

FORTUNE

JULY 12, 2004

RETIREMENT GUIDE 2004

The Best Therapy \$10 Million Can Buy

Inside TIGER 21,
an **exclusive
investment club**
where the seriously
rich trade financial
tips—and life lessons.
BY ANDY SERWER

MICHAEL SONNENFELDT IS in for a tongue-lashing. It won't be abusive—there'll even be a few laughs mixed in—but a group of his peers is about to dissect and deconstruct the most

intimate details of his investment portfolio. Inevitably the discussion will touch on his personal life too. Sonnenfeldt heads a little-known organization called TIGER 21, a group of seriously wealthy individuals who aim to enrich themselves by disclosing their portfolios and their personal lives, *everything*, to one another. Just a few years old, TIGER 21 is part investment club, part group therapy, and—in this particular part of the program, called the portfolio defense—part cross-examination. The folks at TIGER 21 like to describe the process as “carefrontational.”

The group's daylong gatherings are private and confidential, but recently FORTUNE was invited to attend one on the condition that we keep much of what occurred off the record. Still, we can tell you enough about the goings-on to give you a representative glimpse into this singular organization. Think Dr. Phil meets Morgan Stanley. Only more probing.

Sonnenfeldt begins his portfolio defense by passing around his financial vitals—an 11-page printout of his net worth—to the nine members of the group present. It's an impressive bunch of mostly middle-aged males. There's Carl Wolf, who founded the Alpine Lace brand of deli cheeses and meats. And the lone woman in the group, a former mathematician who works for high-net-worth clients at a brand-name

investment bank. And another fellow who made it big with his own software company. As the group pores through Sonnenfeldt's portfolio, it quickly becomes clear that these folks aren't shy about asking pointed questions. “Why is this so complicated?” says one. “You should sell all the little stuff—there's no return there except aggravation.” Says another: “Your equity exposure is opaque. Why don't you do more real estate? That's what you're good at.” And a third says later, “Michael, it looks like you are having an identity crisis. Do you want to be a private-equity manager or do you want to run a fund of funds?”

That's just for starters. Soon the discussion organically moves into heavier “what do you want out of life” stuff. “The question really is, Michael, how do you define yourself? Why not put all your money in T-bills and do what you really want to do?” Then: “Why not open a restaurant?” And finally (mostly kidding), “Have you tried poetry?” It's challenging stuff, but Sonnenfeldt is taking it well.

“This is helping me crystallize my thinking,” he says. “I have to be honest with myself. No bullshit. I really want to work

OFF-LIMITS

The group's monthly sessions are confidential.

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Total assets controlled by the 31 members of TIGER 21. Just over half the money is in portfolios managed for others.





smarter, not harder, from now on.”

As most of us know all too well, the world is full of folks happy to give us investing advice. The problem is that they all have an ax to grind or, to put it more precisely, a wallet to fill. Brokers want you to buy and sell stocks to generate commissions. Investment advisors want to gather your assets and then steer you toward some of their firm’s product offerings. And investment clubs? That’s where you ante up five grand and then watch ten other clowns vote to invest it in the Nasdaq 100.

So where do you turn? That was the question Sonnenfeldt, 49, faced after he sold his real estate firm six years ago. His answer was to assemble a group of like-minded individuals: folks who are wealthy and who want to learn from one another. And that’s the origin of TIGER 21—an acronym that stands for The Investment Group for Enhanced Results (the “21” is for 21st century, added to avoid confusion with Julian Robertson’s former hedge fund).

Sonnenfeldt grew up on Long Island (his father was an émigré from Germany who was Hermann Goering’s translator in the Nuremberg trials and later a successful engineer at RCA) and went to MIT. He began his career at Goldman Sachs and moved on to real estate development in the New York City area. In 1991, Sonnenfeldt founded Emmes, which became a successful real estate company. He sold the business in 1998 and became a very wealthy man. “Afterward I realized I didn’t have the skill or knowledge to take this large amount of capital and redeploy it into a diverse portfolio.” Sonnenfeldt already belonged to a peer group for CEOs, and he asked some of the members whether they would be interested in forming a new club. In the fall of 1999, TIGER 21 was born.

Today TIGER 21 has 31 members in four groups who meet monthly in New York, though some participants phone in or travel from California, Miami, Chicago, and

ON THE HOT SEAT
Sonnenfeldt gets grilled about his investment portfolio.

London. Sonnenfeldt has plans to open more offices around the country and in Europe as well. According to the group’s literature, net worth require-

ments for membership run between \$10 million and \$100 million of investable assets. The cost of membership? A cool \$20,000 per year. Quick question: Is it worth it? Granted the white asparagus and lump crabmeat soup at the Plaza Athénée lunch is divine, but 20 grand sounds like a lot for lunch and a gabfest.

“Oh, I think it’s worth it,” says Carl Wolf, who looks and sounds a bit like Frank Gifford. “It helped me change my thinking in 2000.” Wolf, who sold Alpine Lace to Land O’ Lakes for \$65 million back in 1997, recalls an epiphany while listening to a TIGER 21 presentation the year the bubble burst. “We had this money manager in who put up a bunch of charts that showed just how extended the rally in equities was, particularly the 100 most owned stocks. It was striking, and the talk around the table reinforced it. Within several months I had sold down my stocks substantially and bought bonds.”

