

THE  
BIG SECRET  
for the  
Small Investor

A New Route  
to Long-Term  
Investment  
Success

JOEL  
GREENBLATT

Author of *THE LITTLE BOOK THAT BEATS THE MARKET*



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FOR THE  
**SMALL**  
**INVESTOR**



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**JOEL GREENBLATT**

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To my wonderful wife, Julie,  
and our five magnificent spinoffs.





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# INTRODUCTION

When it comes to investing in the stock market, investors have plenty of options:

1. They can do it themselves. Trillions of dollars are invested this way. (Of course, the only problem here is that most people have no idea how to analyze and choose individual stocks. Wait, did I say the only problem? I really meant most investors have no idea how to construct a stock portfolio, most have no idea when to buy and sell, and most have no idea how much to invest in the market in the first place. Okay, that's better.)
2. They can give it to professionals to invest. Trillions of dollars are invested this way. (Though, after fees and other institutional impediments, most don't add value. In fact, most professionals actually underperform the market averages over time. Oh, I almost forgot—it may be even harder

to pick good professional managers than it is to pick good individual stocks.)

3. They can invest in traditional index funds. Trillions of dollars are also invested this way. (This is a great way to match the major market averages, to pay very low fees, and to beat most professional managers. Then again, investing this way is seriously flawed—and almost a guarantee of subpar investment returns over time.)
4. They can read *The Big Secret for the Small Investor* and do something else. Not much is invested this way. (Yet . . .)

For years individual investors have asked me how they should go about investing their savings in the stock market. After all, I'm a longtime business school professor and institutional money manager, and they figure I should know. Yet for years I haven't had a good answer. You see, Wall Street isn't very kind to small investors. While it's true that individual investors have many options, for one reason or another (and usually one reason *and* another) most choices aren't very good. Well, with this book, I finally have what I think is a good answer to that very important question. And it's an answer that should work well for investors both big and small.

## THE BIG SECRET FOR THE SMALL INVESTOR

Then again, this is my third investing book. The first one, *You Can Be a Stock Market Genius* (yes, I know, I know), was meant to help the individual investor, too. It didn't. It assumed investors had a lot of specialized investment knowledge and a lot of free time. (Actually, it did end up helping a few dozen hedge fund managers, but . . .) My second book, *The Little Book That Beats the Market*, gave a step-by-step method for the individual investor to just "do it yourself." I still believe strongly in this method and I still love that book. But here, too, I missed the boat. As it turns out, most people don't want to do it themselves. Yes, they want to understand it. But they still want someone else to do it for them.

So maybe the third time really *is* the charm. *The Big Secret for the Small Investor* should be a great answer for many investors. I don't think most individual or even institutional investors have considered this solution for how best to invest in the stock market. I sincerely believe they should. In any case, I think both novice and sophisticated investors will benefit from the discussion. Good luck.

