



Below is the full 2010 *Bespoke Roundtable* Q&A with Mebane Faber of [World Beta](#).

1) What has surprised you the most and least about financial markets in 2009?

Nothing is new in investing where investors continue to be their own worst enemy. Investors continue to be governed by the emotions of greed and fear. Notice how many books have been published after the crisis describing it EX POST. What good is that?

Some great reads to give you some historical perspective the next time a bubble or crisis forms:

["Top Books on Investment Bubbles"](#)

["Global Financial Data Guide to Total Returns"](#) by Dr. Bryan Taylor

2) What do you believe are the most important lessons to be learned from the 08/09 financial crisis?

1. *Avoid losing money.*
2. *Avoid losing money.*
3. *Avoid losing money.*

Investors dislike losses much more than they enjoy their gains. If investors and advisors were to design portfolios with that fact in mind, they would be much more proactive about managing their risk rather than maximizing their gains.

3) How has the 08/09 bear market impacted your view on asset allocation and investing as a whole?

*Our flagship model is a global tactical model that trades every asset class. We were 100% in cash and bonds in October 2008, and 100% invested currently. It is based loosely on a paper we published prior to the crash in 2007 in the *Journal of Wealth Management* - "[A Quantitative Approach to Tactical Asset Allocation](#)." It successfully avoided the market collapse and is hitting new highs.*

4) N/A

5) Starting with 100% cash, how would you allocate it to various asset classes to start the new year?

We follow a tactical approach that trades equities, bonds, real estate, commodities, and currencies. It trades dynamically, and while currently fully invested (and short the dollar), that can change very quickly.

6) N/A

7) What is your current view on Buy & Hold as an investment strategy?

Anyone that has a different view of buy and hold now than they did pre-crisis isn't a student of history. Every asset class is good sometimes, and horrendous other times.

Buy and hold is fine if you are prepared for the drawdowns and losses, but most investors don't have a sufficient time frame to recover from devastating losses. In any asset class an investor needs to be prepared for total loss of capital. A diversified portfolio can lose 50% (and did in 2008/2009).

Most investors only examine their personal investment history. If you invested a 60/40 portfolio during the great depression you lost 60% at some point. Take a look at Japan, they are still down about 75% from their stock market high two decades ago. That requires over a 300% gain just to get back to even.

8) What do you believe is the contrarian call on equities right now? The economy? Is investor sentiment currently misplaced?

Gold is certainly receiving the award for the "magazine cover indicator" currently. We are long gold and precious metals, and while we let the tape determine our position, it certainly feels like everyone is on the same side of that trade.

9) N/A

10) N/A

11) N/A

12) N/A

13) N/A

14) N/A



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15) N/A

16) N/A

17) N/A

18) N/A

19) N/A

20) At the peak of the crisis, the prevailing theory was that Wall Street was dead as we knew it. After the rebound we've seen, many people think it's now back to business as usual. What are your thoughts on this?

Wall Street will continue to extract fees, and investors will continue to act irrationally. Wall Street will continue to sell what is hot, and investors will continue to chase performance. We think that is one of the sources of alpha that we consider to be timeless and universal.

21) N/A

22) N/A

23) N/A

24) Please provide readers with any stock ideas that you really like right now and for 2010 and beyond (and why).

We look to what the top hedge funds are buying through our [AlphaClone](#) software. When fund managers like Seth Klarman, David Einhorn, David Tepper, and Warren Buffet are buying a stock, it is worth following. The best talent in any industry gravitates to the most compensation, and in investing that is the hedge funds.

We've been tracking a group of ten elite managers since 2007 on my blog, and they have thoroughly outperformed the market by over 15% a year including up over 60% in 2009.

Some current names include V, AAPL, MON, JPM, DISCA, and QCOM.

25) Do you have any other advice that you would like to share with readers heading into next year?

"And joy is, after all, the end of life. We do not live to eat and make money. We eat and make money to be able to live. That is what life means and what life is for." - George Mallory