A TIGER 21 meeting begins with a World Update, a session in which each member gives a briefing on what’s new with their lives and their investments. It’s a process that takes up a good part of the morning, and it provokes an unusual discussion that’s a mix of financial analysis and Christmas-letter news. First up, the former head of a computerized bond-trading system company speaks about a charity whose board he serves on, Trickle Up, which provides seed capital to small projects in the Third World. As for the current investing environment, “I’m all high risk and no risk,” he says with a grin. “I’ve got an oil mine [which extracts nonpressurized oil] in Texas, but I’m concerned about rising rates and leverage, so the rest is in cash.” Next a hedge fund manager reports that he’s been named to the board of a major university. Then a onetime head of a packaging company announces that he’s had heart surgery but feels fine. His money at Goldman Sachs was up 3% to 4% year to date, which also made him feel fine.

Personal information seems to be shared genuinely and with little hesitation during these updates. For instance, I noticed that the next member to speak, Tommy Gallagher, had a textbook, *Essential Statistics*, under his arm. Like most of the attendees, Gallagher, 59, is a self-made man. (This is a no-stuffy-blue-blood zone.) Recently retired as a vice chairman of CIBC, Gallagher grew up in Brooklyn, the son of a toll-booth operator for the Triborough Bridge and Tunnel Authority. He tells the group, “As you know I’ve been going back to school to get a college education at the New School. I just got my first grades. I got a B+ in James Joyce. An A in a philosophy course, Anxiety and Reality [“What’s the difference?” someone calls out], and an A in a writing course.” Gallagher gets a big hand from the group and beams humbly.

There is another facet of the TIGER 21 experience: Members offer help and investing opportunities to

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“You have to let your son know that he can never be like you,” says one member to another. “You have to let him go.”

other members. “[Mr. X] can help you get that product on QVC,” says Sonnenfeldt at one point. And Carl Wolf talks up his new software company, Conduit. “We’re running the business out of Penn State, where we have an excellent group of software developers. We’re looking to raise a million. I’ve put in \$100,000, and if you invested, you would get 13% convertible preferred stock.” Some of the heads around the table nod. But the group looks even more intrigued when Wolf speaks of successfully combining business and family, as he describes a burgeoning hors d’oeuvres business he’s doing with his daughter. “My son-in-law runs it, and it’s been wonderful working with him. It’s more than just the money.”

A few of these folks are still active in the jobs where they garnered their wealth. The investment banker tells the group she is in cash and a fund that is short the S&P 500. Last to speak is Dinesh Desai, who did his portfolio defense at the last meeting. “I’m still reeling from it,” he says. “It was the toughest presentation I’ve ever made, and as a CEO I’ve made a lot.” Desai took some grief for his large number of positions, including a significant holding in Altria. “I’m lightening up some,” he says. “But inertia is powerful.”

Early in the history of TIGER 21 it became apparent that a subject would come up in discussion—China, say, or Mercedes vs. BMW—and the group would sim-

ply hit an expertise wall. So why not bring in an authority on various subjects? Today every meeting features one or more lunch speakers. The day of my visit the topic was real estate, and two experts had the floor as we dined on the aforementioned soup and our choice of veal tenderloin over cranberry beans or organic chicken with morel mushroom and sweet-pea risotto. The first speaker heads up a large real estate investment fund and talks about the condition of and investing in commercial real estate. (The minimum to get into his funds is \$1 million.) The next speaker runs a much smaller operation, specializing in real estate turnarounds. After the speakers conclude and leave, a critique of the presentations begins. “I want to know, if he is so good,” asks a member, “how come he doesn’t have even more money?” Another says he’s wary of the structure of one of the speakers’ funds.

After lunch and before Sonnenfeldt’s portfolio defense (which takes up the better part of an hour), member Greg Olsen phones in from somewhere outside Moscow to report on his latest project. He’s paying \$20 million to visit the International Space Station in a Russian rocket ship, à la space tourist Dennis Tito. Why? “I’ve always been interested in science, and I like to just do things,” he says. “My kids are grown, so it just felt right.”

The day closes with another discussion around the table, with all the members talking about how the session went—or anything else on their mind. One starts to speak of a twentysomething son, saying that he hasn’t figured out what he wants from life. That prompts Richard Lavin, the group’s facilitator, to ask each member what he or she was doing at the age of 25. “I was in law school,” says one. “I was working for a small business,” says another. “I was working on Wall Street, and I had a drug problem,” says Tommy Gallagher. “So who has their act together when they’re 25?” asks Lavin rhetorically. “You have to let your son know that he can never be like you and shouldn’t try to be like you,” says one member. “You have to let him go.” Later the member with the son in question seems pleased: “This actually makes me feel so much better. You can feel so alone out there. It just feels great to connect with people who know what it’s like.”

The notion of investors getting together and helping themselves, as opposed to relying on the “supervision” (read: sales pressure) of Wall Street professionals, is an intriguing one. While the discussions occasionally felt forced, they certainly seemed honest. Plus, I can’t help but think that anyone who amasses a \$30 million fortune has some expertise that would benefit others. TIGER 21 might not be for everyone—you need to be pretty dang wealthy just to play—but if it’s right for you, hey, the crab soup is truly excellent. F



STRIKE A POSE
Group facilitator Richard Lavin keeps the dialogue flowing.

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