitfalls, 247–251
  purpose-driven, 156
Investment. See also Investment strategy(ies)
  best, 238–240
  inflation and, 238, 239
  private equity, 130–131
Investment advice delivery system, 26–28
Investment Advisory, 257
Investment Advisory Agreement, 272
Investment advisory services, 17
Investment-driven culture, firm with, 173
Investment firm, characteristics of successful, 172–175
Investment management process, 176–180
Investment managers:
  assigning roles within asset allocation, 15
Investment managers: (Continued)
  successful, 175–176
  terminating, 184
  traits of, 175–176
Investment performance, stress, emotionality, and, 68–69
Investment strategy(ies):
  beginning of, 30–31
  capital market indices and, 23, 25
  downside volatility and, 116
  historical performance of, 41
  investors and, 22–25
  for Jane and Jim Dodd, 32–34
  of Personal Benchmark system, 255
  purchasing power and, 21
  recommended, performance of, 40
Investment Strategy Recommendation
  (Jim and Jane Dodd Proposal),
  266–269
Investors, 9, 124. See also Institutional investors
  behavior gap, 14–15
  in fixed income market, 126–127
  goals of, 31, 164–165
  informational efficiency of, 217–218
  investment portfolio with Beta of 1, 89
  investment strategy and, 22–25
  media and, 13–14
  prevailing as, 110
  risk tolerance and, 90–96, 133
  sentiment, 138–139
  in value-oriented companies, 124
  wants and needs of, 18–25
Irish economy, 215–217
James, LeBron, 69
John Moore and Associates, 16
Journal of Finance, 112
Journal of Portfolio Management, 90
Kahneman, Daniel, 50–51, 78, 240, 257
“Keeping up with the Joneses”, 223, 226
Kerry, John, 11
Keynes, John Maynard, 50, 55
Kirby, Robert, 231
Krugman, Paul, 102
Kumar, Dhirendra, 153
Lakoff, George, 158
Leadership, in successful investment firm, 172–173
Levy, John, 207
Liquidity, 127, 129
The Little Book of Behavioral Investing
  (Montier), 84
Loewenstein, George, 59, 159
Long-Term Capital Management (LTCM), 55
Lopes, Lola, 156
Lovett, Gena, 163
Lovett, John, 163
LTCM. See Long-Term Capital Management (LTCM)
Mack, Mary, 19
Mackay, Charles, 50
Macroeconomic environment, 141–142
Macroeconomic policy, 13
“Mad Money” (TV program), 74
Management, active, in multi-asset class investment, 119, 120–121
Management strategy, passive or active, 145–148
Manager due diligence process, 150
Index

Manager selection process, 148–151
Market, Cramer and, 74–75
Market-based economies, 25
Market-based system, 11
Market benchmark, advisors adherence to, 230–231
Market capitalization, 13, 124
Market economies, 10–11, 12, 16
Markowitz, Harry, 15, 112–115, 120, 149, 197
Martin, Rollie, 25
Maslow, Abraham, 65, 155, 157
McKinsey Global Institute, 208
Mean-variance analysis, 142–145
Meetings, during investment process, 177–179
Mehra, Rajnish, 86
Mental accounting:
  defined, 153–154
  framing, 62–64
  Goal-based Mental Accounts (case study), 164–166
  for increased rationality, 161–164
  Personal Benchmark and, 253–255
Merrill, Charlie, 111–112
Merrill Lynch, 11–12
Merton, Robert C., 55
Miller, Joe, 25
Mischel, Walter, 208, 241
MMI. See Money Management Institute (MMI)
Modern portfolio theory, 112–115, 142–145
Momentum, asset prices and, 140–141
Monetary policies, Federal Reserve and, 22–23, 112
Money:
  buckets for allocating, 249
  illusions, 64–65
issue of, 205–207, 209, 210
  Maslow and, 157
  stress and, 202–204
  Money Magazine, 114
Money Management Institute (MMI), 19
Moneyworkandlove.com, 206
Montier, James, 84
Moore, John, 16
Morningstar, 118
“The Morningstar Category Classifications” (Morningstar), 118
Morningstar, Inc., 9
Morningstar multi-alternative universe, growth of, 117
MSCI Developed Markets Index, 125
Multi-asset class diversification, 115–117
Multi-asset classifications, 117–119
Multi-asset class investing, 30. See also Brinker Capital Multi-asset class investment
  diversification and rise of, 115–117
  multi-asset classifications, 117–119
Multi-asset class model, 15–16
Murphy, J. Michael, 90
Mutual funds, accessing absolute return strategies through, 128
“My New Benz”, 159
“My Savings Goals”, 159
Narrow framing, 158
Natural resources equities, 129
Neutral asset class, weightings and ranges, 133–135, 151
Neutral weight models, 136–137
New Era Thinking, 54
Newton, Sir Isaac, 203
Index

New York Times, 202, 209
1981–1982, recession during, 112
Nudge: Improving Decisions about Health, Wealth, and Happiness
(Thaler and Sunstein), 27, 51
Nudge Unit, 51

