

Trailblazers, Heroes, and Crooks: Stories to Make You a Smarter Investor

Educators Resources

Version: 2024-08-23

This document is aimed at educators who are using the book as a required or supplemental reading for a course on investing, portfolio management, or finance; or for a course dedicated to the book. Suggested discussion topics and selective references are presented, by book chapter.

Chapter 1: Did Ronaldo Move the Stock Market?

- Portfolio theory
- Factor models (“the factor zoo”)
 - Cochrane, John. 2011. “Presidential Address: Discount Rates.” *Journal of Finance* 66, no. 4:1047–1108.
- Correlation versus causation
- Efficient frontier model
 - Markowitz, Harry. 1952. “Portfolio Selection.” *Journal of Finance* 7, no. 2: 77–91.
 - Markowitz, Harry. 1959. *Portfolio Selection: Efficient Diversification of Investments*. Monograph 16, Cowles Foundation for Research in Economics, Yale University.
- Single-index model
 - Sharpe, William. 1963. “A Simplified Model for Portfolio Analysis.” *Management Science* 9, no. 2: 277–93.
- Capital asset pricing model (CAPM)
 - Sharpe, William. 1964. “Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk.” *Journal of Finance* 19: 425–42.
- Arbitrage pricing theory (APT)
 - Ross, Stephen. 1976. “The Arbitrage Theory of Capital Asset Pricing.” *Journal of Economic Theory* 13, no. 3: 341-360.

Chapter 2: Masterly Inactivity: The Art of Not Acting

- Passive versus active investing
- Excessive trading
 - Barber, Brad and Terrance Odean. 2000. “Trading Is Hazardous to Your Wealth: The Common Stock Investment Performance of Individual Investors.” *Journal of Finance* 55, no. 2: 773-806.
- Asset allocation framework
 - Brinson, Gary, L. Randolph Hood and Gilbert Beebower. 1986. “Determinants of Portfolio Performance.” *Financial Analysts Journal* 42, no. 4: 39-44.

Chapter 3: Opportunity Cost: Why Pay Bonilla to Not Play Baseball

- Time value of money
- Opportunity cost
- Time value of money basics (resent values, annuities, perpetuities, growing perpetuities, future values)

Chapter 4: Madoff’s Ponzi Scheme: Trust, But Verify Before Investing

- Behavioral economics
- Behavioral biases (overoptimism, confirmation bias)

Chapter 5: How Investor FOMO Cost Newton a Fortune

- Behavioral economics
- Behavioral biases (overoptimism)
- Bubbles

Chapter 6: Hetty Green, the Queen of Value Investing

- Value investing
- Value versus growth factors
 - Fama, Eugene and Kenneth French. 1992. "The Cross-section of Expected Stock Returns." *Journal of Finance* 47, no. 2: 427–65.
 - Fama, Eugene and Kenneth French. 1993. "Common Risk Factors in the Returns on Stocks and Bonds." *Journal of Financial Economics* 33, no. 1: 3–56.

Chapter 7: Greed and Fear: Buffett and the Great Salad Oil Swindle

- Value investing
- Value versus growth factors
 - Fama, Eugene and Kenneth French. 1992. "The Cross-section of Expected Stock Returns." *Journal of Finance* 47, no. 2: 427–65.
 - Fama, Eugene and Kenneth French. 1993. "Common Risk Factors in the Returns on Stocks and Bonds." *Journal of Financial Economics* 33, no. 1: 3–56.

Chapter 8: The Blank-Check Company Scam

- Initial public offerings (IPOs)
- special purpose acquisition companies (SPACs)
 - IPO papers by Jay Ritter
 - SPAC papers by Jay Ritter

Chapter 9: A Tennis Book and the Index Revolution

- Passive investing
- The capital asset pricing model (CAPM)
 - Sharpe, William. 1964. "Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk." *Journal of Finance* 19: 425–42.
- Efficient markets hypothesis
 - Fama, Eugene. 1970. "Efficient Capital Markets: A Review of Theory and Empirical Work." *Journal of Finance* 25, no. 2: 383–417.
 - Fama, Eugene. 1991. "Efficient Capital Markets: II." *Journal of Finance* 46, no. 5: 1575–617.

Chapter 10: Why Swiss Bankers Bet on Young Lives

- Diversification
- Efficient frontier model
 - Markowitz, Harry. 1952. "Portfolio Selection." *Journal of Finance* 7, no. 2: 77–91.
 - Markowitz, Harry. 1959. *Portfolio Selection: Efficient Diversification of Investments*. Monograph 16, Cowles Foundation for Research in Economics, Yale University.

Chapter 11: Bre-X: All That Glitters Isn't Gold

- Behavioral economics
- Behavioral biases (overoptimism, confirmation bias)

Chapter 12: Autopilots Gone Wrong

- Index funds
- Target date funds
- ESG funds
- Stop-loss orders

Chapter 13: A Hostage Crisis and the Birth of Government Bonds

- Fixed income
 - Books and papers by Frank Fabozzi
 - Books and papers by Martin Leibowitz

Chapter 14: A Revolutionary Innovation to Fight Inflation

- Inflation
- Consumer price index (CPI)
- Treasury Inflation-Protected Securities (TIPS)
- Economic factors

Chapter 15: A Market Crash, Recovery, and Conspiracy Theories

- Stock markets
- Stock market crashes
 - Aliber, Robert, Charles Kindleberger, and Robert McCauley. 2023. *Manias, Panics, and Crashes: A History of Financial Crises*. 8th edition. London, UK: Palgrave Macmillan.

[Stephen Foerster](#) is available for further discussion and is able to provide additional resources if needed.