

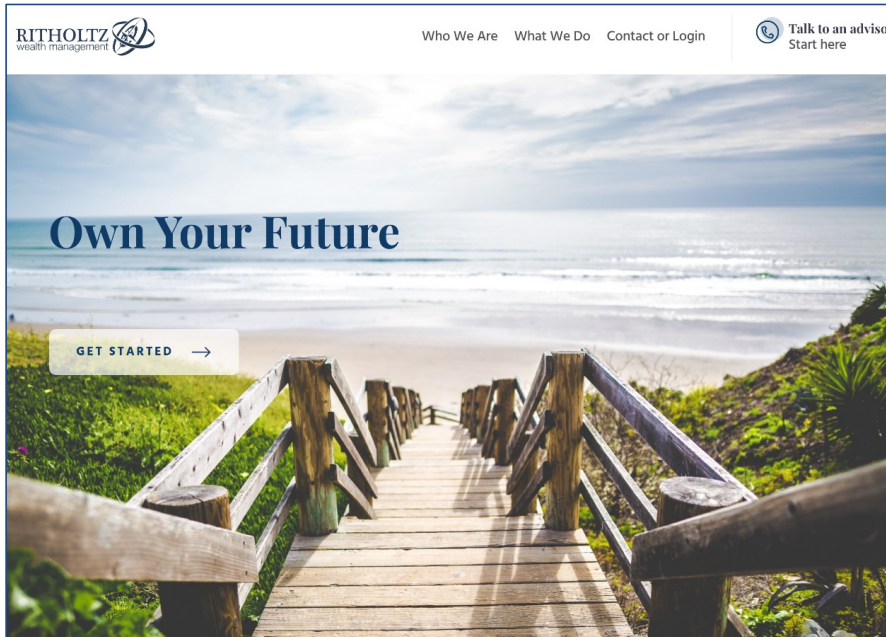


Avoiding Financial Disasters: A Guide for the Ultra High Net Worth Investor

Accredited Investors Symposium, February 21, 2023

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About Your Presenter...



What Can We Do for You?



Financial Planning

Your financial plan is the key to a successful financial future. We work with you to create a plan that can adapt and adjust as life circumstances change.



Retirement Plans

Whether you are an employer or an employee, we can help make your 401(k) or 403(b) retirement plan simpler, cheaper, and easier to manage.



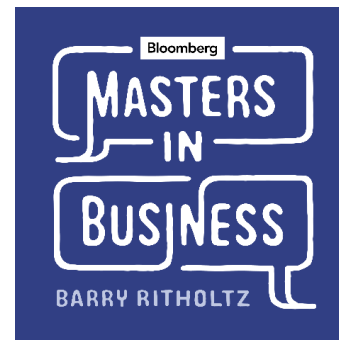
Insurance and Tax Reviews

Tax management and risk protection can impact your financial picture. We work with you to ensure that nothing is overlooked.



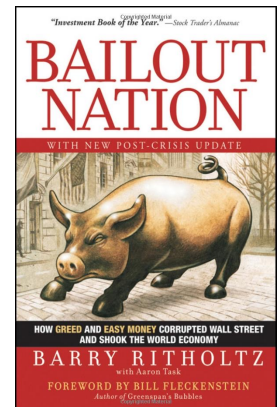
Socially Responsible Investing

We can design a portfolio that aligns with your personal values without sacrificing long-term performance.



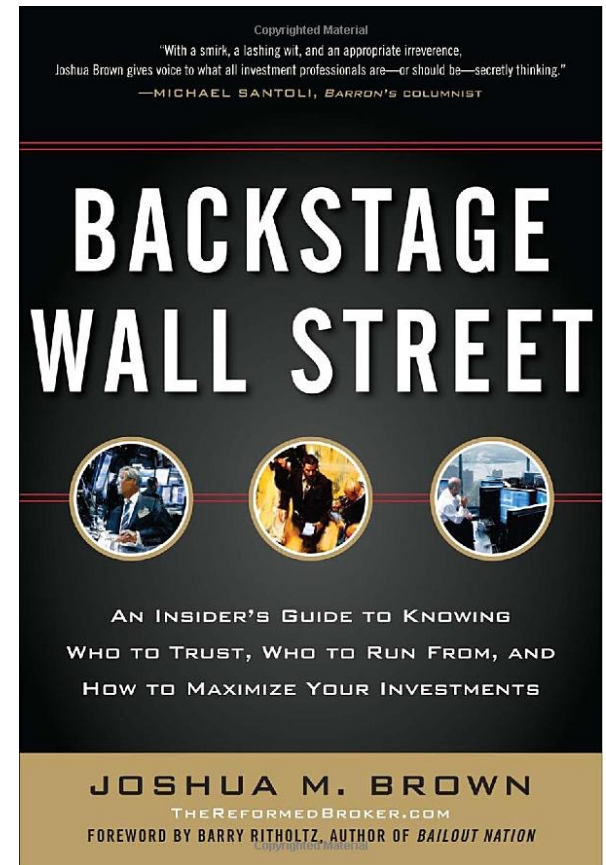
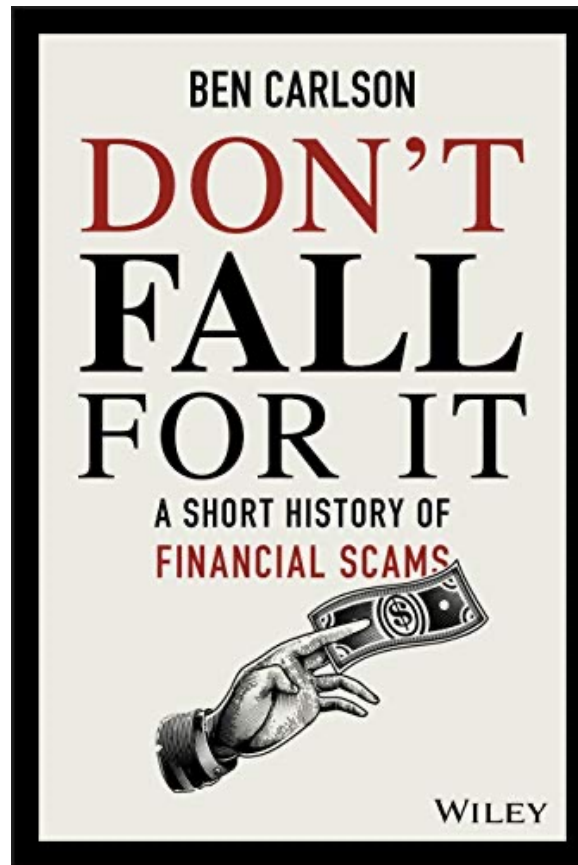
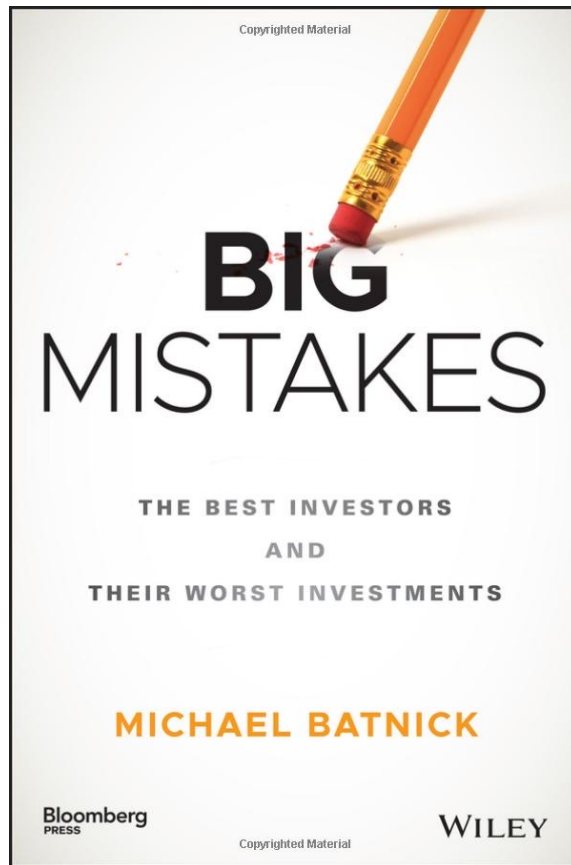
"For a guy with a small investment business, Barry Ritholtz of Bloomberg has a huge voice. He is unusually brief and cuts through market nonsense and bad investment management practices. He has a nose for BS. And America's market iabber overflows in BS."

