A Billionaire and an Oscar Winner Have Made a Hit Movie. It’s About Investing.

The new documentary from Errol Morris makes index funds and passive investing thrilling

Documentarian Errol Morris and investment-fund manager David Booth. ILLUSTRATION: EMIL LENDOF/WSJ, GETTY IMAGES, WORTHY MEDIA

By Ben Cohen

David Booth went to graduate school because he wanted to get a Ph.D. and become a professor.

What he learned was how to make a fortune as an entirely new kind of investor.

When he was a student at the University of Chicago a half-century ago, his teachers were future Nobel Prize winners whose curious ideas about financial markets would transform the way people think about money. Their lectures were rough drafts of the papers that showed how ordinary investors who barely touched their boring portfolios could outperform professional managers and famed stock pickers after fees and expenses. And that innovative and counterintuitive research on market efficiency would one day fuel the rise of passive investing.

It would also change Booth’s life.

His decision to apply those intoxicating academic ideas was the beginning of a wildly successful investment firm called Dimensional Fund Advisers. And ever since, the billionaire has wanted to explain zen-like investing the way he was taught it.

“You know, probability theory and regressions and all that,” says Booth, DFA’s chairman. “I realized you don’t touch very many people that way.”

So he financed a documentary from one of the world’s most renowned filmmakers and put it on the world’s most popular entertainment platform.

The result is Academy Award-winning director Errol Morris’s new film, “Tune Out the Noise,” a nerdy and genuinely engrossing documentary about investment strategy.

To make sure it touched as many people as possible, they made the whole thing available for free on YouTube this month. It’s an 88-minute film about the science of markets—and it has already racked up millions of views.

“Who would have thought?” Booth said.

But once you think about it, it makes perfect sense. “Tune Out the Noise” is the story of radical ideas that became powerful enough to move trillions of dollars, and the main characters are renegade investors and unlikely titans who created the revolutionary financial products that we have come to depend on. The material is as rich as all the people Morris interviewed.

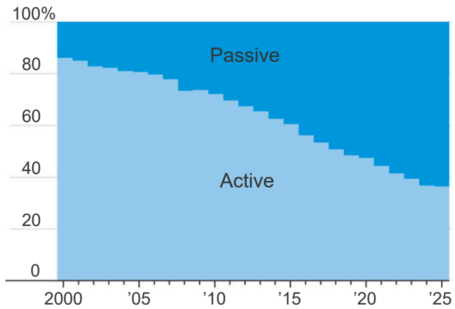
“They’re the people who created the world around us,” Morris told me.

The stars of his documentary include David Booth and Rex Sinquefield, who met at Chicago in the 1970s before they founded DFA.

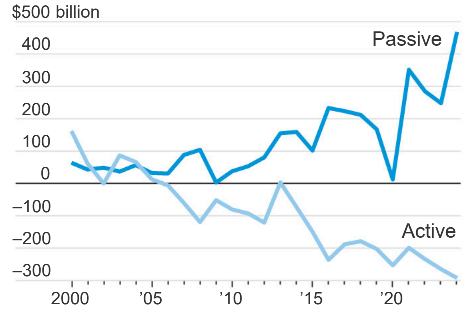
At the time, the notion that asset prices incorporated and reflected all available information might as well have been heresy. It would take decades for people to wrap their minds around the concepts that doing nothing was better than doing way too much, and that owning the market was usually smarter than trying to beat the market. But as they accepted the wisdom of buying and holding a diversified portfolio of assets, rather than picking stocks themselves or paying investors to find winners for them, huge sums of money have migrated from active to passive management—far and away the biggest shift in the history of investing. In the war of philosophies, the passivists have won.

In fact, passively managed U.S. equity mutual funds and exchange-traded funds have recently overtaken active funds and now control more than $10 trillion, according to Morningstar Direct.

