

Seides, Ted – Capital Allocator: How the world’s elite money managers lead and invest

Published by Harriman House, [Finance] Grade ★★★★★

Ted Seides’ book – *Capital Allocators: How the world’s elite money managers lead and invest* – can be seen as a continuation of David Swensen’s ideas from the book *Pioneering Portfolio Management*, which is quite an achievement. Seides worked at Yale for 5 years under Swensen, so it might not be a coincidence. In 2017 he started the Capital Allocators podcast, which is a series of interviews with leading CIOs.

To me and many others, this has become the leading financial podcast and it will be even better in the future (a new second podcast format and an academy). After 150 or so episodes he found himself needing to put into paper the lessons he had learnt in the past and all the nuggets of wisdom he had learnt from his guests, which resulted in the book. My only critique with the book might be that there are just too many nuggets of wisdom, which sometimes contradict each other, and that Seides could have fewer nuggets and more of his own thoughts, but the combination of the nuggets and the opportunity to listen to the podcast to get deeper insights makes this a small issue, and might even be a net positive.

The book is divided in three parts. First comes a toolkit, on how to interview, make decisions and lead as well as other things. In some ways it’s a summary of what can be read in other places (for example Annie Duke or Michael Maboussin) but Seides writes very efficiently and has an ability to put it in a new context which makes it a worthwhile read as it brings new things together that I hadn’t connected before.

The second part, Investment frameworks, is about the craft of investing from the governance to the investment process. The text on the importance of good governance gives the reader a lot of appreciation of the difficulties facing a CIO and hopefully every CIO gives this book to all his stakeholders in order for everyone to be better aligned. One favorite part of mine is called “icing

on the cake”, with the cake being the selection of managers and the icing being for example rebalancing & overlays. This is as far as the author goes in approving of even trying to time the market that makes it an interesting read. This part ends with a selection of technological innovations that Seides thinks are the most relevant, and among those I want to highlight Cameron Hight’s blogpost, link below:

<https://blog.alphatheory.com/2017/05/changing-the-course-of-active-management-the-concentration-manifesto.html>

The third part consists of a selection of the best quotes from the podcast grouped under organizing sections. In all this is a very useful book. The reader should be aware that it is focused on the CIO of the Yale-type of asset owner that outsources say 75 to 95 percent of the asset management to external parties rather than for example the CIO of a Canadian pension fund that manages 75 to 95 percent of the assets themselves through in-house staff. Hence, the book has less focus on issues related to how to manage a portfolio with a mix of both liquid securities, physical properties and alternative assets of varying liquidity.

I recently did a zoom interview with Seides, where he discussed multiple things. For example how allocators should deal with high valuations and low rates, the attractiveness with PE and what he has done with his own money lately. Make sure you follow him on twitter at @tseides and his pod at <https://capitalallocators.com/>

The best introduction, to him and his thinking I have found so far was this podcast, done by Schroders. Enjoy!

<https://www.schroders.com/en/uk/the-value-perspective/blog/all-blogs/stepping-up-to-the-plate-ted-seides-on-investing-and-baseball/?t=true>

Bo Börtemark, July 30, 2021