-15 business & finance writers
this billionaire always reads



BloombergOpinion **The Washington Post**

My Colleagues...



Today's Discussion

1. Ways to Destroy Your Wealth
2. Why We Make Bad Financial Decisions
3. Higher Probability Investing

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Trifecta

FINANCIAL TIMES

Enron, Madoff and now FTX: New York's Belfer family strike out again

Wealthy oil dynasty were shareholders in collapsed crypto group after previous investments turned sour

Joshua Oliver in New York JANUARY 15 2023

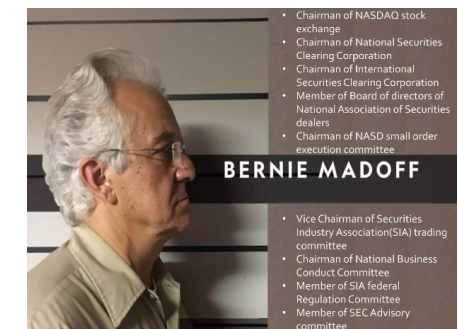
263

A New York oil dynasty that was a close friend of Bernard Madoff and lost billions in the demise of the hedge fund, the collapse of FTX, according to court documents this week.

Investment firms for the Belfer family were also involved in New York's Metropolitan Museum of Art, the cryptocurrency exchange FTX and court documents this week.



Family patriarch Robert Belfer and his wife Renee are known for their philanthropic donations © Dia Dipasupil/Getty Images



How To Destroy Your Portfolio

1. Lose your own money;
2. Entrust it to someone who loses it for you;
3. Have a con-man steal it.

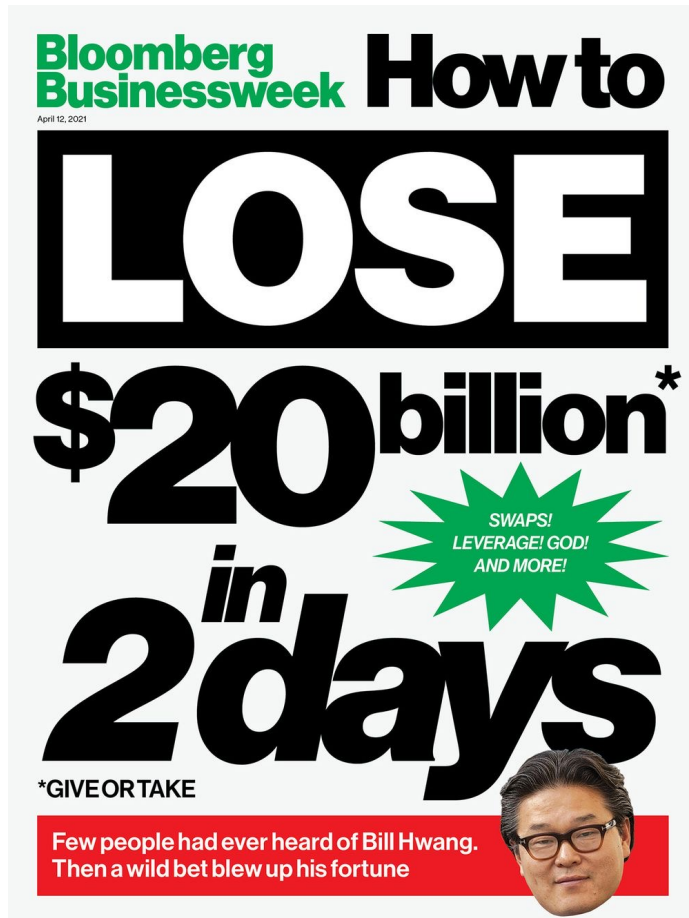
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Ways to Lose Your Own Money Yourself

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Bill Hwang, Archegos Capital Management: \$20 Billion

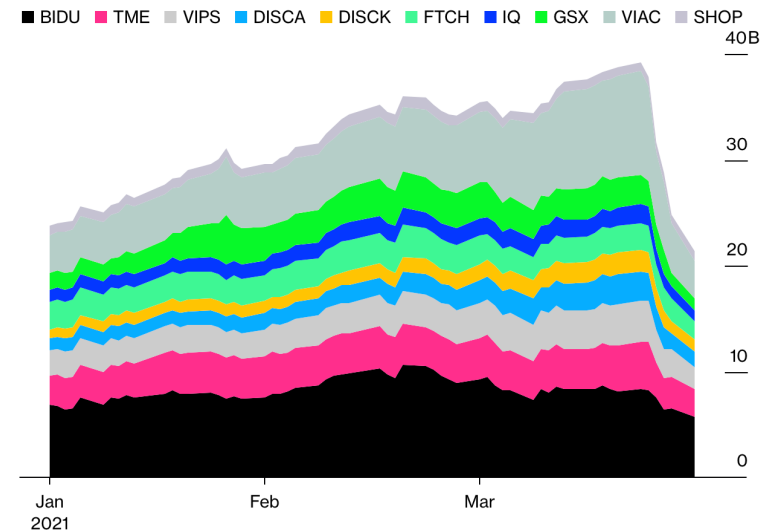


One of World's Greatest Hidden Fortunes Is Wiped Out in Days

- Bill Hwang's vast wealth and wagers were well-kept secrets
- Wall Street is still trying to figure out how much he's lost

Boom and Bust

The value of the portfolio of positions block traded dropped 46% in the last week, erasing 2021 gains.



Evergrande Property: \$42 Billion in Losses (China)

Bloomberg

Wealth

Evergrande Chairman, Once Worth \$42 Billion, Loses 93% of Wealth

Hui Ka Yan has lost wealth and influence, including no longer being part of the Chinese People's Political Consultative Conference.



Hui Ka Yan Photographer: Paul Yeung/Bloomberg

Evergrande Property Services Group Ltd (EVGPF) Price % Change



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wealth management

Feb 19 2023, 1:21PM EST. Powered by YCHARTS

RITHOLTZ
wealth management

Down \$200 Billion in < 1 Year

Bloomberg

Elon Musk Becomes First Person Ever to Lose \$200 Billion

The Tesla CEO has seen his wealth tumble in recent weeks after shares of the electric car maker tumbled.



