

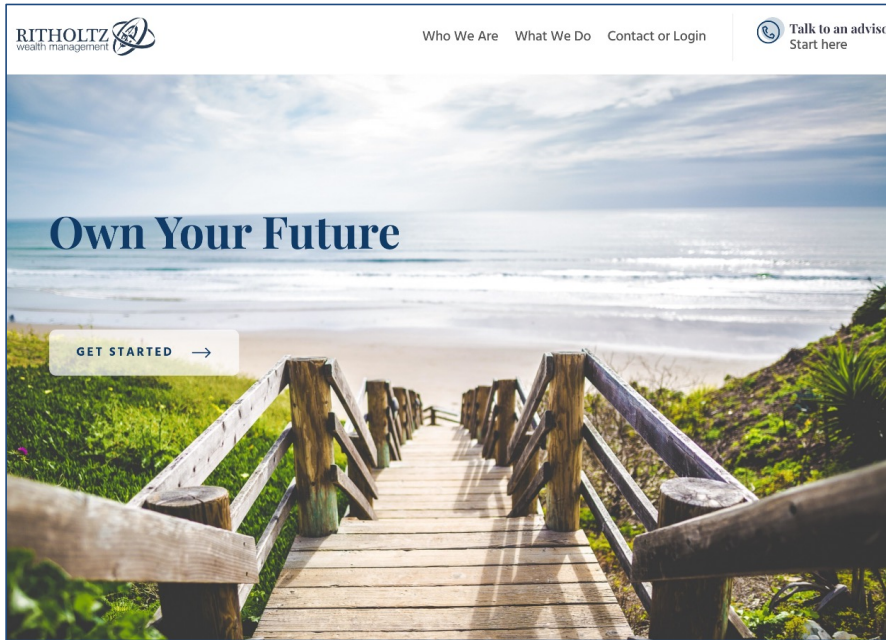


RITHOLTZ
wealth management

NAVIGATING FINANCIAL DISASTERS: A SHORT GUIDE FOR THE ULTRA HIGH NET WORTH INVESTOR

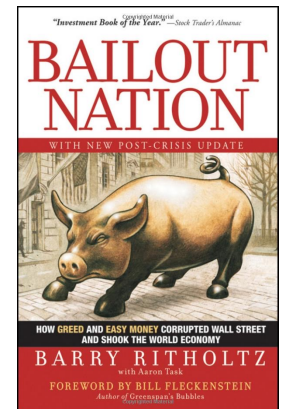
The Money Show: Orlando, October 30, 2023

About Your Presenter...



"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



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At the Money: A New Podcast from Masters in Business

This is a new, weekly podcast from Barry Ritholtz focused on investing. Each week, "At the Money" discusses an important topic in money management. From portfolio construction to taxes and cutting down on fees, join Barry Ritholtz to learn the best ways to put your money to work.

Oct 11, 2023

BloombergOpinion *The Washington Post*

Today's Discussion

1. Three Ways HNW Families Lose Money
2. Why We Make Bad Decisions
3. High-Probability Wealth Management

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The Belfers



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

Houston Natural Gas Corporation (1985)



Belfer Family Philanthropy



HARVARD Kennedy School
BELFER CENTER
for Science and International Affairs



Albert Einstein College of Medicine

**The Belfer Institute for
Advanced Biomedical Studies**



Houston Natural Gas Corporation (1985)



1986



2001

Enron Stock Price from August 23, 2000 to January 11, 2002



THE WALL STREET JOURNAL.

Belfer Family Is Big Loser In Collapse of Enron Stock

By Mitchell Pacelle and Cassell Bryan-Low Staff Reporters of The Wall Street Journal

Dec. 5, 2001 12:01 am ET



Gift unlocked article

Many shareholders are feeling pain over the tailspin of Enron's stock. Then there are the Belfers, a wealthy New York oil family that could stand to lose as much as \$2 billion.

