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Three good investment books you've probably never heard of...

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In 1973, three years before Vanguard created its first index fund, Burton Malkiel wrote the classic book, *A Random Walk Down Wall Street*. It ruffled plenty of Wall Street suits. The Princeton economics professor argued that actively managed mutual funds were a waste of money. He said most of them perform poorly compared to their index benchmarks. So when Vanguard created the first index fund in 1976, Mr. Malkiel became one of the firm's biggest cheerleaders.

A Random Walk Down Wall Street is in its 10th edition. It has sold more than 1.5 million copies. It might be the world's best book on index investing – for Americans. Three great guides on this side of the border are Chris Turnbull's *Your Portfolio is Broken: Who's To Blame And How To Fix It*; Keith Matthews' *The Empowered Investor*; and Dan Bortolotti's *MoneySense Guide To the Perfect Portfolio*.

They have plenty in common. Each author says guessing the direction of the stock market is impossible. They also say you shouldn't try picking your own stocks or actively managed mutual funds. Nor should you hire anyone else to do this for you. Building a diversified portfolio of index funds, they say, makes much more sense. Indexes are cheaper than actively managed funds. So they earn higher returns.

Mr. Turnbull says it's comforting to think that somebody has the inside track on where the markets areheaded, or what stocks or funds are best positioned for the future. But nobody does. He quotes Nobel Prize in Economics winner, Daniel Kahneman, who says finding somebody with such a skill isn't likely.

Mr. Matthews references a forecasting scorecard compiled by SmartMoney magazine. They tracked 11 stock and bond market experts from 1997 to 2002. Coin flippers would have trounced them. This finding mirrors the results of a larger survey done by CXO Advisory. The firm tracked more than 6,000 expert forecasts between 2005 and 2012. Fewer than half proved accurate.

Mr. Bortolotti agrees that you shouldn't listen to stock market analysts. Thomas Reuters identified which stocks were most highly recommended by expert analysts between 2007 and 2012. According to Mr. Bortolotti, if you had bought those stocks, you would have lost money. As a group, they dropped 11 per cent. Ironically, if you had bought the 10 stocks the experts said to avoid, you would have gained 16 per cent. Steve Forbes, editor-in-chief of Forbes once said, "You make more money selling advice than following it. It's one of the things we count on in the magazine business – along with the short memory of our readers."

In *Your Portfolio Is Broken: Who's To Blame And How To Fix It*, Mr. Turnbull shares an all-too-common problem. Often, when a new client first comes to his firm at The Index House, their portfolio is a mixed bag of actively managed funds and stocks. Mr. Turnbull shows samples of such hodgepodge collections. Many of them have too many funds. They often overlap asset classes. At the same time, other asset classes won't be represented. Mr. Turnbull gives solutions to these messes that readers can learn from.

One of the best chapters in Mr. Matthews' *The Empowered Investor* shows how investors can take smart risks to get better returns. No, he doesn't recommend individual stocks. Nor does he say you should pile into the latest IPO. Adding small cap and value stock indexes, he says, is a safer way to juice portfolio profits.

If you want to benefit from Mr. Matthews' small cap value-stock approach, Mr. Bortolotti's book shows exactly how. It provides a variety of sample portfolios. They are all low cost and globally diversified. So which of these books should you read? I recommend them all. Each is short, well written, packed with wisdom and updated to 2013. Best of all, you can read all three for less than the cost of two deli sandwiches.