Tesla Inc (TSLA) Price % Change



RITHOLTZ
wealth management

Feb 19 2023, 1:23PM EST. Powered by YCHARTS

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wealth management

Ways To Destroy Wealth

1. Leverage
2. Concentrated Risk
3. Stock Picking
4. Market Timing
5. Overtrading
6. Costs
7. Speculation
8. Taxes
9. Divorce
10. Death

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Paying Others to Lose Money For You

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ARKK vs S&P500



Data Source: Y Charts, RWM

RITHOLTZ
wealth management

98% of All ARKK Investors Are Underwater



Christopher Bloomstran
@ChrisBloomstran

35 FACTS NOT LIKELY FOUND ON ARKK YET UNRELEASED 12/31/2022
FACTSHEET

1. Loss from 2/12/2021 Peak: -80.1%
2. CNBC Appearances Since 2/12/2021 Peak: 23
3. Cumulative NET Assets Raised Since 10/31/2014 Launch: \$17.1 Billion (\$14.5B in 2020 and 2021)
4. Assets at 12/31/2022: \$6.0B

6:00 PM · Jan 21, 2023 · **694.9K** Views

243 Retweets **120** Quote Tweets **1,216** Likes



...

Christopher Bloomstran @ChrisBloomstran · Jan 21

...

Replying to @ChrisBloomstran

5. Cumulative Management Fees Earned: \$300 Million
6. Market Value at 2/12/2021 Peak: \$29 Billion
7. Dollar Loss Since Peak: \$23 Billion
8. Annual Return vs S&P 500 Since 10/31/2014 Launch: 5.4% vs 10.3%

3

13

175

49K



Christopher Bloomstran @ChrisBloomstran · Jan 21

...

9. **\$ARKK** Price 12/31/22: \$31.24
10. Date Last \$31.24: 08/22/2017
11. AUM at 8/22/17: \$450 million (\$15m @ 1/1/17)
12. Net Inflows Since 8/22/17: \$16.9B (Out of \$17.1 Since Inception)
13. Percent of ALL DOLLARS Invested in ARKK Since 10/31/2014 Inception Losing Money: 98%

Biggest Hedge Funds Lost \$208.4 Billion in 2022

PORTFOLIO

Hedge Funds Lost More Than \$200 Billion Last Year

Tiger Global and Third Point were among the biggest losers.

January 24, 2023



Hedge funds performance in 2022

While equity portfolio managers struggled, macro funds shined



Note: In %
Source: HFR

HFR1 500 Indices

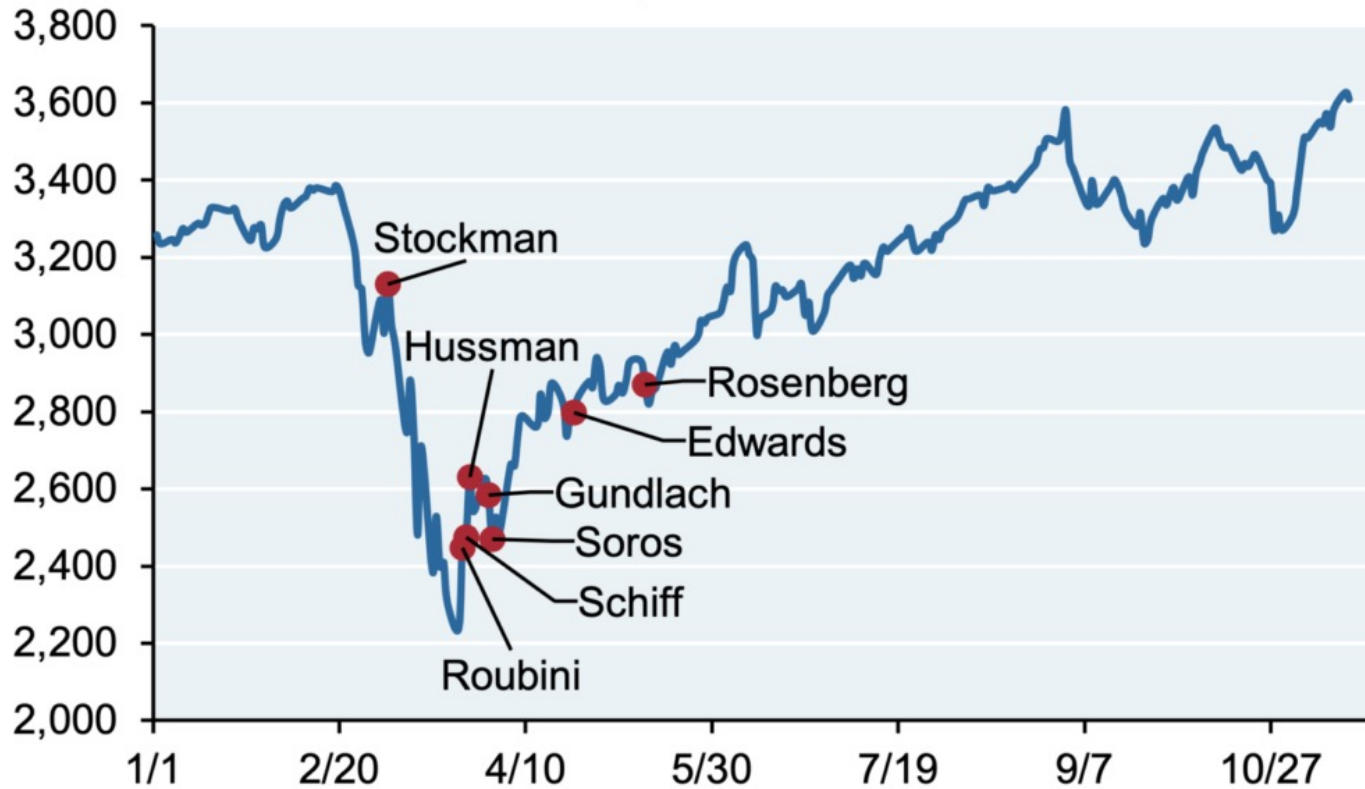
HFR1 500 Indices			Past 5 Years				
Monthly Performance for Jan 2023			Annualized Performance				
INDEX NAME	ROR	INDEX VALUE	YTD	LAST 12M	LAST 36M	LAST 60M	VIEW STRATEGIES
HFR1 500 Fund Weighted Composite Index >	2.46%	1659.64	2.46%	0.75%	6.51%	4.45%	
HFR1 500 Equity Hedge Index >	4.19%	1772.00	4.19%	-5.12%	6.20%	3.94%	VIEW +
HFR1 500 EH: Equity Hedge: Long/Short Index >	4.43%	2757.77	4.43%	-5.56%	6.73%	4.23%	VIEW +
HFR1 500 Event Driven Index >	3.11%	1695.49	3.11%	-1.37%	5.91%	4.84%	VIEW +
HFR1 500 ED: Event Driven ex-Merger Arbitrage Index >	4.44%	2329.17	4.44%	-1.98%	6.00%	4.48%	VIEW +
HFR1 500 Macro Index >	-0.21%	1460.27	-0.21%	12.06%	7.88%	4.78%	VIEW +
HFR1 500 Macro: Discretionary Macro Index >	1.08%	1777.84	1.08%	10.14%	9.05%	5.08%	VIEW +
HFR1 500 Macro: Systematic Macro Index >	-0.84%	2165.10	-0.84%	13.33%	8.16%	5.03%	VIEW +
HFR1 500 Relative Value Index >	1.57%	1493.19	1.57%	2.09%	4.17%	3.56%	VIEW +
HFR1 500 RV: Fixed Income Relative Value Index >	1.98%	2343.33	1.98%	0.36%	2.43%	2.74%	VIEW +