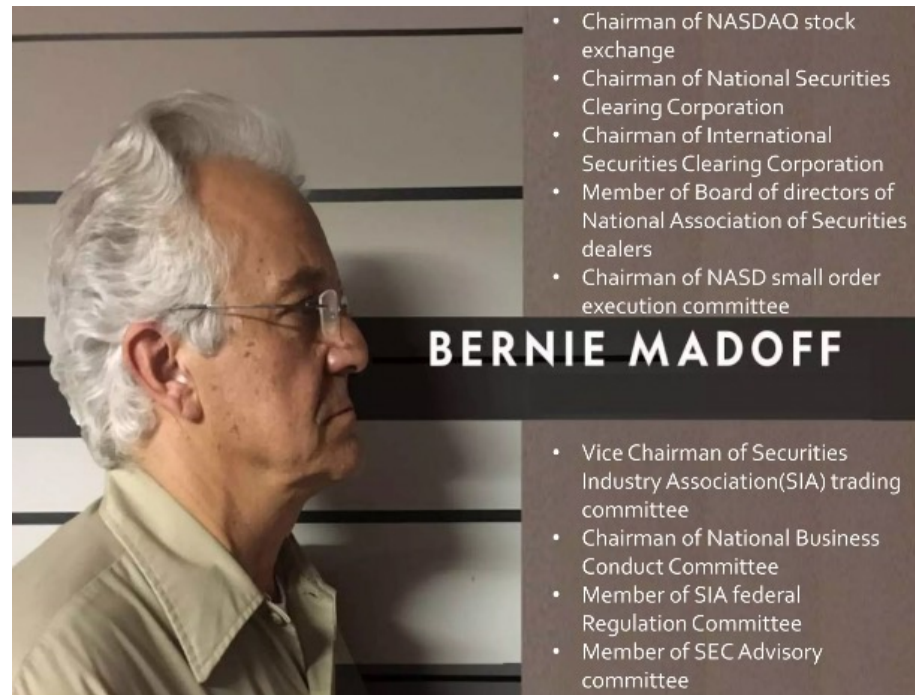
Enron Director Robert A. Belfer and his two sisters' families long have held large stakes in Enron, with holdings dating back to the 1983 sale by their father, Polish immigrant Arthur Belfer, of Belco Petroleum Corp. to Enron's predecessor.

While some Enron executives were selling their company stock aggressively as it plunged -- to 87 cents Tuesday at 4 p.m. in New York Stock Exchange composite trading from its peak of slightly more than \$90 a share last year -- neither Mr. Belfer, 66 years old, nor his sisters' families appear to have followed suit, selling only modest blocks this year, according to regulatory filings.

Professional Help Managing Your Stocks



The Wrong Help



SBF/FTX



www.blockchain-council.org

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 client of the legendary fraudster Bernard Madoff and lost billions in the demise of Enron has been embroiled in the collapse of FTX, according to court documents.

Investment firms for the Belfer family, whose name sits above galleries at New York's Metropolitan Museum of Art, were included in a list of shareholders of the cryptocurrency exchange FTX and its US business that were released in court documents this week.

NEW YORK POST

NY oil tycoon lost billions with Enron, invested with Bernie Madoff, and struck out with FTX: report



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

 moneywise

 yahoo/finance

Hellish hat trick: This ultrarich New York family was ripped off by Enron, Bernie Madoff, and then FTX

How To Damage 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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Madoff Recovery: 88.35% of fraud losses



