

COMMENT Personal Finance

## A book that just may empower

*Naked investors should buy debut work of Matthews*

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***Financial Post***

Tonight in Montreal a book will be launched that should have a profound impact on Canada's investing landscape.

The Empowered Investor promises to do that for Canada's legions of frustrated investors: empower them. In this respect, it nicely complements John Lawrence Reynold's recent bestseller, *The Naked Investor*, which chronicles the dark side of investor abuse in this country.

Any naked investor wishing to become empowered should invest \$18.95 for this authorial debut of investment executive Keith Matthews. It catapults him into an august collection of consumer-empowering investment authors, who share a remarkably similar and consistent vision of effective investing.

These include Americans John Bogle, Larry Swedroe and William Bernstein, and Canadians Ted Cadsby, Howard Atkinson and John de Goey.

Long-time readers of *Financial Post* may be pleased to see the forward was penned by a former editor-in-chief Neville Nankivell. He describes the book as "a refreshingly straightforward take on how to invest your money wisely.

"Run your portfolio like a business," Nankivell writes, "This means paying attention to management costs and minimizing taxes. Also, watch out for conflicts of interest in brokerage firm advice."

Matthews, a former bond trader with Casgrain & Co. Ltd., is a partner and associate portfolio manager with Montreal-based PWL Capital Inc. He is also the driving force behind the Canada Cup of Investment Management.

While a separate venture from PWL, the book outlines a similar philosophy. PWL is a fee-based advisory firm which takes an "asset class" approach to portfolio construction. Chapters of the book-in-progress have been emailed to PWL clients in Quebec and Ontario during the past year.

Matthews sets the stage by reminding investors his industry possesses no crystal ball. In a chapter entitled "The emperor has no clothes," he outlines potential conflicts of interest in brokerage, mutual funds and financial advice. He illuminates psychological pitfalls common to investors and declares market timing "a loser's game."

He next keys on three key investment principles: asset class investing, diversification and the relationship between risk and return. He dismisses as myths the notion active management can beat the indexes and star fund managers can be identified in advance. The key building blocks for asset class investing are exchange traded funds, closed-end funds or the index funds of Dimensional Fund Advisors Canada.

In a concise 136 pages, Matthews manages to keep his prose accessible to the masses, while covering more esoteric material beloved of serious investors. Because the principles are universal, they can be used by both do-it-yourself investors and those who use advisors.

The book's very brevity and accessibility is its greatest asset, since it has the potential to take the concepts to a broader audience than the earlier books cited. As Matthews says in an interview, "most people don't have the patience" for reading the longer works or the academic theory which underlies them (both well summarized in an appendix.)

That said, it is the first Canadian book to tackle the Fama/French academic work underpinning DFA index funds. The three-factor model shows how stocks beat bonds, value beats growth and small-cap beats large-cap. A chapter is devoted to each of these.

Matthews taps into an investing mindset already embraced by knowledgeable do-it-yourself investors and ahead-of-the-curve financial advisors. ETFs are now solidly entrenched and DFA is well into its second year in Canada. Coupled with the end of the 2000-2002 bear market and resurging equity markets, it seems the book's timing is propitious.

While bound to be disparaged by those whose livelihood is tied to maintaining the belief "active" investing can overcome its own fee hurdle, Matthew insists "it's not a book on indexing."

Instead, the book's subtitle is A Guide to Building Better Portfolios. It covers basic investment principles, concepts in portfolio construction and addresses the many obstacles to doing so effectively. Only when all these are done right is the decision made to deploy the appropriate tools, which turn out to be mostly indexed products.

Copies are being shipped to Chapters and McNally Robinson retail outlets or can be ordered through their respective Web sites, linked via [www.empoweredinvestor.ca](http://www.empoweredinvestor.ca), which provides a longer snapshot of the book than this column can undertake.

Power to investors!  
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