Expert Opinion, March 2020: Explained

Date	Armageddonist	Quote
March 4, 2020	David Stockman	"The stock market is heading not only for another 50% correction (1600 on the S&P 500), but also a long L-shaped bottom rather than a quick V-shaped rebound which occurred after 2009." - <i>Published note on PeakProsperity</i>
March 24, 2020	Nouriel Roubini	"With the COVID-19 pandemic still spiraling out of control, the best economic outcome that anyone can hope for is a recession deeper than that following the 2008 financial crisis... The risk of a new Great Depression, worse than the original — a Greater Depression — is rising by the day." - <i>Published note on Project Syndicate</i>
March 25, 2020	Peter Schiff	"What the Fed is doing is extremely bearish for the U.S. economy... It ensures that this recession, depression that we're entering is going to be extremely brutal in the inflation that is going to ravage the economy, particularly investors and retirees." - <i>FOX Business</i>
March 26, 2020	John Hussman	"I continue to expect the S&P 500 to lose about two-thirds of its value over the coming years." - <i>Hussman Funds</i>
March 31, 2020	Jeff Gundlach	"The low we hit in the middle of March ... I would bet that low will get taken out... The market has really made it back to a resistance zone and the market continues to act somewhat dysfunctionally in my opinion... Take out the low of March and then we'll get a more enduring low." - <i>CNBC</i>
April 1, 2020	George Soros	"We're going to have the worst bear market in my lifetime." - <i>Business Insider</i>
April 23, 2020	Albert Edwards	"Many equity bulls think it is inevitable that massive central bank liquidity will boost equity prices. This strikes me as ludicrous... The collapse in profits is highly likely to fatally undermine the argument that equities can look through the valley. I expect instead ample liquidity to flow into government bonds." - <i>Business Insider</i>
May 12, 2020	David Rosenberg	"So even as the stock market is telling you that it is all figured out, I can assure you, what we face at this very moment is a highly uncertain economic future, and unfortunately, most of the longer-term risks are to the downside, not the upside. We are in a depression, not a recession. It's a depression. I didn't say the Great Depression; it's a depression," Rosenberg stressed. "And I think the dynamics of a depression are different than they are in a recession, because depressions invoke a secular change in behavior. Classic business cycle recessions are forgotten about within a year after they end. At a minimum, depressions entail a prolonged period of weak economic growth, widespread excess capacity, deflationary pressure and a wave of bankruptcies." - <i>Advisor Perspectives</i>

Expert Opinion, March 2020: Charted

S&P 500 index, Jan 1 2020 to present with date of latest comment



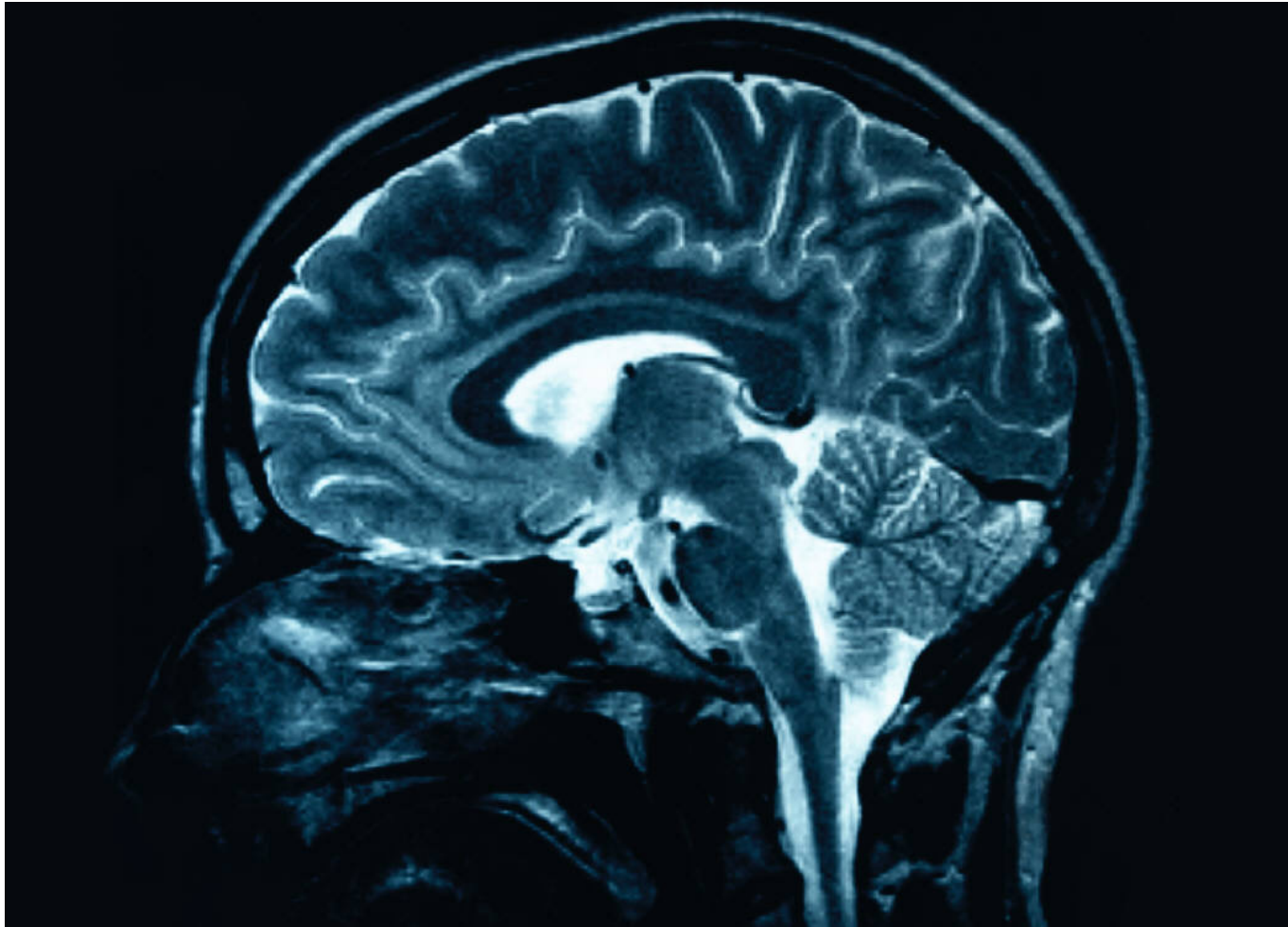
Source: Bloomberg, JPMAM. 11/17/2020. See quote table for full sources.



Why We Make Bad Financial Decisions

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Your Brain Is Marvelous, but...



Your brain weighs 3 pounds, and is 100,000 years old.

It is a “*dynamic, opportunistic, self-organizing system of systems.*”

Evolutionary Baggage

Behavioral Economics

1. Herding / Groupthink
2. Narrative Fallacy
3. Confirmation Bias
4. Endowment Effect
5. Optimism Bias
6. Survivorship Bias
7. Hindsight Bias
8. Recency Effect
9. Availability Heuristic
10. Risk Aversion

