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Sujet: Charlatants et pensée magique!

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Investment opinion: Beating the market

The Beardstown Ladies were an investment club who purported to beat the best on Wall Street. Their success not only generated renewed interest in investment clubs, but led many investors to believe gurus exist in the financial world.

Do you remember the Beardstown Ladies? They were an investment club of 16 elderly women from Beardstown, Illinois, who achieved international fame for beating most experts on Wall Street. From 1983, when they founded the club, to 1993, they claimed to have earned an average yearly return of 23.4 per cent from their portfolio.

What intrigued the public most was that these were 'ordinary' women. Most initially knew little about investing in the stock market. A favourite comment from the Ladies was that they thought that a portfolio was a briefcase.

So imagine these plain Janes from a small farming community whipping Wall Street's best. The message was that if they could do it, so could you. After achieving a 59.5 per cent return in 1991—more than 10 times the performance of the S&P 500 that year—the Beardstown Ladies became overnight celebrities.

They appeared on many TV shows, had dozens of articles in newspapers and newsletters written about them, were the subject of a video called *Cookin' Up Profits on Wall Street* and in 1994, they wrote a book which sold 800,000 copies: *The Beardstown Ladies' Common-Sense Investment Guide: How We Beat the Stock Market—And How You Can Too*.

Not so brilliant after all

In March, 1998, an audit by Price Waterhouse showed that the Beardstown Ladies had overstated their returns and had actually underperformed the market. They achieved an average yearly return of 9.1 per cent—not 23.4 per cent. That's partly because an incorrect data-entry error caused them to count the average yearly return for 1991 and 1992 as their performance for the entire decade (1983-1993). Also, when they figured out how much their money had grown, they forgot to subtract new money they contributed from time to time. No one talks much about the Beardstown Ladies anymore. But their fame arose from human nature, which never changes.

vinced that market trends may be predicted and there's a pattern which can be exploited.

In their quest to continually beat the market, investors are drawn to the latest gurus and the stock-picking systems they advocate. But it's not only gurus that people chase. Consider the mutual fund industry. Top performing managers often turn out to be wonders for a time. But their superior returns often have less to do with financial brilliance and prescience than just plain luck or taking big risks. Check on their performance a year or two later and see if they're still at the head of their class. Chances are another star performer will have toppled them.

Magic formulas don't exist

If you accept there's no magic formula for consistently beating the market, then you're likely a step ahead of those attracted to the latest stock-picking fad. A reading of investment history supports the view that the path to investment success is rather boring. It consists of diversification, asset allocation, emphasizing quality and investing for the long term.