Obama, Barack, 51
“Objective information,” in Redhead model, 226–227
Onsite visit, selecting active manager and, 149
Opinion forming, 72
Opportunities, implementing, 151
Outsource planning, stress and, 203
Overconfidence, 229–230

Passive management strategy, 145–148, 170–172
Peer universe comparisons, 148, 180
Perceived information, in Redhead model, 228
Performance:
  allocation and, 42
  assessing and monitoring, 179–186
  of average investors and market, 67
  benchmark and, 197
  of Brinker Capital, 37, 179–186
  consistency, 148
  investment, 68–69
  of investment strategy, 40
  of markets vs. average mutual fund investor, 244–245
  mediocre, 74
  risk as measured by Beta and, 90
  technical and non-technical indicators of, 148
Personal assurances, attaining, 164
Personal Benchmark Performance Report: Brinker Capital, 272
Personal goals, 18–19, 192–193, 210, 220, 247
Personality, Western conceptions of, 92
Philadelphia (movie), 25
Phillips, Don, 9, 19
Pilkington, Phillip, 198
Pink, Daniel, 209
“Planet Earth” (series), 205
Poole, David, 21
Portfolio investment strategies, asset allocation frameworks for, 15
Portfolio manager tenure, 148
Portfolio optimizer, 144–145
Portfolio risk, definition of, 96
Portfolios:
  balanced, 115, 116
  Brinker Capital, 31
  constructing and managing, 28
  sample moderate, 143
  stable growth and income, 256
  using frontier concept, 15
  “Portfolio Selection” (Markowitz), 112, 120
  “Potential,” in Behavioral Portfolio Theory, 165
Prescott, Edward C., 86
Price(s):
  forecasting direction of, 140–141
  market theorists and, 195
  value and, 196
Price-to-book value, 139
Price-to-cash flow, 139
Price-to-earnings, 139
Private equity, 130–131
Private investments, 129
Probability(ies):
  risk and, 96–97
  using, 26
Process of perception, 228
Professional guidance, 17
ProGen, 260
Prospect Theory, 50
Prudent Man Rule, 111, 115
Psychology:
  determinism in, 193–200
  parallels in, 198–200
  of safety, 65–71, 162–163
  of simplicity, 60–65, 162
  of surety, 71–77, 163–164
Purchasing power:
  advisors and, 20–22
  financing future activities and, 121
  inflation and, 128
  investors, 30–31
Purpose:
  as defined by Pink, 210
  of investment, 229
Purpose-driven investing/investors, 156, 211
QAIB. See Quantitative Analysis of Investor Behavior (QAIB)
Quantitative Analysis of Investor Behavior (QAIB), 24
Quantitative measures:
  caveats of, 183–184
  of volatility, efficiency, and rates of return, 181–182
Quantitative screening process, 148
Questionnaires, for selecting active manager, 149
Questions, power of framing, 250
Ranges, neutral asset, 133–135
Rates of return, to assess performance, 181–182
Rationality:
  mental accounting for, 161–164
  myth of, 52–53
Reacting vs. reasoning, 68
Real assets, 122–124, 128–129, 131
Real estate investment trusts (REITs), 128
Realized returns, 89–90
Recall, selective, 60–62
Recession, 13, 112
Redhead, Keith, 226–230
Reframing advice and investing, 26
REITs. See Real estate investment trusts (REITs)
Relative return, 21
Return(s), 21, 45, 253
  of absolute return strategies, 122–124, 127–128, 131
  active managers, dispersion of, 146
  of average fixed income fund, 23
  capital market, 22, 25–26
  correlation of risk and, 85–90
  efficient frontier concept and, 15–16
  of equity, 121–122
  hypothesized vs. realized returns, 89–90
  Markowitz on diversified portfolio, 120
  Modern Portfolio Theory framework and, 143
  of private equity investment, 130
  rates of, to assess performance, 181–182
Reward(s):
  government bonds and, 87
  risk and, 85, 88, 100–101
Risk, 21, 45. See also Behavioral risk;
  Risk measurement and management
  as defined by Markowitz, 113, 120
downside, 148
efficient frontier concept and, 16
goals and, 165–166
  investors and intolerance for, 22
  Mack on raising, 19
  Markowitz and, 113, 120
  probability and, 26, 96–97
  reward and, 85, 88, 100–101
  standard deviation and, 181
Risk–adjusted returns, 148
Risk measurement and management:
  correlation of risk and return, 85–90
  investors and risk tolerance, 90–94
  risk and reasonable probability, 96–102
Risk preferences, 94–96
Risk–return, 136
Risk tolerance, 26
  change in, 92–94
  investors and, 90–92, 133
Roame, Chip, 19
Rosenberger, Andrew, 254
Russian government, debt of, 55