DEPARTMENT OF JUSTICE ASSET FORFEITURE DISTRIBUTION PROGRAM

Madoff Victim Fund

Reaching Victims | Restoring Lives

Administered by RCB Fund Services, LLC



MVF Commences Distribution 8

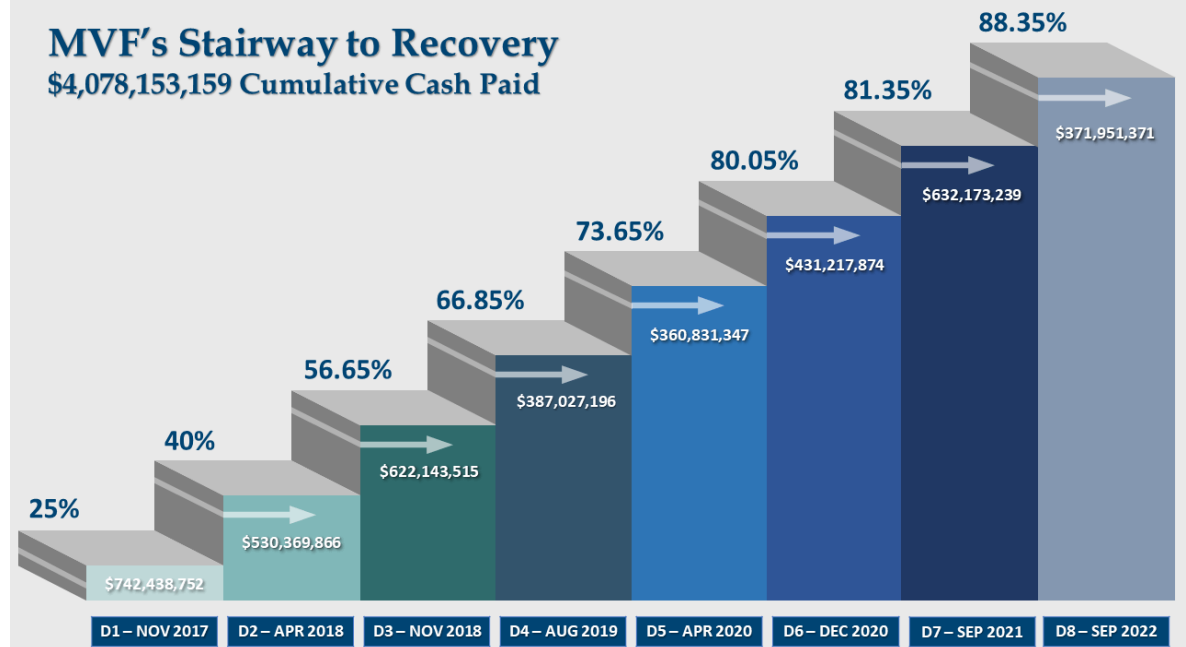
September 2022 Update

MVF Distribution 8:

- ▶ Payouts now exceed \$4.078 billion
- ▶ 40,454 victims have received assistance
- ▶ Minimum recoveries have reached 88.35% of fraud losses

