

**Schwager, Jack D. – Hedge Fund Market Wizards**

*John Wiley & Sons, 2012, [Finance] Grade* ★★★★★

Twenty three years after the first Market Wizard book Jack Schwager, hedge fund PM, derivatives expert and author, again serves us a brimming smorgasbord of unforgettable characters in this fourth book in the series. Trading legend Ed Seykota says in his foreword that the previous books in the series stand next to LeBon's *The Crowd*, LeVère's *Reminiscence of a Stock Operator* and MacKay's *Extraordinary Popular Delusions and the Madness of Crowds* in his bookshelf. This forth book will not disappoint anyone who enjoyed the previous ones. The structure is the same, Schwager interviews the best money fund mangers' around and gets them to share their insights. Why change a winning concept?

It is truly a privilege to get to know these traders. Because, that's exactly what the reader will do. Schwager seems to be perfectly comfortable discussing almost any nuances in any investment style imaginable and where the previous books clearly featured interviews with Wizards, this one rather presents discussions between equals. The author asks about everything from personal background and motivation to process and strategy. Compared to previous books, and with the 2008 financial crisis in fresh memory, more effort goes into discussing risk management than before. Follow up questions and examples give further granularity and most of those interviewed – save one or two systematic traders - share graciously. All through the book there are insertions explaining the more exotic derivatives, various market events and other topics that enable the reader to follow the conversations.

For his books Schwager seeks traders with exceptional long term track records of high returns and low risk and who on top of this is willing to share what they do. As so many traders today have been inspired by the previous Market Wizards books it is evident that most of those included in this book think it an honour to be asked to participate. They become participants in a continuous process, a sort of family chronicle, where they can inspire future traders. All 15 traders

have totally different ways of making money. This breadth means that there is something for everyone, but more than once you also find a nugget served by a person with totally different investment style from yourself. You pick up an idea on risk management, on how to use options in certain situations etc. The ideas just have to be adjusted to fit what you do.

There are loads of interesting persons featured but the chapter on Ed Thorpe is impossible to stop reading and leaves you speechless when you're done. Schwager himself ranks Thorpe a shared number one with Jim Simmons with regards to having the best investment track record of all times. All readers will find their own favourite parts. I very much appreciated Ray Dalios thoughts on correlations, Colm O'Shea's notion of looking at trading positions as hypotheses that the market action verifies or falsifies, the concept of a LIBOR/OIS-spread was new to me and most of what Joel Greenblatt says is exactly what I would wish to accomplish.

The book is divided into three parts: a) Macro Men, b) Multistrategy Players and c) Equity Traders. Even if Schwager does a brilliant job interviewing any type of investors I would argue that he personally is less interested in the last category of investing and to some extent this shines through. The writing is easy to read despite the fact that the writer doesn't shy away from some fairly esoteric topics. This makes the book suitable for anyone from the veteran pro to the (almost) beginner. A sympathetic feature of this latest book is that Schwager's son Zachary appears as a trading assistant to one of the Wizards. This adds to the feeling of a family chronicle. Zachary also writes an epilogue to the book. To top things off Schwager concludes the book with his top 40 Market Wizard lessons. These are rules all of us should think very long and hard about.

This book is a must have for any trader, but it is on top of that an important book for anyone wanting to understand financial markets better.

Mats Larsson, September 18, 2012