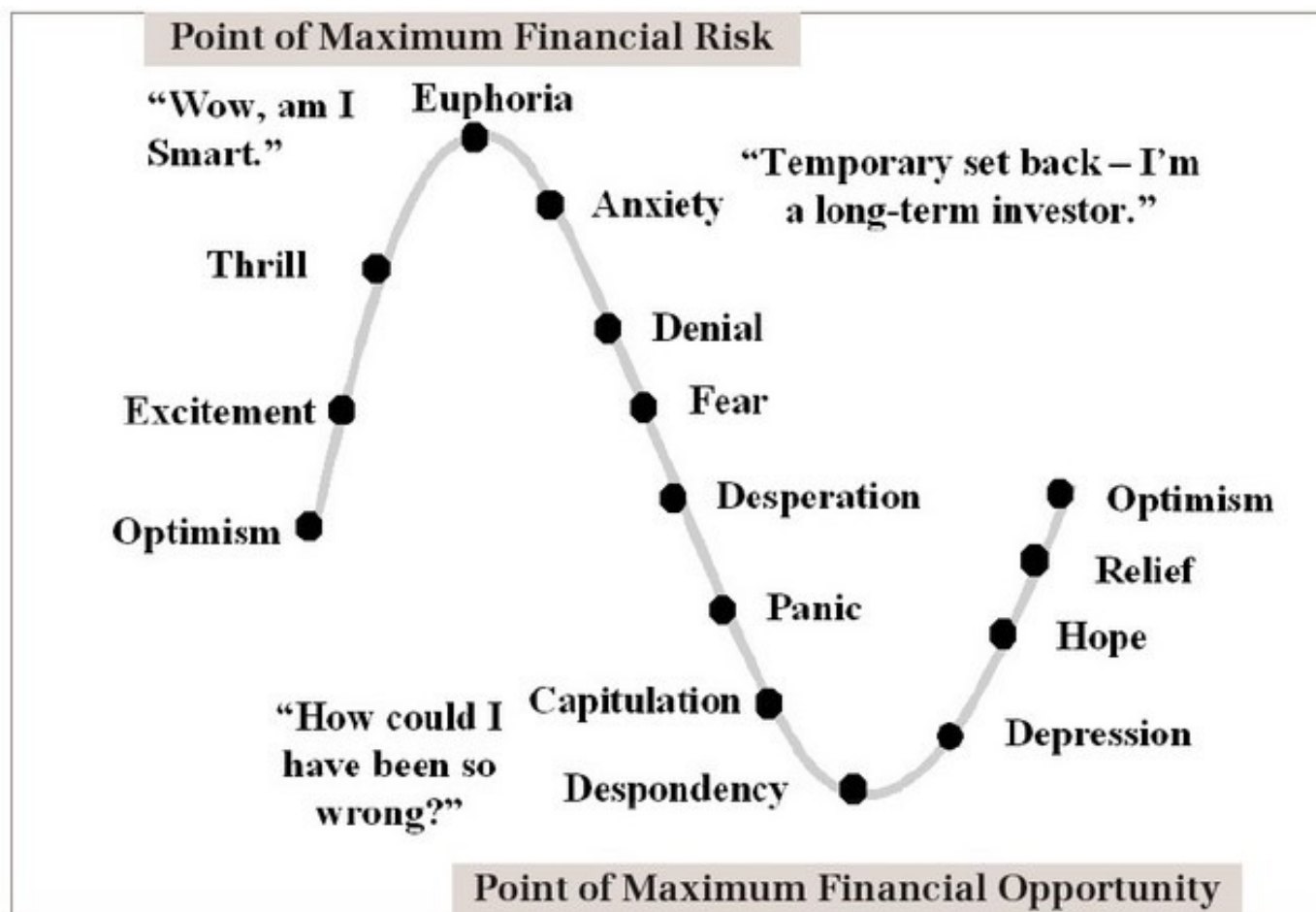
Neuro-Finance

1. Cognitive Dissonance
2. Metacognition
3. Pattern Recognition
4. Anticipation vs. Rewards
5. Symbology: Images vs Words
6. Selective Perception
7. Selective Retention
8. Narrative over Data
9. Model Building
10. Dopamine Addiction

Risk Aversion

1. Emotionality
2. Excess Conservatism
2. Overstated Negative Outcomes
3. Black Swans
4. Mundane vs Splashy
5. Shark Attack!
6. Myth of Uncertainty
7. Decision-making
8. Reliance on Expert Opinion
9. Genetic Advantage
10. Evolutionary Baggage

How Emotional Is Your Investing?



The Costs of Panic Selling

the journal of
financial data science

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When Do Investors Freak Out? Machine Learning Predictions of Panic Selling

Daniel Elkind, Kathryn Kaminski, Andrew W. Lo, Kien Wei Siah and Chi Heem Wong

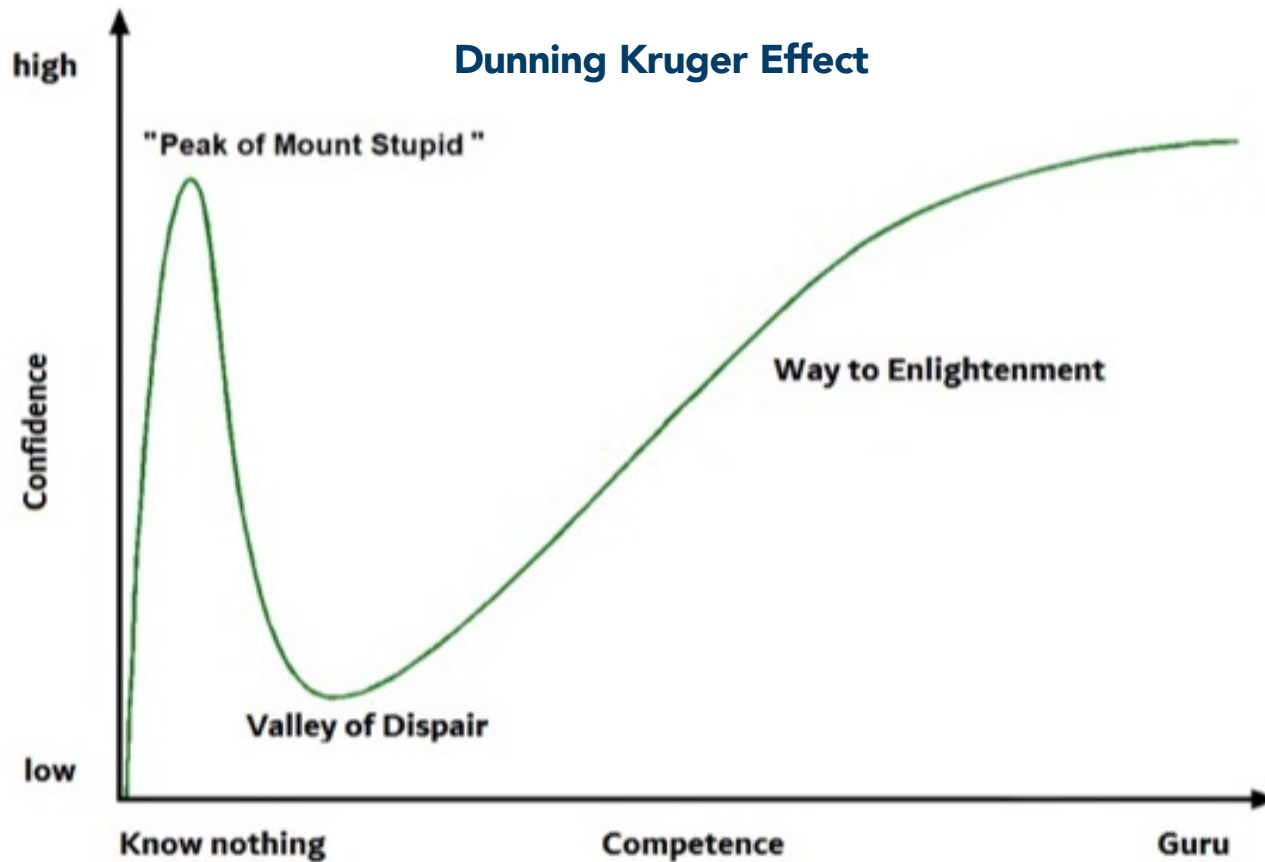
The Journal of Financial Data Science Winter 2022, 4 (1) 11-39; DOI: <https://doi.org/10.3905/jfds.2021.1.085>

Abstract

Using a novel dataset of 653,455 individual brokerage accounts belonging to 298,556 households, the authors document the frequency, timing, and duration of *panic sales*, which they define as a decline of 90% of a household account's equity assets over the course of one month, of which 50% or more is due to trades. The authors find that a disproportionate number of households make panic sales when there are sharp market downturns, a phenomenon they call *freaking out*. The authors also show that panic selling and freak-outs are predictable and fundamentally differ from other well-known behavioral patterns such as overtrading or the disposition effect.