MVF's Stairway to Recovery

\$4,078,153,159 Cumulative Cash Paid

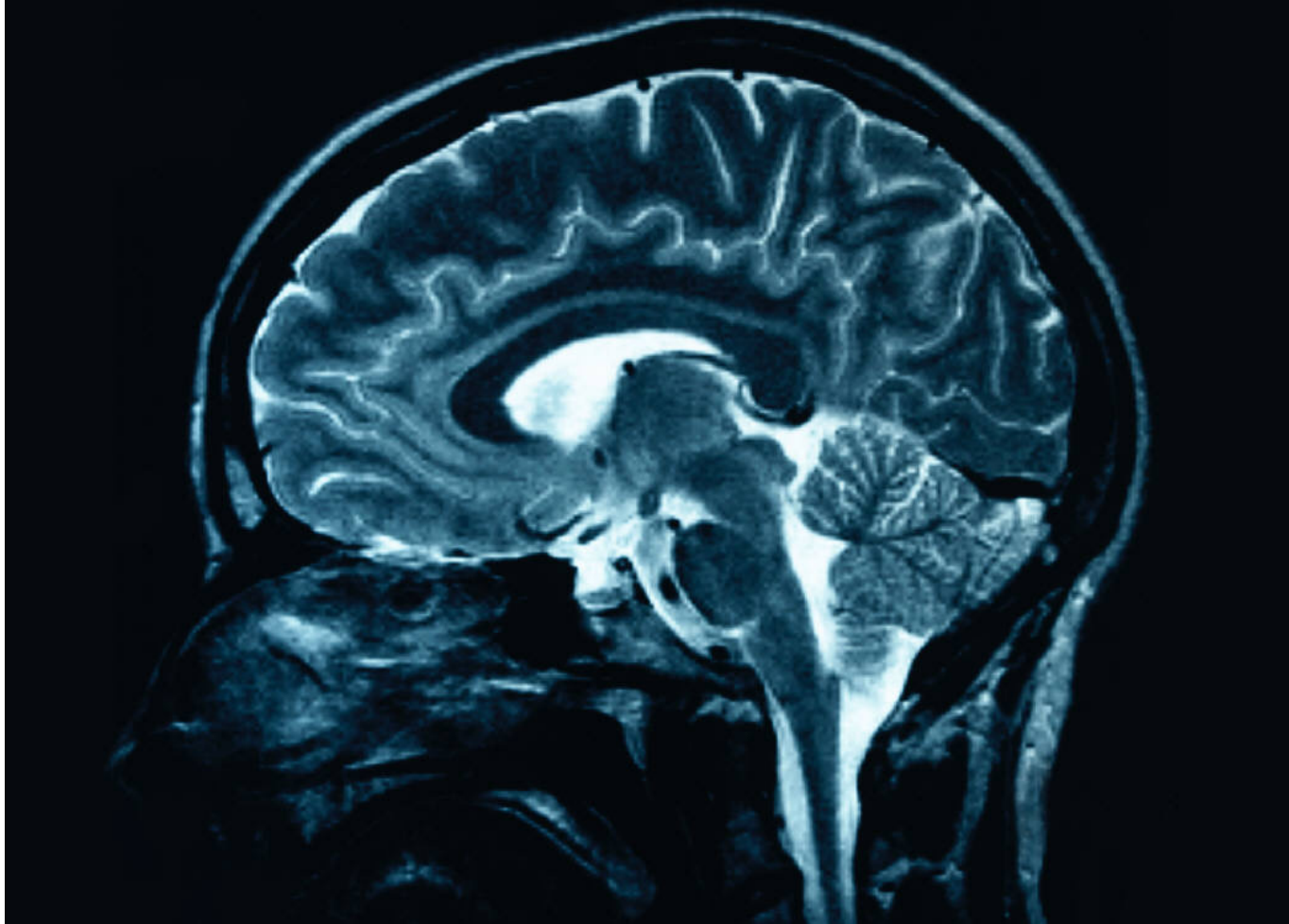




Why We Make Bad Financial Decisions

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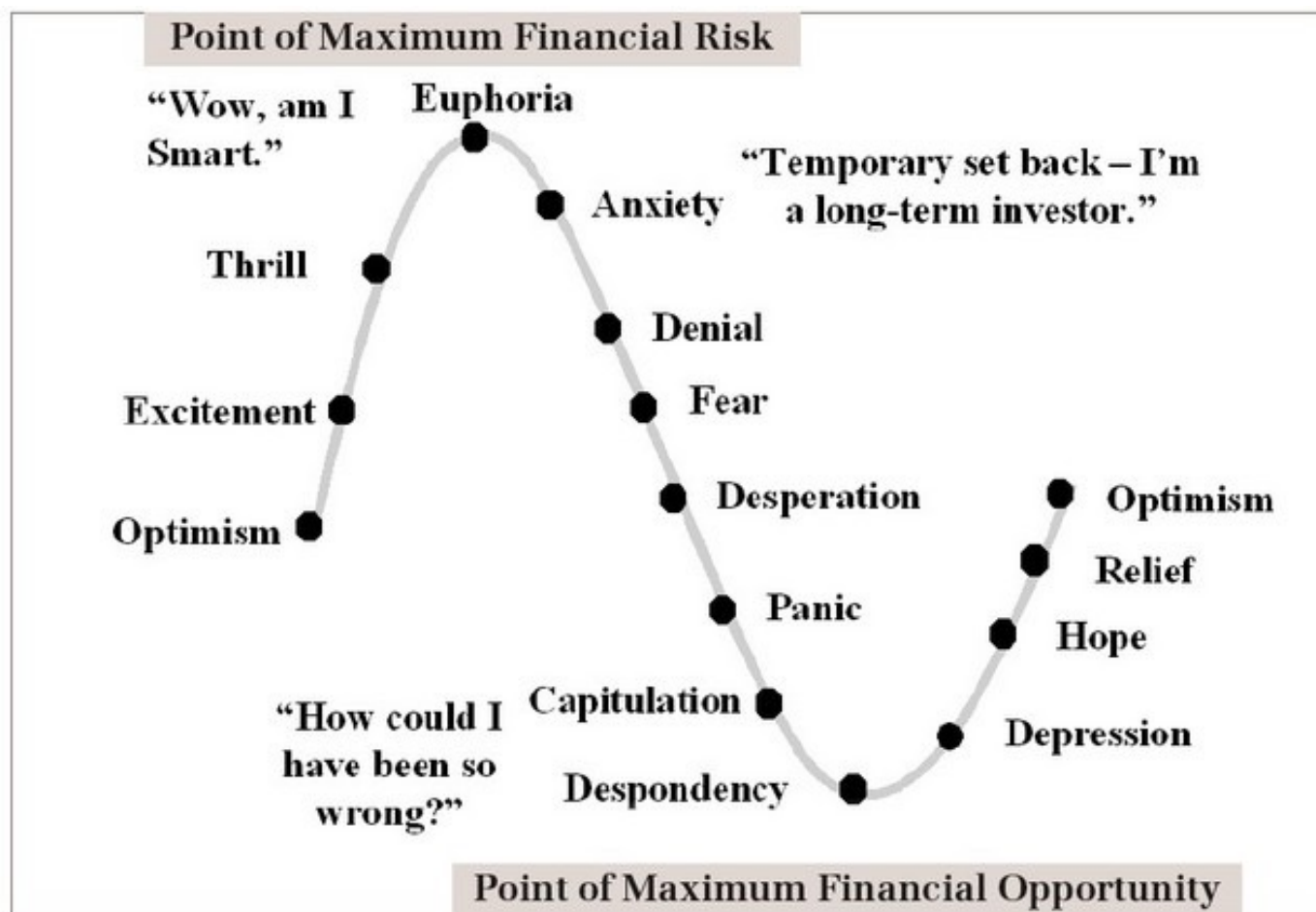
Your Brain Is Marvelous, but...



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

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

