

Wealth: High-end investment club shifts away from stocks

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An investment club comprising superrich members is moving away from publicly traded shares and into alternative investments. **Tiger 21**, a New York-based investment club whose members have at least \$10 million each, says its allocation to stocks is 30%, down from 37% a year ago. That's well below the 50% to 60% that most financial advisers recommend for traditional portfolios.

"Our members are still committed to long-term wealth accumulation and preservation, but increasingly, they're more apt to rely on investments outside traditional avenues," says **Michael Sonnenfeldt**, Tiger 21's founder and chairman.

Specifically, Tiger 21, whose members' combined assets come to \$7 billion, says slightly less than 28% of those assets are invested in real estate, about 16% in fixed-income investments, 8.8% in private equity, 9.6% in alternative investments such as hedge funds, and 9% in cash.

A year ago, just 4.5% of holdings were in alternative investments.

As a general rule, Tiger 21 members say they have learned 3% of assets is the maximum one can spend to live each year before stressing one's portfolio and tilting it toward short-term income over long-term gains.

Yet while these investors are willing to shave off only a cautious 3% of their portfolio for living expenses (at \$10 million, that's \$300,000 a year), they are increasing their exposure to what seems like riskier investments: hedge funds and private-equity instruments.

The reason, they say, is that private equity, to them, isn't riskier. And only 10% of members felt that any recent hedge-fund implosions would have a high likelihood of reducing their commitment to the asset class.

"High-net-worth investors are looking for offerings that can perform independently of conventional market factors," Mr. Sonnenfeldt explains. "A number of these nontraditional classes have the ability to increase in value at times when the markets are heading south, which really stabilizes and enhances long-term performance."