TOTAL NET ASSETS in mutual funds and ETFs



NET ASSET FLOWS in mutual funds and ETFs



Note: U.S. equity mutual funds and ETFs
Source: Morningstar Direct

But as my colleague Jason Zweig has explained, DFA isn't strictly a passive or active investor. It's both.

The company traces its roots back to the early 1980s, right after the invention of the low-cost index fund. DFA's founders believed that markets were mostly efficient—and more efficient than most in finance believed. But they also believed that basic index funds were too mechanical and left too much money on the table. They decided they could do better by combining a respect for efficient markets with the latest, wonkiest financial theories and their own judgment.

In the early days, they couldn't afford office space and worked out of a spare bedroom in Booth's apartment in Brooklyn, a few miles and an entire galaxy away from Wall Street. These days, DFA is one of America's largest fund managers and oversees nearly $800 billion of assets. And the University of Chicago's business school is named for Booth after he donated hundreds of millions back to the place responsible for his wealth.

Now he's made it a priority to spread the gospel of what he learned there.

He feels that people would be happier if they had a deeper understanding of markets. They would let the market work for them instead of trying to outwork the market. They would keep calm in times of volatility and find comfort in the order beneath chaos. They would turn down the volume of financial discourse and tune out the noise.

If only he could get them to listen.

"We thought Errol could be of help," Booth said.

Documentary filmmaker Errol Morris has made movies about crime, U.S. defense secretaries and pet cemeteries, including ‘The Fog of War’ and ‘The Thin Blue Line.’ PHOTO: CRAIG F. WALKER/BOSTON GLOBE/GETTY IMAGES

Of course, hiring Errol Morris to direct a movie about your company is a bit like getting Van Morrison to sing at your company’s holiday party.

But when DFA approached the Oscar winner five years ago to make a film about the birth of modern finance, he was intrigued. After all, he’s made films about true crime, John le Carré and everything from U.S. defense secretaries to pet cemeteries. And he knew from personal experience that finance could be thrilling.

“I don’t know if this is relevant,” he told me. “But before I became a filmmaker, I was a private detective. I worked in the financial industry.”

And what exactly did he do?

“I investigated various different alleged financial crimes.”

The way he sees it, this job wasn’t so different from that job.

“For me, the film was actually an investigation—a really compelling investigation into the nature of what makes sense for an individual investor,” said Morris, who thought this approach made so much sense that he became a DFA investor himself.

As it turns out, it’s not even the first time that his work inspired an investment.

A legend of the advertising business, Morris has directed a thousand commercials, including a campaign for Apple in 2002 about converts who switched from PCs to Macs.

“As a result,” he says, “I put a very small amount of money into Apple stock—and I’ve never touched it.”

Since then, Apple stock is up 500-fold.

One takeaway from his documentary is recognizing the importance of chance—and taking advantage of it. Almost everyone who played crucial roles in the evolution of investing happened to be in the right place at the right time only because of forces beyond any of their control. The only thing they could control was what they did with that random stroke of luck.

“Gosh, if you look at all the great inventions in many fields, it really is just happenstance,” Booth said. “The main thing is not letting it slip through your fingers.”

Technically, the documentary is considered advertising by U.S. Securities and Exchange Commission marketing rules, but you won’t come away from it feeling like you’ve just watched a commercial. Booth hopes people will see it, hear the once-contrarian ideas that captivated him and think: *That makes complete sense*. I asked Morris if they make complete sense to him now.

“Nearly complete sense,” he said. “There’s no amount of rational persuasion that could convince me never to speculate in the market again. But I have evidence to know better—and to know that if that’s all I’m doing, I’m doing myself an enormous disservice.”

Not that he’s tempted by meme stocks, crypto, sports betting or typical means of speculation.

“No, I have a much, much worse and more dangerous habit,” Morris said. “It’s called filmmaking.”

David Booth, center left with gavel, and documentarian Errol Morris, right of him, rang the closing bell at the New York Stock Exchange this month of their film about passive investing, ‘Tune Out the Noise.’ PHOTO: NYSE