How Emotional Is Your Investing?



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

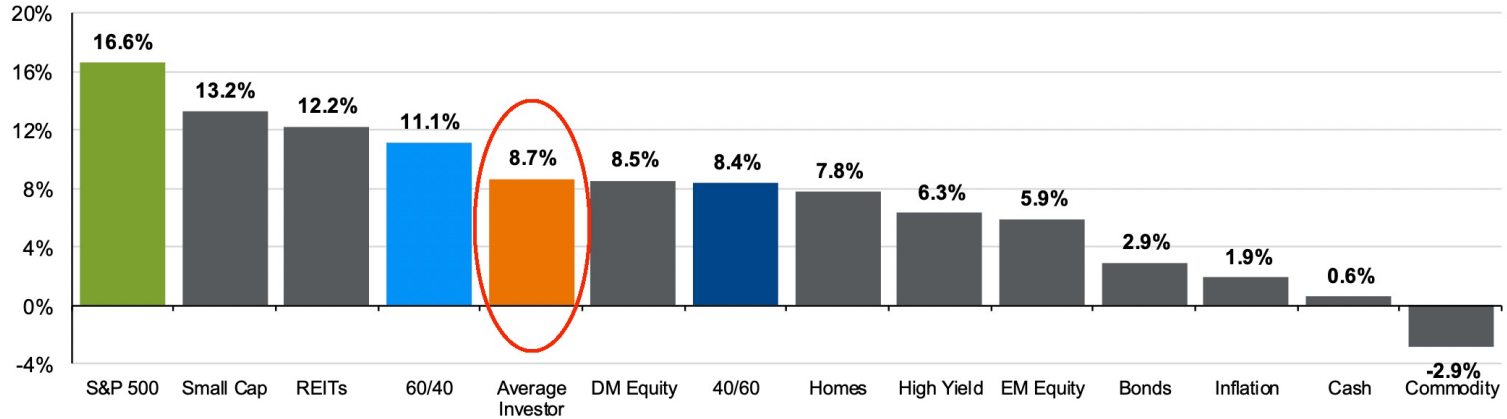
1. Cognitive Dissonance
2. Metacognition
3. Pattern Recognition
4. Anticipation vs. Rewards
5. Symbology: Images vs Words
6. Selective Perception
7. Selective Retention
8. Narrative over Data
9. Model Building
10. Dopamine Addiction

