



Even big-money tigers are scared of stocks

The little-known Tiger 21 is an exclusive investment club whose 130 members -- average portfolio: \$50 million -- are not exactly shunning equities but definitely are proceeding with caution.

May 29, 2007 By [Tim Middleton](#)

Maybe the rich are not so different from you and me. They're just as worried as we are that the stock market could be about to crumble. Members of a multimillionaire investment organization called Tiger 21 have reduced their exposure to stocks to an average 30% of their portfolios, from 37% a year ago.

Collectively controlling \$7 billion in personal assets, they are holding roughly a quarter of that in bonds and cash, with the balance dispersed across an array of so-called alternative investments like real estate and managed-buyout funds. "I am rooting for a bull market, but I'm very concerned this market is showing signs of being tired," says Tommy Gallagher, a member of the group and its chief executive.

A capitalist collective

Tiger 21, which stands for The Investment Group for Enhanced Results in the 21st Century, is a group of 130 people with investible assets of at least \$10 million. They are divided among a number of chapters from New York to Southern California. Most are entrepreneurs; as a real-estate developer, founder Michael Sonnenfeldt developed Harborside in Jersey City, across the Hudson River from Manhattan.

"The basic idea was, there's a critical moment in the transformation of a successful investor who sells a business, and for the first time has to become a responsible wealth manager," Sonnenfeldt says.

Members know what the others are doing because they share investment decisions, as well as details of their personal portfolios. Sonnenfeldt calls this "collective intelligence." They pay \$25,000 annually to gain access to the group's resources, including a roster of speakers that has included takeover artist T. Boone Pickens and Stephen Schwarzman, co-founder of Blackstone Group.

Investment clubs are not new. The American Association of Individual Investors, founded in 1978, has 150,000 members. The National Association of Investors began in 1951 and says 5 million people have participated since.

But in addition to the high-roller speakers, Tiger 21 provides support. "You are very isolated when you have money," Gallagher says. "You have all kinds of people, oftentimes members of the family or in-laws, who might think life is not fair, and you're supposed to take care of them."

Gallagher estimates the average Tiger member -- nearly all of whom are men -- has a \$50 million portfolio and makes only three or four investment decisions a year. The members attend 12 monthly meetings to share comradeship with others in the same circumstance.

Annually, Tiger members disclose their investments to their peers, including changes they have made and propose to make, and defend their choices against the group's criticisms. The idea is to force them to confront their decisions coldly; taking emotion out of the process is the most fundamental investment discipline. And these sessions also allow them to learn of alternative ways of meeting their goals.

The group's annual defense review "is the only time we talk about our wealth," Gallagher says. "But these are all very successful and very smart people, so the 'collective intelligence' really helps one come up with good life decisions, not just investment decisions."

- **Video:** [Tiger 21 founder Michael Sonnenfeldt](#)

Investing is, nevertheless, central to the group's purpose. While many Tiger members, like Gallagher, are retired, many others are active entrepreneurs, including money managers. "I've invested alongside a number of members at Tiger, in managed accounts, hedge funds and private equity," Gallagher says. "I've also recently, along with another member, invested in a commodity account."

Tigers and bears, oh my

Tiger members want good returns from their portfolios, but are more worried about keeping up with inflation and taxes than shooting the lights out. Preserving their wealth is their top priority. Hence their nervousness about a market that is setting or nearing all-time highs. After shaving their allocation to public equities, members reported in a recent survey that they hold an average of 28% of their assets in real estate, nearly half of that in their homes. The largest share of assets was allocated to alternatives like private equity, currencies and hedge funds.

"I don't think that, given what the fundamentals are, we're going into a bear market, but I think it's very likely we're going into a correction," Gallagher says.

One investment he's studying right now: The Chicago Board Options Exchange's "Fear Index," which has been edging up this year.

This is the **CBOE S&P 500 Volatility Index**, whose option ticker symbol is [\\$VIX.X](#). Options are portfolio insurance. If you fear a down market, for example, you can buy options that go up in that circumstance. If a lot of people feel that way, the price of those options will increase.

It is that change which \$VIX.X measures, and that's why it's called the Fear Index. In the aggregate, purchases of S&P 500 options are a kind of temperature gauge of investor sentiment. \$VIX.X has been trading around \$11 for the past two years. By last week it had crept up to around \$13.50. During the bear market of 2000-2002, it surged to \$45.

"When markets are going up, volatility shrinks to nothing," Gallagher says. "You've had (\$VIX.X) trading around \$11. Then the last time the market went down (in February and March), VIX went to \$16 or \$17."

Gallagher hasn't actually pulled the \$VIX.X trigger, because he wants first to hear from his fellow Tiger members. "When my group meets (this) week, I want to bring it in front of them," he says.

That's the advantage of belonging to an investment group -- you can get advice from people who aren't trying to sell you anything. We have one here at MSN Money called the [Start Investing community](#). Feel free to drop in anytime.

Note: \$VIX.X is an option, not a security. Most brokerage accounts don't automatically permit options trading, but most can enable this feature upon request. If you want to dabble, your broker can send you the paperwork.

At the time of publication, Tim Middleton didn't own any securities mentioned in this article.