



## Perspective

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### Everything and More

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Very rarely does a sequel stand up to the original. For every *Empire Strikes Back* and *Godfather II*, there have been far more *Jaws II*'s and that second *Caddyshack* without Chase and Dangerfield.<sup>1</sup> Luckily, that's not the case here!

My colleague and former classmate Antti Ilmanen is at it again with his second book, *Investing Amid Low Expected Returns*. For those of you who read his [first book](#), you might wonder what topic possibly went unexamined in those 550 pages to warrant a sequel. The short answer is the new book covers a lot more ground (while somehow using fewer pages!) and is more focused on the specific situation today.

Antti starts with a frankly depressing set of chapters showing that despite an unusually wonderful decade for many asset classes, investors today face their worst prospects in over a generation. Why? A lot of assets have done well simply by getting richer, distorting [expected returns](#), and even [realized returns](#).<sup>2</sup>

The central challenge for investors today is what to do about the low expected return environment. Unfortunately, there are far more bad options than there are good ones. Antti invokes the Serenity Prayer (no, not [my favorite one](#)) as a guide to identify the most constructive ways to succeed (the subtitle of the book, "Making the Most When Markets Offer the Least", could have been "when life gives you lemons...").

The book's second part focuses on evidence and theory—what's worked, what hasn't—and, crucially, *why*. Antti tackles the hardest questions head on, such as [data mining](#) concerns, [who is on "the other side"](#) of [historically successful strategies](#),<sup>3</sup> and whether [the world has changed enough](#) that history has become an ineffective guide.<sup>4</sup>

Antti ends with how to put it all into practice — how do you take a set of investment beliefs and implement them as efficiently as possible. For instance, [portfolio construction](#), [risk management](#), [cost control](#), [ESG](#), [tactical timing](#) and [avoiding bad investment habits](#) — all things we and Antti specifically have written about at AQR for the past decade+, but all updated and in one place.

A book like this one is always going to be useful to the investment community. Unfortunately for us all (but fortunately for Antti), today's low expected return environment probably makes this book more valuable today than we would have liked.

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[1] Though sometimes I do feel like Antti don't get no respect. At least not enough.

[2] The other way you can do really well is if the fundamentals are the driver. For instance, the stock market soars, but its P/E (done however you like) doesn't, as the E soared as much as the P.

[3] Hint, if you don't have at least a pretty good guess, you might want to reconsider participating.

[4] Spoiler alert, stop reading now if you don't want me to ruin it: No, it has mostly changed by getting more expensive.

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