“30.9% of the investors who panic sell never return to reinvest in risky assets.”

Metacognition: The Ability to Self-Evaluate Ones' Own Skills





Higher Probability Investing

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Can You Find the Needle in the Haystack? (1% of 62,000 Stocks)


Winner-Take-All Phenomenon Rules the Stock Market, Too

Any gains are attributable to a relative handful of companies.

Hot Stocks Can Make You Rich. But They Probably Won't.



One of the few. Photographer: Johannes Eisele/AFP/Getty Images

 Give this article



How Fund Managers Invest Their Own Money

“Active managers invest their own capital passively.”



KING'S
College
LONDON

HOME RESEARCHERS RESEARCH GROUPS **RESEARCH OUTPUTS** RESEARCH FUNDING INTERNAL

Research Outputs Theses Journals Publishers

Active fund managers and the rise of Passive investing: epistemic opportunism in financial markets

Contribution to journal › Article › peer-review

Crawford Spence, Yuval Millo, James Valentine

Overview Citation formats

Original language English
Number of pages 33
Journal *Economy & Society*
Accepted/In press 6 Jan 2023

Documents

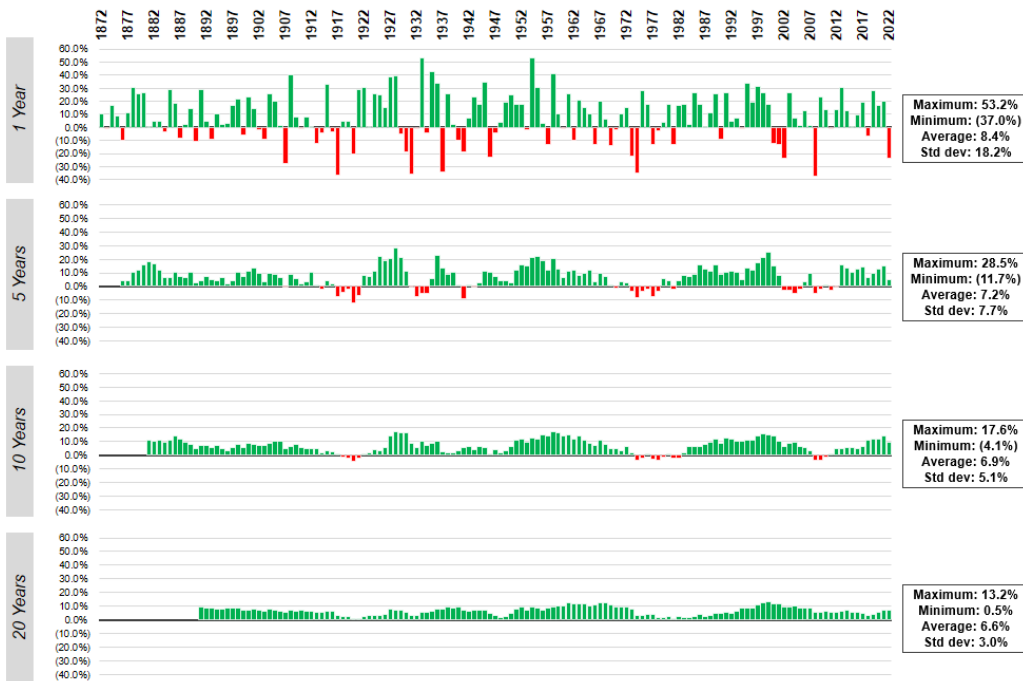
Active v Passive final version  

Active_v_Passive_final_version.docx, 80.8 KB, application/vnd.openxmlformats-officedocument.wordprocessingml.document

Uploaded date: 06 Jan 2023
Version: Accepted author manuscript

Put Time On Your Side

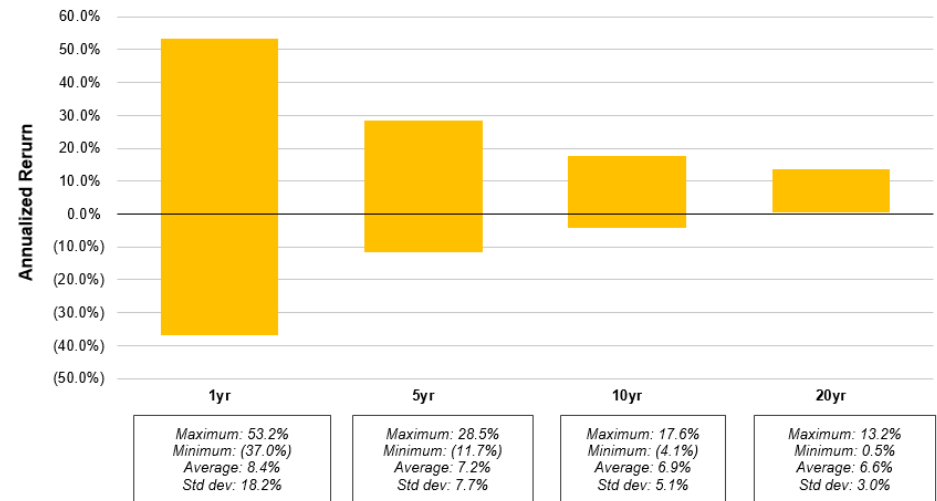
U.S. Stock Market Annualized Returns -- 1872 to 2022
1 / 5 / 10 / 20 Year Rolling Periods



Data reflects real total returns (i.e., including the re-investment of dividends and adjusted for inflation)
Source: Robert Shiller & Yahoo Finance

The U.S. stock market has never declined over any 20-year period.

Range of Total Real Returns (Annualized)



