## CONTENTS

**Acknowledgments**  
**Prologue: David & Goliath**  
**Preface: We Stand on the Precipice of an Investment Renaissance**

<table>
<thead>
<tr>
<th>CHAPTER 1: Taking the 30,000-Foot View</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Where We Are Today</em></td>
<td>1</td>
</tr>
<tr>
<td>The Individual Investor</td>
<td>1</td>
</tr>
<tr>
<td>Ockham’s Razor</td>
<td>3</td>
</tr>
<tr>
<td>Our Current Economic Landscape</td>
<td>6</td>
</tr>
<tr>
<td>The Bottom Line</td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAPTER 2: When the Paradigm Shifts</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Why What Worked in the Past May No Longer Work in the Future</em></td>
<td></td>
</tr>
<tr>
<td>A Primer on Modern Portfolio Theory</td>
<td>15</td>
</tr>
<tr>
<td>The Treasury Run</td>
<td>19</td>
</tr>
<tr>
<td>Losing Money in Bonds</td>
<td>29</td>
</tr>
<tr>
<td>The Bottom Line</td>
<td>32</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHAPTER 3: Shooting Stars</th>
<th>35</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>The Performance Realities of Mutual Fund Ownership</em></td>
<td></td>
</tr>
<tr>
<td>The Persistence of Manager Performance</td>
<td>38</td>
</tr>
<tr>
<td>The Bottom Line</td>
<td>53</td>
</tr>
</tbody>
</table>
CHAPTER 4: Beyond the Stars

Suggestions for Investment Selection Criteria
The Cost of Investing 58
Identifying Risk 64
Assessing the Investment Environment 73
The Bottom Line 76

CHAPTER 5: The Landscape Has Changed

The Proliferation of the ETF
The ETF: What Is It? 80
A Brief History 83
The Use of ETFs in a Portfolio 86
The Bottom Line 94

CHAPTER 6: Challenging Convention

An Introduction to Asset Rotation
A Time-Tested Approach 106
The 2000s 108
The 1990s 110
The 1980s 112
The 1970s 113
The 1960s 114
The 1950s 115
The 1940s 117
The Great Depression 118
From the Great Depression to Today 119
The Bottom Line 121

CHAPTER 7: Building a Better Mousetrap

Advanced Asset Rotation
Building a Better Mousetrap 124
The 1990s 134
The 2000s 136
From 2010 to 2012 138
23 Years: 1999–2012 140
Going Toe to Toe with the Best 141
The Bottom Line 143
## Contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
</table>
| 8       | Choose Your Own Adventure  
  **Building Your Own Asset Rotation Portfolio**  
  Choose Your Own Adventure  
  Additional Factors to Consider: Eligible Risk Assets  
  Additional Factors to Consider: Eligible Flight to Safety/Fixed-Income Assets  
  Additional Factors to Consider: Criteria for Investment Selection  
  Creating a Scoring System  
  Required Due Diligence  
  The Bottom Line | 147 |
| 9       | The Anatomy of Change  
  **Setting Appropriate Expectations**  
  Benchmarking Success  
  The Four Seasons  
  When Equity Markets Rise  
  When Equity Markets Fall  
  When Equity Markets Move Sideways  
  When Equity Markets Move Sideways with Volatility  
  The Bottom Line | 171 |
| 10      | Letting Go of Your Crutch  
  **Integrating Asset Rotation into Your Overall Approach**  
  **Citius, Altius, Fortius**  
  Asset Rotation as a Core Approach  
  Baby Steps  
  Supplementing Either Equities or Fixed Income  
  Adopting a Core/Satellite Approach  
  The Bottom Line | 189 |
| 11      | The Road Ahead  
  **Real-World Solutions for a Changing Landscape**  
  The Bottom Line | 203 |
|         | **About the Author** | 207 |
|         | **Index** | 209 |