Risk Aversion

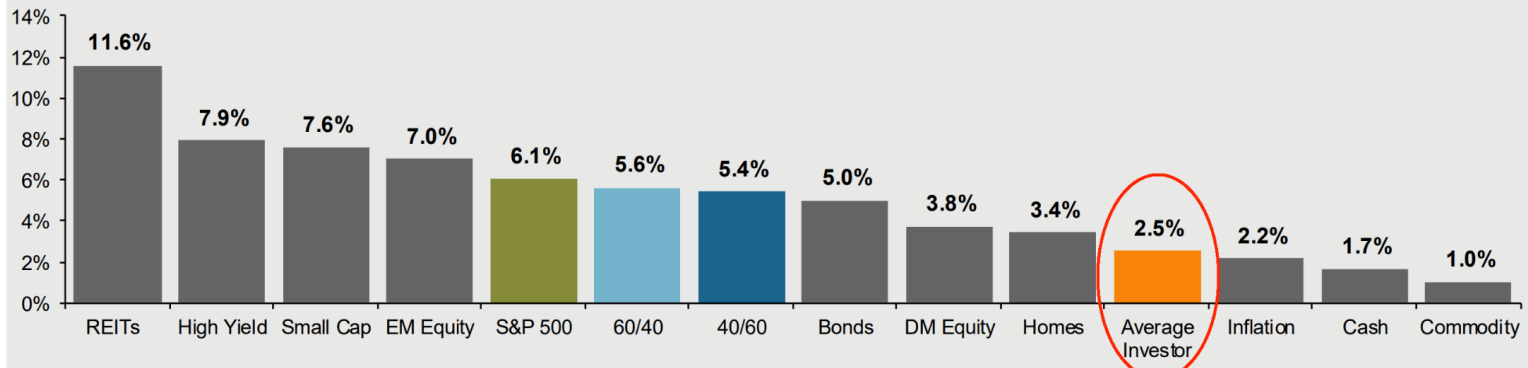
1. Emotionality
2. Excess Conservatism
2. Overstated Negative Outcomes
3. Black Swans
4. Mundane vs Splashy
5. Shark Attack!
6. Myth of Uncertainty
7. Decision-making
8. Reliance on Expert Opinion
9. Genetic Advantage
10. Evolutionary Baggage