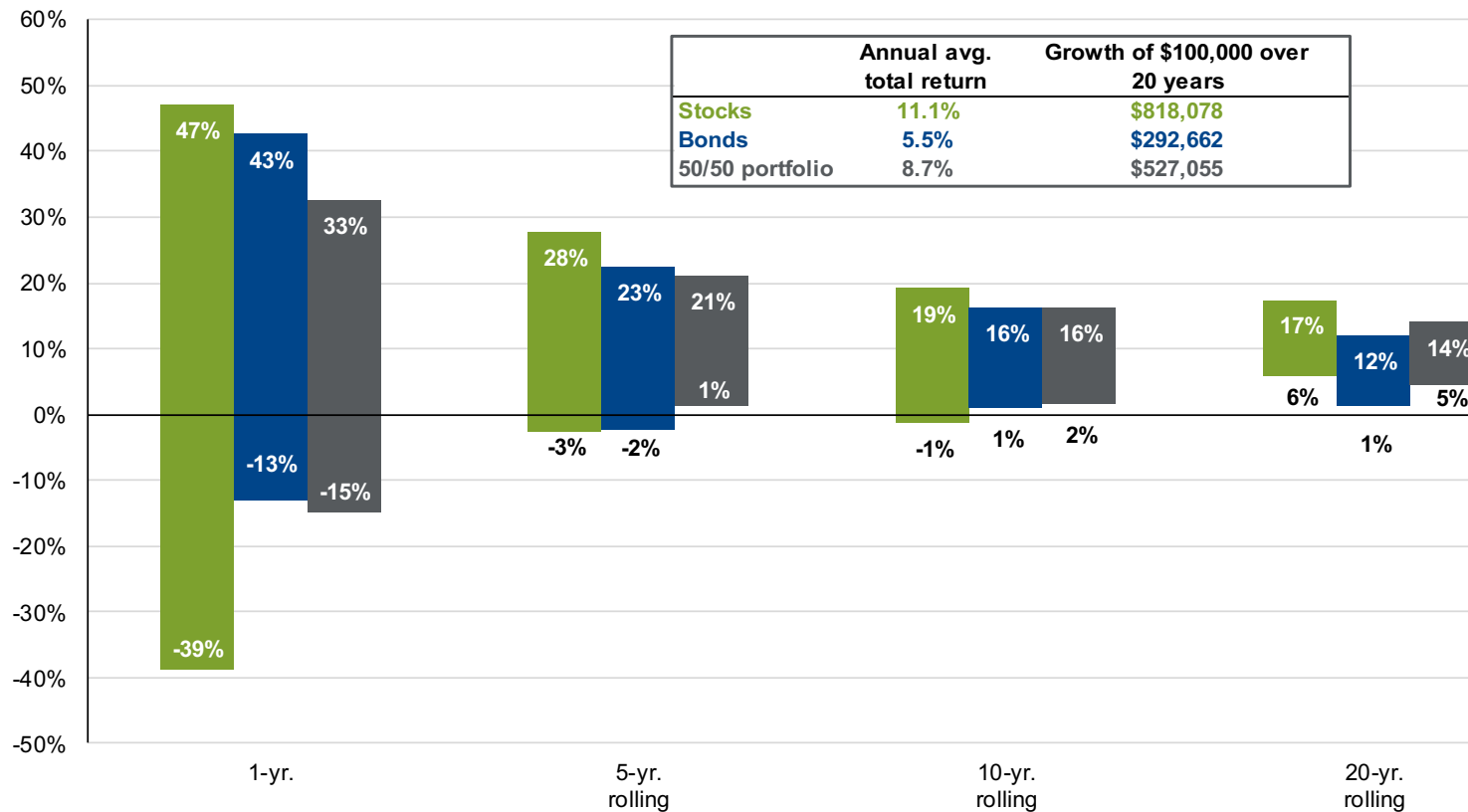
The Rolling Stones perform "Time is on My Side" live on The Ed Sullivan Show, October 25, 1964



Time, diversification and the volatility of returns

Range of stock, bond and blended total returns

Annual total returns, 1950-2022



Source: JPM Guide to the Markets

What Are You Focused On?

What I can control and what I can't

Data source: @mindfulenough | Infographic design by @agrassoblog for educational and motivational purposes



What is NOT in your control:

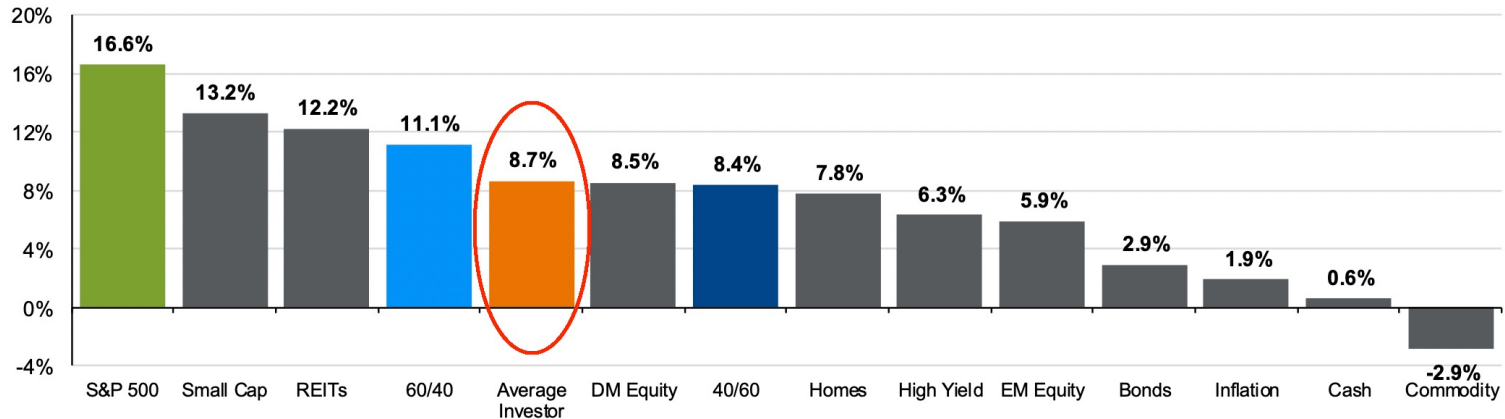
1. Markets
2. Asset Economy
3. Inflation
4. Federal Reserve
5. Corporate Earnings
6. Volatility
7. Interest Rates
8. Elections
9. News
10. Drawdowns

What IS in your control:

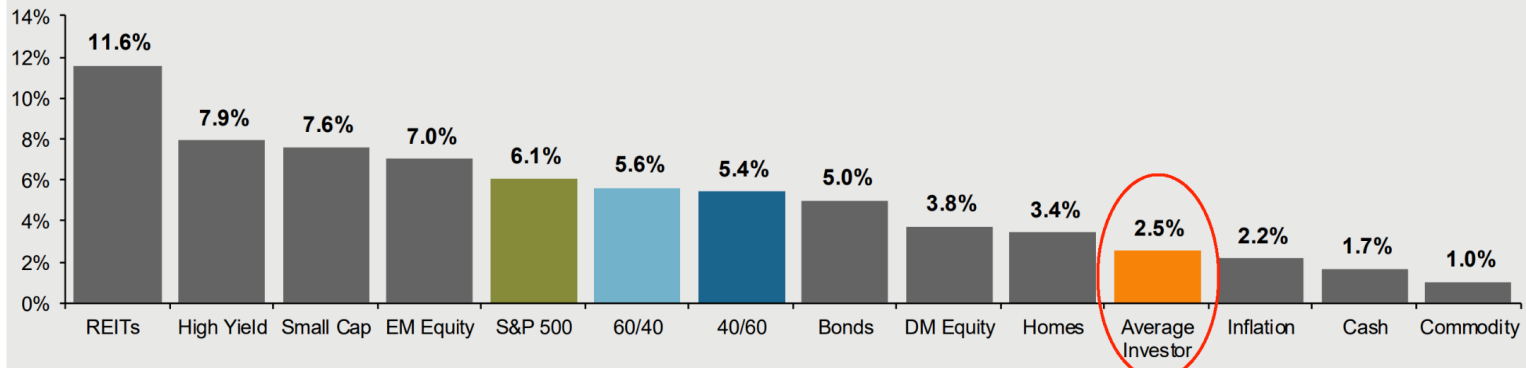
1. Portfolio
2. Diversification
3. Savings
4. Financial Plan
5. Taxes
6. Media Consumption
7. Expenses/Fees
8. Risk
9. Rebalancing
10. Behavior

Investors Underperform Their Own Investments

10-year annualized returns by asset class (2012 – 2021)



20-year annualized returns by asset class (1999 – 2019)

