

Kirz, Jarred J. – Fisher Investments on Financials

John Wiley & Sons, 2012, [Equity Investing] Grade ★★☆☆

With this book the author provides the basis of an understanding of how to invest in the finance sector. The author is an analyst at Fisher Investments covering the financial sector and macro strategy and with this book Ken Fisher's investment firm completed the book series going through how to invest in all 10 GICS sectors. The structure of the book is the same as previously. A sector is presented and then a strategy for investing and portfolio construction is suggested. This later section is more or less similar for all the books. The intended audiences are individual investors, students and aspiring investment professionals and the goal is to provide them with the tools to make their own investment decisions.

Contrary to what many perhaps believe Financials is a very diverse sector comprising of the industry groups 1) banks, 2) insurance, 3) real estate and so-called 4) diversified financials – and within these four there are plenty of further variations and business models. After an introductory chapter each of these industry groups get one chapter each ranging from 10 to 30 pages with a fair amount of white space.

It stands to reason that discussing insurance with a text that might fill 5 or so A4-pages becomes very schematic. This doesn't make it wrong or bad – just not very comprehensive. I don't feel that any area has been unduly left out. The bulk of the description is focused on banks and with the relatively large size compared to the other industry groups this might be warranted. This is in comparison with for example the parallel book on Information Technology where the dominating industry group Software & Services received very little attention.

Despite the brevity the author presents many of the relevant concepts in the industry groups and

does a fair job of discussing the foundation of their business models. What I would have wished for is 10 or 15 more pages adding some numerical examples. Financials is very much about the numbers in for example balancing various risks or balancing risk versus returns and the reader's understanding of financial indicators becomes somewhat limited if he only gets a verbal description of them.

It's easy to criticize the books in this series for being overly rhapsodic, for using the same investment strategy section over and over again. I also think their writing generally lacks curiosity and passion – although Mr. Kirz's text was above average in this area. However, it's not easy to write about complicated areas in short form and if a private investor takes the time to read all ten texts (leaving the reading of the investment strategy to the last book) he will gain a good basic understanding of how most listed companies make money and what drives their shares and the ebb and flow of earnings. If these books didn't exist it would only be those who had access to the industry primers of investment banks that could get a similar overview of the investment universe.

Considering that most private investors to a large extent lack a method for portfolio construction and risk management the method suggested by Fisher Investments might increase returns over long term. Not because I think it will make them outperform the market but because I think it will make them underperform less and also reduce their risks. This is probably an equally important contribution as giving private investors knowledge on sectors.

This book is a good alternative for those who want to get a first glimpse of the financial sector but do not expect any deeper insights.

Mats Larsson, February 27, 2016