Safety:
  bucket, 31, 32, 34, 45, 164–165, 249
  needs, in Behavioral Portfolio Theory, 164–165
  psychology of, 65–71, 162–163
Salient frame, 160
Sapolsky, Robert, 65
Schmidt, Eric, 76
Scholle, Myron S., 55
School district dietician story, 27
Schumpeter, Joseph, 120
“Secrets of the Three Best Hedge Fund Managers Alive”, 224
Securities Industry, purpose of, 11–12
Securities Industry and Financial Markets Association, 12
Securities market, investors in, 9
SEI Investments, 163
Sentiment, investor, 138–139
SEU. See Subjective Expected Utility (SEU)
Shark Week, 61, 68
Sharpe, William, 197
Sharpe ratio, 181–182
Shefrin, Hersh, 156
Shiller, Robert, 64
Shiller cyclically adjusted PE ratio, 139–140
Short–term:
  losses, 133
  operating in, 75–76
Short–term debt, average return on, 86
The Signal and the Noise (Silver), 75
Silver, Nate, 75
Simon, Herbert, 219–220
Simplicity, psychology of, 60–65, 161
Sinclair, Upton, 232
Size, in successful investment firm, 172
Smith, Adam, 50
Smith, Win, 11
Index

Solow-Swan model of economic growth, 120
Soros, George, 96
“South Sea Bubble”, 203
Spa package, 162
SP/A theory (Lopes Theory), 156
S&P 500 Index, 23
annual yield and short-term debt on, 86
average log return on, 57
forward P/E ratio, 140
January through May 2013, 14
market capitalization of, 12
over thirty-year period, 13
simple index and, 21
strategy performance and, 21
Staff, assembling talented, 177
Standard deviation, 143, 181
Statman, Meir, 154, 156, 162, 203
Status quo bias, 229
The Stewardship of Wealth (Curtis), 99
Stocks, risk of, 87
“Stop Beating Up the Rich” (Easton 2012), 206
Strategic asset allocation, 133–134
Strategy assets under management, 148
Strategy performance, S&P 500 Index and, 21
Strategy selection, asset classes and, 145–148
Stress:
emotionality and, 68–69, 70
money and, 202–204
Stress: Portrait of a Killer (Sapolsky), 65
Sub-asset class, developing, 138–142
Subjective Expected Utility (SEU), 53, 56
Supply and demand, real assets value and, 129
Surety, psychology of, 71–77, 163–174
Survivorship bias, 180
Swensen, David, 15, 115, 143
Tactical asset allocation, 133–134
Tactical bucket, 31, 34, 45, 165, 249
Taleb, Nassim Nicholas, 198
Technical analysis, prices and, 140–141
Technical performance metrics, 148
Techonomy conference, in Lake Tahoe, in 2010, 75
Thaler, Richard, 27, 51, 78, 153
Themes, implementing, 151
“Theory of Human Motivation” (Maslow), 155
Theory of Moral Sentiments (Smith), 50
Theory of portfolio choice, 197
Theory of price formation for financial assets (CAPM), 197
Three-factor model, 120
Thucydid 1950, 72
Tiburon conference in New York City, 9, 19
Time:
investors decisions and, 220, 225
market value and, 53–55
successful advisors and, 16
Time-linked return, 182
Time-weighted return, 182
TIPS. See Treasury Inflation Protected Securities (TIPS)
Tolstoy, Leo, 72
ToysRUs, 55
Trachtman, Richard, 206–207
Volatility, 13, 70–71
to assess performance, 181–182
cash flow generation and, 165
growth of wealth and, 100
historical, 181
managing, 165, 258
as measure of risk, 87–89
not managed, 252
weathering, 22–25
Volatility-based risk, 97–98, 101–102
Volcker, Paul, 112
Wallace, Bill, 22
Wall Street Crash of 1929, 111
Wealth:
growth of, 241–245
multi-asset class investment and, 38
securities industry and, 12
volatility and growth of, 100
The Wealth of Nations (Smith), 50
Weightings, neutral asset, 133–135
What Do Money Managers Do?
(Lakonishak et al, 1997), 231
What Investors Really Want (Statman),
154, 203
Whittenburg, Dan, 46
Why Smart People Make Big Money
Mistakes (Belsky and Gilovich),
63
Williams, Bri, 159
Williams, Nassau, Sr., 208
Wundt, Wilhelm, 198
“You’d Be a Millionaire Today If
You’d Bought This Stock”, 224

Trading skills, 73–74
Treasury Inflation Protected
Securities (TIPS), 128, 129
Trends in International Mathematics and
Science 2011 Study (Mullis et al),
204
Truthout.org, 158
Tulip bulb, 54, 66
Tversk, Amos, 50–51
2008 financial crisis, risk and return
during, 16
2008–2009:
era of, 14, 22
investment products since, 116
investor behavior during, 23
volatile markets in, 25
2000–2002 volatile markets, 22, 25
Ukraine, Western, 11
Uniform Prudent Investor Act, 115
Up-and down-market capture ratios,
148
UrbanSpoon, 67
U.S. Treasury securities, 126
Valuation metrics, of asset classes,
139–140
Value, price and, 196
Value-oriented companies, investors
in, 124
The Vanguard Group, 1995–2010, 90
Variance drain, 99–100
Variance drain returns, 253
Virtuous system of governance,
10–11