

MONEY MANAGEMENT

A Tiger with pinstripes

Michael Sonnenfeldt is a co-founder of an exclusive investment club for the wealthy that is coming to Canada next year



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You may never be a member of an exclusive investment club for the wealthy called TIGER 21, but you can still benefit from its expertise.

The Investment Group for Enhanced Results in the 21st Century has about 140 members in the United States and expects to sign up more than 50 Canadians by next year. Membership requirements include at least \$10-million (U.S.) in investable assets and a willingness to pay \$30,000 a year in membership fees.

The co-founder of the New York-based group is Michael Sonnenfeldt, a onetime real estate entrepreneur who in addition to running TIGER 21 manages investments and runs a solar lighting company. Here, he discusses risk, portfolio building and other issues from the perspective of the wealthy investor.

What is the most common investing objective with your members, preserving what they already have or growing it?

Capital preservation. About 70 per cent of our members are former entrepreneurs who sold their business, and now their primary economic activity is wealth preservation. They already made the choice to get off the merry-go-round.

Do your members all have investment advisers?

No. Some do and some don't. We have a very clear predisposition that we're agnostic on whether somebody can be more or less successful using an investment adviser. The skills that we teach are how do you become the CEO of your investment company. Some CEOs are successful by being a hands-on manager, and some CEOs are successful by delegating.

What percentage of your members have online brokerage accounts to place their own trades?



For TIGER 21 members, 'the overwhelming concern is the deficit,' says co-founder Michael Sonnenfeldt. DIANE BONDAREFF/ASSOCIATED PRESS

Fast facts on TIGER 21

STANDS FOR
The Investment Group for Enhanced Results in the 21st Century.

FOUNDED
In 1999 by Michael Sonnenfeldt, a real estate entrepreneur, and Richard Lavin.

PURPOSE
To give high-net-worth individuals a forum to share information and expertise on investing.

ON THE AGENDA
Guest speakers, presentations on investments by members and "portfolio defence," where members disclose their investments and then receive feedback from the group.

MEMBERSHIP REQUIREMENT
\$10-million (U.S.) in investable assets, \$30,000 in annual dues. Locations: Based in New York, with chapters in San Francisco, Los Angeles, San Diego, Miami, and Dallas, and plans to expand to Washington, D.C. and Chicago.

MEMBERSHIP
140 individuals with a combined net worth of about \$10-billion.

COMING TO CANADA
In 2011.
» Source: www.tiger21.com/canada

I would imagine that over half have online brokerage accounts. But a lot of our members have an incredibly small allocation that they "play" with, and that would be in an online brokerage account.

What type of asset mix would you typically see in member investment portfolios?

The most recent survey we did shows our members are roughly 30 per cent in long-only equities, a healthy percentage of which are international [long-only means investing to benefit from price appreciation, rather than short-selling to profit on price declines]. They probably have 10 to 12 per cent in private equity [companies that aren't publicly traded], 10 to 15 per cent in bonds and 25 per cent in real estate, about half of

which would be personal real estate. The other half would be investment real estate. They would also have 8 to 12 per cent in cash. Recently, we've noticed that there's a 5- to 10-per-cent allocation to gold, or more, with some of our members. The balance would be in hedge funds.

Hedge funds would seem to the "it" product for your demographic. How popular are they in reality?

At the top of the market, let's say in mid or early 2008, our members had between 10 and 15 per cent in hedge funds. By the end of 2009, they appeared to have closer to 4 to 5 per cent in hedge funds. That was largest shift in any asset allocation that we'd ever seen, keeping mind that half of that reduction was direct losses in the hedge fund and the other

half was withdrawals and liquidations.

How important are fees and commissions to high-net-worth investors?

Our members are paying more and more attention to fees.

Let's talk about passive index investing versus active management. Which way do your people lean?

There are a few purists at either end, but most members would be somewhere in the middle based on their experiences.

What kinds of investments do your members own? Let's start with mutual funds.

The people who have been in Tiger a while, read a few of the books on our list and been to a few of our presentations, would think that if they're not going to be a stock-picker and own individual stocks, they would move more toward index funds rather than mutual funds. But I would imagine one-third of our members probably own mutual funds.

What about exchange-traded funds?

ETFs are hot. What's so exciting about them is that there's such a broad array of them that you can pick any industry, commodity or theme and express it through some combination of ETFs.

What's the mood of the membership right now about the markets?

Pretty bleak. It looks like there's an increasing possibility that we will be going into a double-dip recession here in America, and the situation isn't much better in Europe. The overwhelming concern is the deficit.

Most Tiger members are people who got to be successful because they had to make a budget every year and, if they spent more than they received, they were out of business. The notion that we're running a trillion-and-a-half-dollar deficit is enough to choke on every time you think about it.

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