



The Little Book of Alternative Investments: Reaping Rewards by Daring to be Different

Ben Stein, Phil DeMuth

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Praise For THE LITTLE BOOK OF ALTERNATIVE INVESTMENTS

"Ben and Phil have done it again. Another lucid, insightful book, designed to enhance your wealth! In today's stock-addled cult of equities, there is a gaping hole in most investors' portfolios...the whole panoply of alternative investments that can simultaneously help us cut our risk, better hedge our inflation risk, and boost our return. This Little Book is filled with big ideas on how to make these markets and strategies a treasured part of our investing toolkit."

—**Robert Arnott**, Chairman, Research Affiliates

"I have been reading Ben Stein for thirty-five years and Phil DeMuth since he joined up with Ben ten years ago. They do solid work, and this latest is no exception."

—**Jim Rogers**, author of *A Gift to My Children*

"If anyone can make hedge funds sexy, Stein and DeMuth can, and they've done it with style in this engaging, instructive, and tasteful how-to guide for investing in alternatives. But you should read this Kama Sutra of investment manuals not just for the thrills, but also to learn how to avoid the hazards of promiscuous and unprotected investing."

—**Andrew Lo**, Professor and Director, MIT Laboratory for Financial Engineering

Q&A with Co-Authors Ben Stein and Phil DeMuth



Co-Author Ben Stein

The book discusses the 60/40 portfolio – what are the good and bad sides of it?

The 60/40 stock/bond portfolio has evolved by natural selection to be the default preference for many investors. Since 1976 it has offered about 93 percent of the returns of the entire stock market with only about 65% of the risk. That's a pretty good trade-off. On the other hand, the vast majority of the risk comes from the stock side. It is basically riding the stock market with a shock-absorber from the bonds. This is the impetus to our search for alternatives -- the desire to spread our risks so we don't get jerked around as much.

Why do you say in the book “Luck is a terrible strategy” ?

If you scratch the surface, most investors are terrified. They know the pain of losing money, yet they have to do something with their savings, so they are led by the financial services industry to throw it at whatever has done well lately and then cross their fingers. Wall Street's basic strategy is to post impressive performance

numbers by taking on added risks that are not visible until it is too late. This is what lures the suckers into the tent. It works most of the time, because most of the time the market is up. When it collapses, if investors move at all, it is simply to the next guy with a great recent track record. This is not a profitable way to invest.



Co-Author Phil DeMuth

Why are you against gold (i.e. If you are a king or pirate, you need a chest of gold. If not, you don't)

Most assets are supported by underlying earning power. Gold is supported by other people's fascination with gold. This is a circular argument. Gold is extremely difficult to value rationally, which means that its price is wildly susceptible to fanaticism and gold metaphysics. By definition, most people will get most interested precisely when the price is highest and the expected future returns are lowest. That said, we do believe that a small allocation to a broad basket of commodities (including precious metals) can be a useful portfolio diversifier.

Why are hedge funds the ultimate alternative investment?

Hedge funds are the ultimate alternative investment because they set out to be. They set out to "hedge" or bet against whatever is the prevailing wisdom or trend. Their whole purpose is to go against whatever the general market feeling is: so, if people are loading up on crude oil, they sell crude; if people are going long on real estate, they go short on real estate. If the market generally is optimistic, they short the market.

That is at least what hedge funds are supposed to be. Some are really just managed investment pools, but their goal is to be contrary.

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From reader reviews:

Joshua Allen:

In this 21st century, people become competitive in each and every way. By being competitive right now, people have to do something to make all of them survive, being in the middle of typically the crowded place and notice by simply surrounding. One thing that oftentimes many people have underestimated the idea for a while is reading. Sure, by reading a guide your ability to survive improve then having chance to endure than other is high. For you personally who want to start reading a new book, we give you that The Little Book of Alternative Investments: Reaping Rewards by Daring to be Different book as starter and daily reading guide. Why, because this book is usually more than just a book.

Michael Berry:

The reason why? Because this The Little Book of Alternative Investments: Reaping Rewards by Daring to be Different is an unordinary book that the inside of the guide waiting for you to snap the idea but latter it will surprise you with the secret it inside. Reading this book close to it was fantastic author who write the book in such incredible way makes the content inside of easier to understand, entertaining means but still convey the meaning fully. So , it is good for you for not hesitating having this ever again or you going to regret it. This excellent book will give you a lot of positive aspects than the other book have got such as help improving your talent and your critical thinking method. So , still want to postpone having that book? If I were you I will go to the book store hurriedly.

Belinda Bedard:

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Joshua Little:

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