

## Book of the week

### 7 Mistakes Every Investor Makes (And How to Avoid Them)

A Manifesto for Smarter Investing

By Joachim Klement  
Harriman House, £24.99

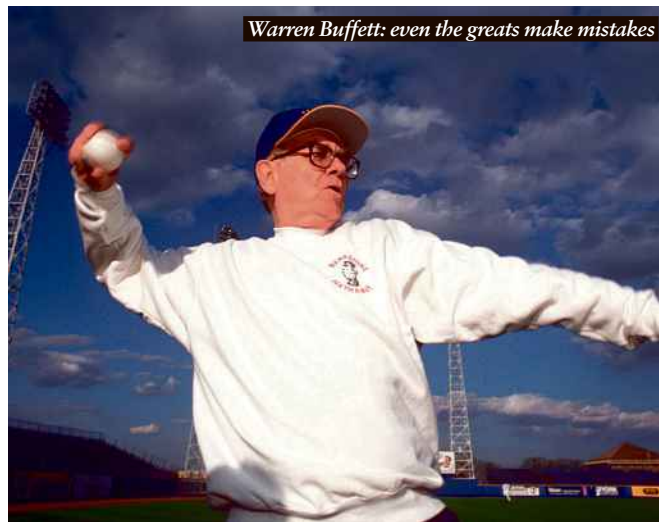


There are plenty of investment books telling you what to do. Joachim Klement takes a different

approach. As he states in the introduction, even great investors such as Warren Buffett (pictured) have made their fair share of mistakes. Klement believes the thing that distinguishes great investors from the rest of us is their ability to learn from these missteps so that they don't end up repeating them. Having made plenty of mistakes himself in his two decades working in the financial markets, Klement gives the reader the benefit of the wisdom he has accumulated.

#### Put no faith in forecasts

There are, as the title suggests, seven big errors that need to be avoided. The first is putting too much faith in forecasts. Most are simply an extrapolation from past performance and, as we all know, that is not necessarily a good guide to the future. Investors also tend to pay too much attention to short-term developments, leading them to buy and sell frequently, which dramatically increases trading costs, eating into returns. Many investors suffer from the opposite problem –



*"This book will surely make you a better investor and reduce the chances of painful and costly errors"*

they are too eager to stick with poor investments, even when the original reasons for buying them may have disappeared.

Another big flaw is to ignore the lessons of history, particularly when it comes to getting drawn into financial bubbles. Indeed, Klement claims this is one reason for investing your money with experienced fund managers rather than on your own account.

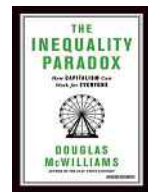
The fifth big mistake is to fail to look for information that contradicts your point of view. If you do not do this you fall prey to "confirmation bias", paying attention only to that which confirms your prejudices. The sixth error is to fail to strive to get value for money when investing with the professionals. Many funds happily charge large fees for simply tracking the index – something you can do

yourself for much less money. The final mistake is to base your decisions on simplistic cause-and-effect explanations of events. The modern world is much more complexly interrelated than that.

#### Don't fear the charts

MoneyWeek would not agree with all of Klement's arguments, but he supports his case well, citing plenty of studies and illustrating them with anecdotes from his career. The large number of charts may look a bit intimidating at first, but they are generally well chosen and make his argument clearer. Reading this book and reflecting on its advice will surely make you a better investor and reduce the chances of painful and costly errors.

Reviewed by  
Matthew Partridge



### The Inequality Paradox How Capitalism Can Work for Everyone

By Douglas McWilliams  
Abrams Press, £21.99

The big question that has dominated the political conversation in recent years is the reason for the rise in inequality over the past three decades and how we might reverse it. In this book, Douglas McWilliams of the Centre for Economics and Business Research, a think tank, puts forward his views. He argues that the increase in inequality is the inevitable result of technological shifts and the rise of a globalised economy, which has benefited most those with the right skills.

Because these changes are structural, any government that attempts to reverse them through dramatic state interventions, such as by increasing public spending, putting up trade barriers or by reducing migration, is likely to fail. In McWilliams' view, governments should focus instead on giving people the skills to enable them to compete in the global economy and on lowering the cost of living by changing planning laws.

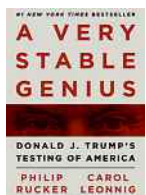
Spending more money on education won't hurt if the cash is spent well and globalisation and technology have clearly brought important long-term benefits. McWilliams' approach to tax, however, appears simplistic. He dismisses targeted tax increases on the highest earners, but is naive to suggest that many people would pay a voluntary supplementary income tax. This is an interesting book, but not one that breaks new ground.

## Book in the news... another horror story from within the White House

### A Very Stable Genius

Donald J. Trump's Testing of America

By Philip Rucker and Carol Leonnig  
Bloomsbury Publishing, £20



You might well wonder whether we need "yet another behind-the-scenes account of Donald Trump's White House", says Peter Spiegel in the Financial Times. We've already had exposés from Bob

Woodward, Michael Wolff and others, and "much of what happens behind the scenes in Washington these days moves to the front of the scenes in nearly real time anyway, accompanied by a running commentary from the president's Twitter account". Still, Washington Post reporters

Philip Rucker and Carol Leonnig "have given it a shot" with this new book, which is essentially a recounting of Trump's handling of the investigation into alleged Russian interference in US elections and the Trump administration's links with Russian officials, following the story up until the publication of Robert Mueller's report last year.

It reads like a "horror story, an almost comic immorality tale", says Dwight Garner in The New York Times. The president comes across as "misinformed and confused" while at the same time "utterly certain of himself"; his daughter Ivanka and her husband are portrayed as "in over their heads and possessed of unfailingly defective judgment". The authors are adept at scene setting and at subtly thickening the historical record, and they sketch

"several stirring scenes" involving Rex Tillerson's experiences as secretary of state, and the "disturbing" behaviour he witnessed. They also break news, revealing, for example, that Trump wanted to repeal legislation banning American firms from paying bribes.

The book is a "pacey" read, but it has a "prissy" tone that "makes you side with the orange-skinned one more than perhaps you should", says Justin Webb in The Times. In one anecdote about a fight between Tillerson, Trump and the generals over Afghanistan, you're left thinking that Trump may have had a point. Still, for all its "preachiness and stuffiness", it effectively makes the case that "Trump is unfit to hold high office", concluding with his attempt to dig dirt on Joe Biden in Ukraine, an act even his aides considered "criminal".