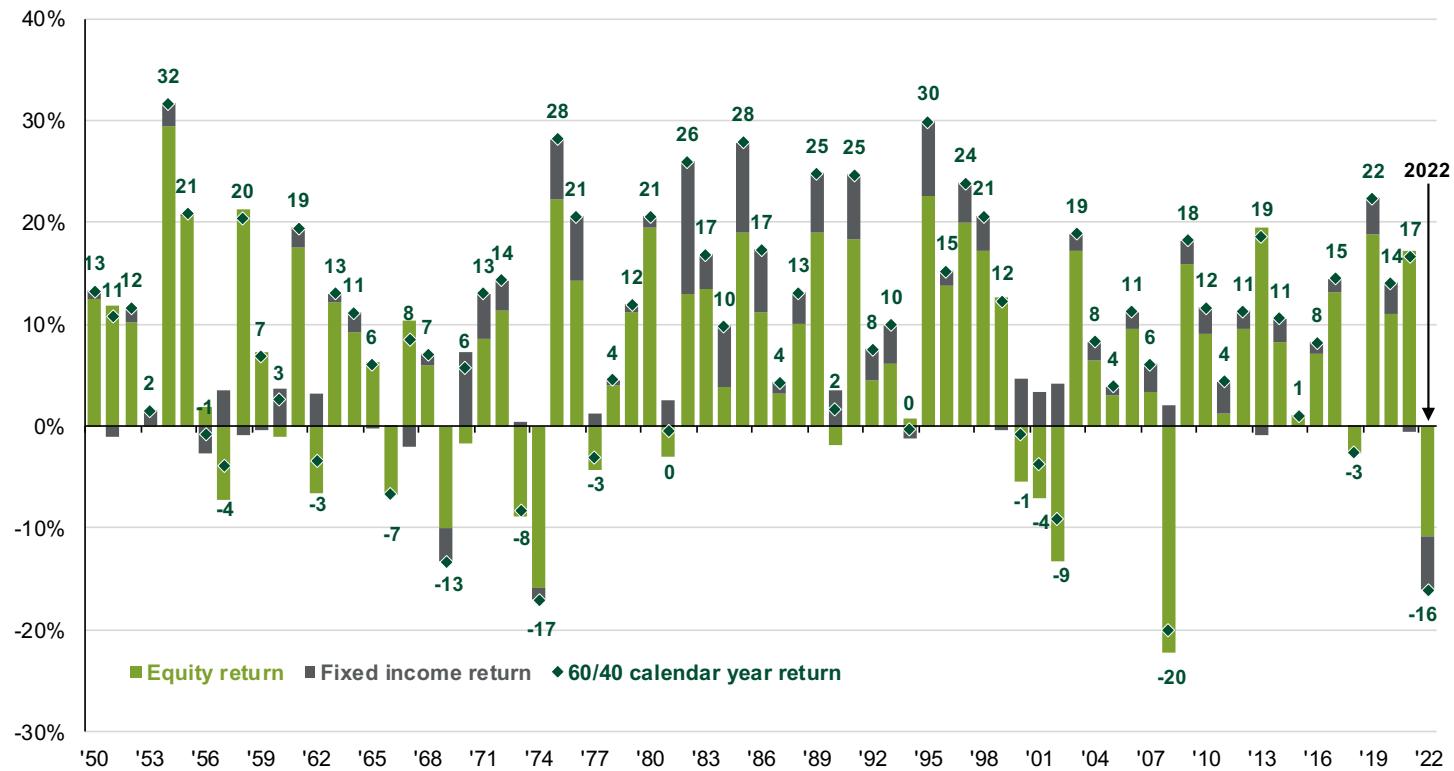


Source: JPM Guide to the Markets

60/40 annual returns

60/40 annual return decomposition

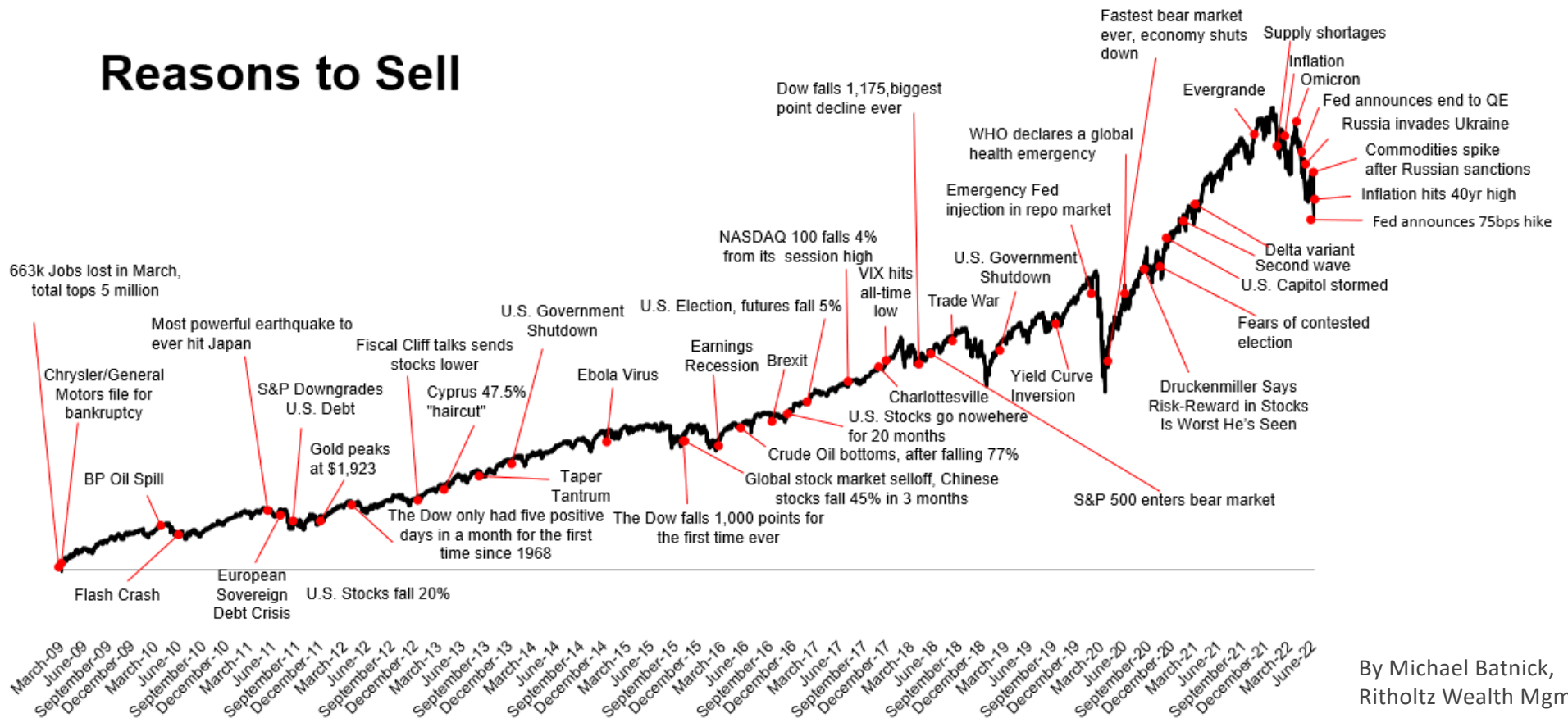
Total returns, 1950 – present



Source: JPM Guide to the Markets

There is ALWAYS a Reason to Sell

Reasons to Sell



Data Source: S&P 500 Total Return, YCharts, Ritholtz Wealth Management

By Michael Batnick,
Ritholtz Wealth Mgmt

“We have met the enemy,
and he is us.”

-Walt Kelly, Pogo, 1971





Barry L. Ritholtz

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