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

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

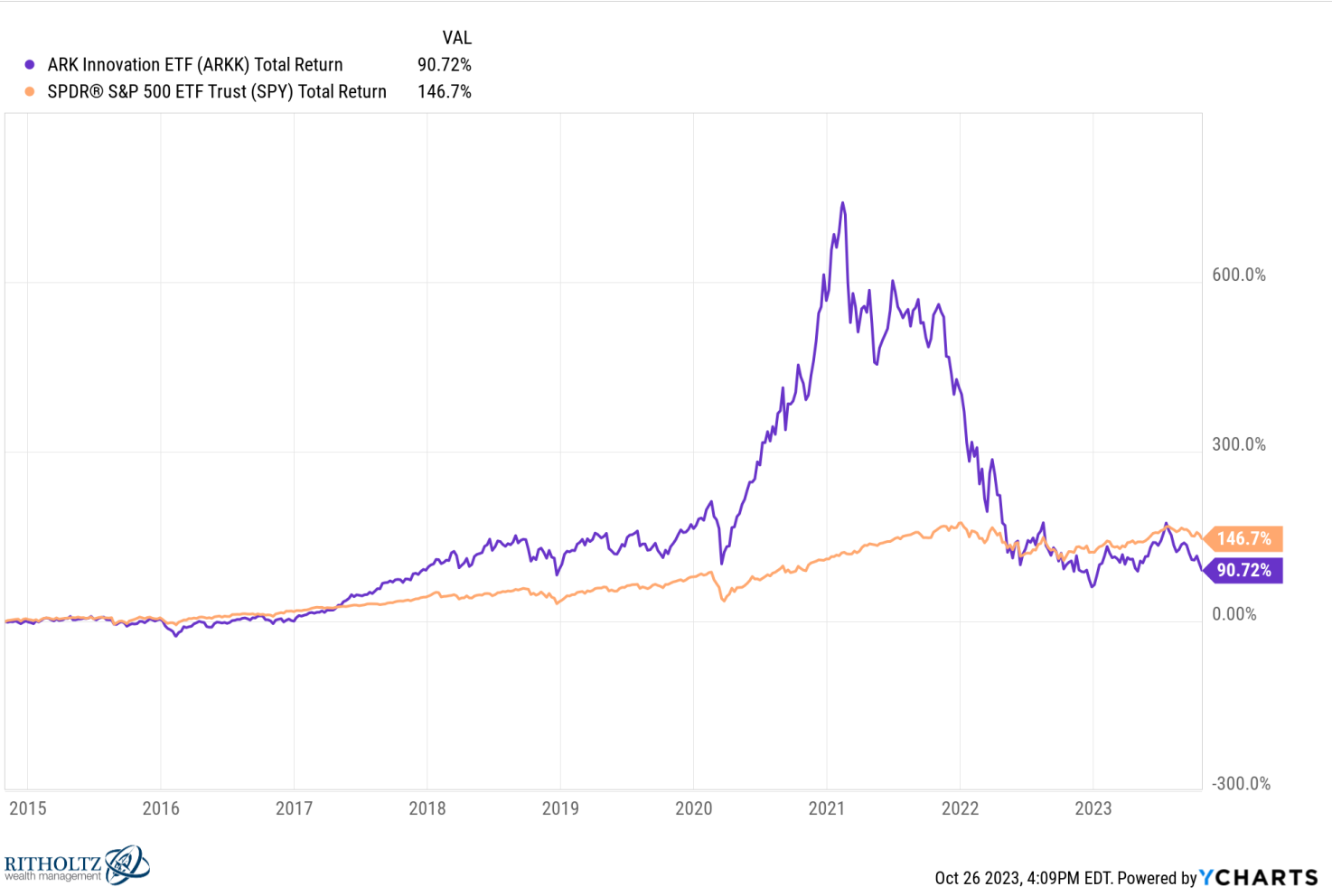


Note: In %
Source: HFR

HFR1 500 Indices

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

ARKK vs S&P500



Data Source: Y Charts, RWM

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%

Ways To Destroy Wealth

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



High-Probability Wealth Management

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“Investing is the art of using imperfect information to make probabilistic assessments about an inherently unknowable future.”



1.3% 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.”



The screenshot shows the King's College London website interface. At the top is the King's College London logo. Below it is a navigation bar with links for HOME, RESEARCHERS, RESEARCH GROUPS, RESEARCH OUTPUTS (highlighted), RESEARCH FUNDING, and INTERNAL. Underneath is a sub-navigation bar with links for Research Outputs, Theses, Journals, and Publishers. The main content area features the title "Active fund managers and the rise of Passive investing: epistemic opportunism in financial markets" and identifies the authors as Crawford Spence, Yuval Millo, and James Valentine. There are tabs for "Overview" and "Citation formats". A table of metadata includes: Original language: English; Number of pages: 33; Journal: Economy & Society; Accepted/In press: 6 Jan 2023. A "Documents" section lists "Active v Passive final version" with a file icon, a file size of 80.8 KB, and an upload date of 06 Jan 2023. The version is noted as "Accepted author manuscript".

KING'S
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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



#TEBI



“We were really surprised that some individuals conceded the superiority of index funds. That people even said ‘I wouldn’t invest in my own fund’ or ‘all of my own money is in index funds’ is truly remarkable.”

