

**Stevenson, David – Smarter Stock Picking**

Prentice Hall, 2011, [Equity Investing] Grade ★★☆☆

Out of all the thousands and again thousands of stocks to invest in, how do you decide which ones to scrutinize more thoroughly for a possible investment? David Stevenson, columnist for Financial Times Weekend and Investors Chronicle, tries in his latest book Smarter Stock Picking to answer this key question by reviewing how a number of the best equity investors have tackled the issue through various screening techniques.

The book is divided in three parts. The first part digs into a number of investors and investment styles and shows how either screening has been done or how it could be done in the chosen areas. The second part display a number of processes and software's that screens the UK stock market and finally, in the last part, the author draws a conclusion. The first part is a good read, the rest you don't need waste your time on. Why?

Stevenson manages to describe a very relevant set of investors and how they work. Some of them are well known but certainly not all of them. The methods of Benjamin Graham, Tweedy Browne, Joseph Piotroski, John Neff and James O'Shaughnessy give different colours on finding value investments. Joel Greenblatt, Warren Buffett, Jim Slater, Martin Zweig and others makes up the GARP team while Bill O'Neals' CAN SLIM system represents momentum investing. This is quite a line up. A dream team of investing.

The author is very well read when it comes to the ground he is covering related to classic investors and screening. It's also apparent that the author is heavily influenced by the work of James Montier, Andrew Lapthorne and others from Dresdner Kleinworth-Société Generale-GMO. There are in my opinion definitely much worse influences to be had. The only objection I have to the first part of the book is that at times a few investors methods are somewhat forced into a screening model. "To a

man with a hammer, every problem looks like a nail." This is however a minor detail and it could also be interesting for the reader to see Stevenson's interpretation of a non-screening process overlayed on this different technique.

Part two give the reader no new information, it's at best a consumers' guide to UK retail screening tools, at worst it's a set of ads for a number of vendors selling these systems. Unfortunately Stevenson then doesn't really manage to tie the loose ends in the final chapter when he tries to guide his readers into choosing a screening methodology to use. This wrap up is rather unstructured, presents new screens and the reader would have benefited from the advice of an author that actually uses screens while managing portfolios. On top of this it's slightly disturbing that Stevenson here and there manages to squeeze in text on topics that bring very little to the discussion of screening. The obligatory chapter on (in)efficient markets shouldn't need to be obligatory, fundamental indexing and market timing systems are interesting and relevant topics but are they needed here? This book should have benefited from more editing.

On the one hand investors can benefit enormously from proven methods to choose which stocks to focus on, or else they are easy prey for loose rumours and momentum driven sell side recommendations. Stevenson gives a very good overview of methods to use (however, rather seek out "The Value Connection" and "Screening the Market" written by Marc H. Gerstein). On the other hand I cannot recommend a book where only half of it is worth reading. If you are a UK retail investor in search of a screening tool to use, this is the book to buy. All others I recommend to search out the original books by O'Neal, Zweig etc.

Mats Larsson, July 19, 2011