

## **Tiger Club's U.S. Millionaires Pounce on Berkshire's 19% Return**

By Alexis Leondis and Daria Solovieva - Jul 28, 2010

Warren Buffett's Berkshire Hathaway Inc. is the darling of U.S. millionaires, or at least those in Tiger 21, a peer investment group.

Members of New York-based Tiger 21 picked Berkshire as their top stock in a survey of preferred investments because they like Buffett's strategy of buying companies, according to Michael Sonnenfeldt, a founder of Tiger 21, which is an investment club of 140 members, most of whom have a net worth of at least \$10 million, totaling more than \$10 billion in collective assets.

"No one wants to be a stock picker, but if they are, they're going to back someone who has essentially created his wealth through buying stock," said Sonnenfeldt, 54, referring to Buffett, who has built Omaha, Nebraska-based Berkshire over four decades of takeovers. Berkshire's Class A and Class B shares have returned 19 percent this year.

Tiger 21 members, who include former investment professionals, law firm partners and business owners, meet monthly in groups of 14 across the country to debate investing strategies. The organization was started in 1999 to help entrepreneurs who had sold their businesses and were trying to figure out what to do with their proceeds. Membership fees are \$30,000 annually.

A typical member portfolio right now is about 30 percent in equities, 25 percent in real estate, 20 percent in fixed income, 10 percent in cash, 10 percent in private equity and 5 percent in hedge funds, Sonnenfeldt said.

Retail investors in general had 25 percent of their portfolios in stock funds, 28 percent in individual equities, 15 percent in bond funds, 6 percent in bonds and 26 percent in cash in June, according to a survey by the American Association of Individual Investors, a nonprofit investment education group in Chicago.

### Fairholme Fund

"There aren't many people jumping in the stock market -- they're nervous," said Todd Morgan, senior managing director at Los Angeles-based Bel Air Investment Advisors, which has 260 clients, with minimum portfolios of \$20 million. "But that's usually the best time to buy."

Mutual funds were the preferred way of equity investing for Tiger 21's members, with 26 percent of equity-related investments generated via mutual funds, according to the survey findings, which were based on responses from about 70 members in March.

The fund named most often was the long-term growth Fairholme Fund, operated by Fairholme Capital Management LLC in Miami, with assets of \$15.2 billion as of July 26. The fund, which has a minimum investment of \$10,000, management fees of 1 percent and early withdrawal fees of 2 percent, has returned 8.2 percent this year. It ranks 11th out of 1,840 large-blend funds, according to Morningstar Inc., the Chicago-based fund researcher.

## Municipal Bonds

Members are maintaining their positions in public equity because “even if you want to preserve wealth, there’s a fundamental understanding that the only way you can ever really grow a portfolio is through equity appreciation,” Sonnenfeldt said.

Municipal bonds comprise more than 20 percent of portfolios for more than half who cited them. The most commonly mentioned wealth manager for municipal bond portfolios was New York-based Slevin Wealth Management Group of RBC Wealth Management, which oversees about \$164 billion.

Slevin supervises about \$1 billion in assets and prefers government-backed municipal bonds with average maturities of three years to four years as a way to provide income, liquidity and a hedge against market volatility, said Ron Slevin, senior vice president.

## Safe Haven

Members aren’t building big long-term municipal holdings because of the low rates and most of their municipal bonds are legacy holdings for tax-free income, Sonnenfeldt said. The year- to-date return for the average municipal bond fund was 3.98 percent, according to Morningstar.

“Municipal bonds are generally good investments in a deflationary environment, but we would always favor high quality straight bonds instead of bond funds,” said Paul Tramontano, co-chief executive officer of investment firm Constellation Wealth Advisors in New York. Constellation’s clients, who have a minimum of \$10 million in investable assets, are putting money in hedge funds because of the market volatility, he said.

Private equity was mentioned by 19 percent of Tiger 21 members, with investors most likely to choose funds managed by the New York office of Golub Capital and Bain Capital LLC in Boston. Tiger 21 members are investing in private companies in industries that they have knowledge of because they feel it’s less risky and they have more control, Sonnenfeldt said.

## ‘Back to Basics’

“Given how much they’ve been burned by investing in sophisticated instruments they found they didn’t understand a little too late, they are going back to basics,” said Sonnenfeldt, who estimated that 70 percent of members are former entrepreneurs.

Fourteen percent of Tiger millionaires also listed real estate as a favorite investment and members have an even mix of personal and investment properties, the survey showed.

Tommy Gallagher, a Tiger 21 member and former vice chairman at CIBC World Markets, said half of his portfolio is allocated to personal real estate. Of the rest, about 60 percent is in hedge funds run by New York-based Balestra Capital Partners, headed by James Melcher, and New York-based Elliott Management Corp., he said.

## ‘Sky is Falling’

Melcher has a significant gold position as a currency bet, which Gallagher said he favors as did some other Tiger 21 members. Gold-related investments were picked by 6 percent of respondents, with 75 percent of investors allocating from 11 percent to 20 percent of their portfolios to gold, the survey said.

“By nature, I’m someone who worries about the end of the world and thinks the sky is falling,” said Gallagher, 65, who lives in New York and declined to specify his net worth. “I only invest with people who have a similar viewpoint, very risk- averse.”

To contact the reporter on this story: Alexis Leondis in New York [aleondis@bloomberg.net](mailto:aleondis@bloomberg.net). Daria Solovieva in New York at [dsolovieva@bloomberg.net](mailto:dsolovieva@bloomberg.net).



For more information please contact Harley Frank at (212) 584-0222 or email him at [Harley.Frank@tiger21.com](mailto:Harley.Frank@tiger21.com)