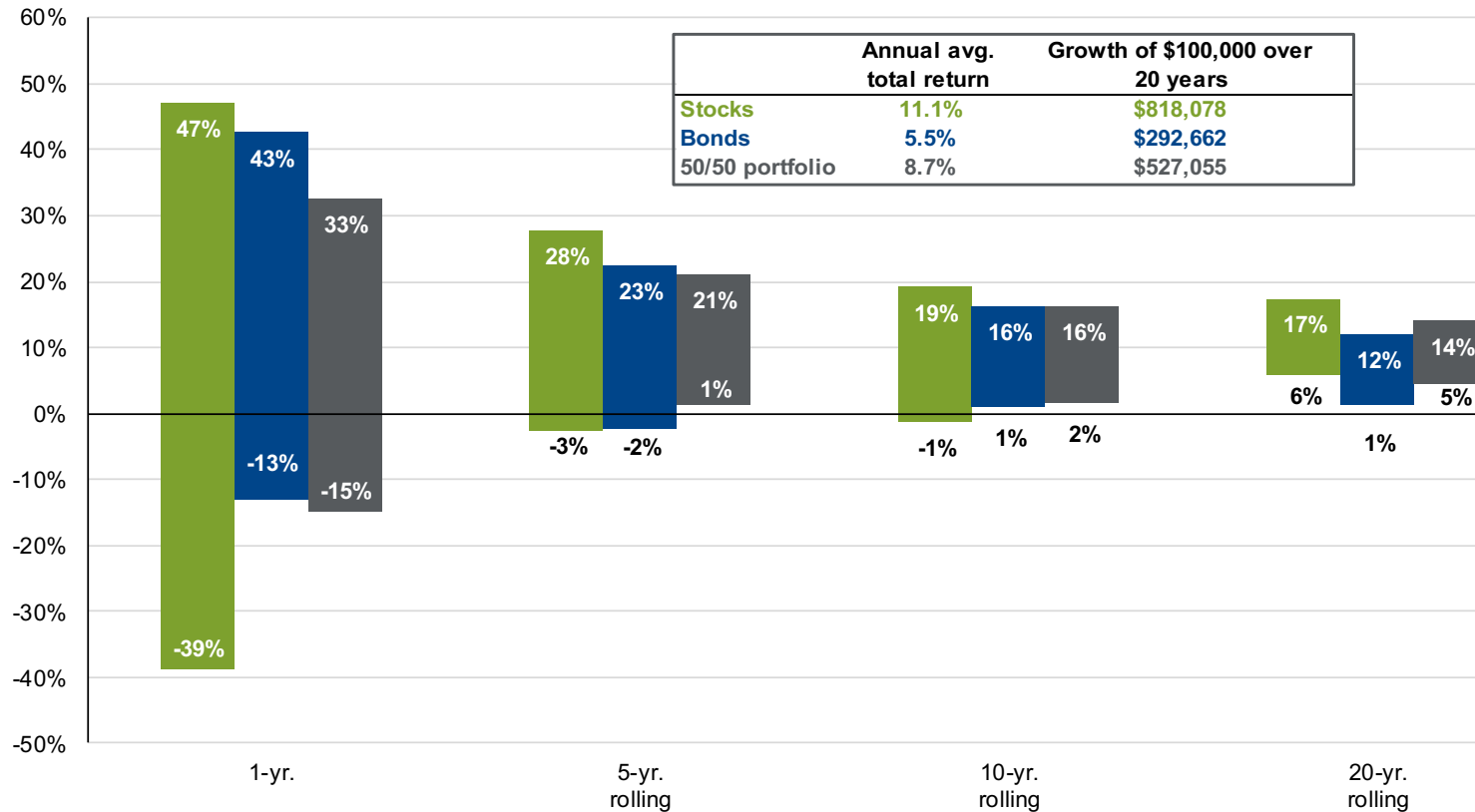
**Professor Crawford Spence,
King’s College London**

Powered by REGIS™

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



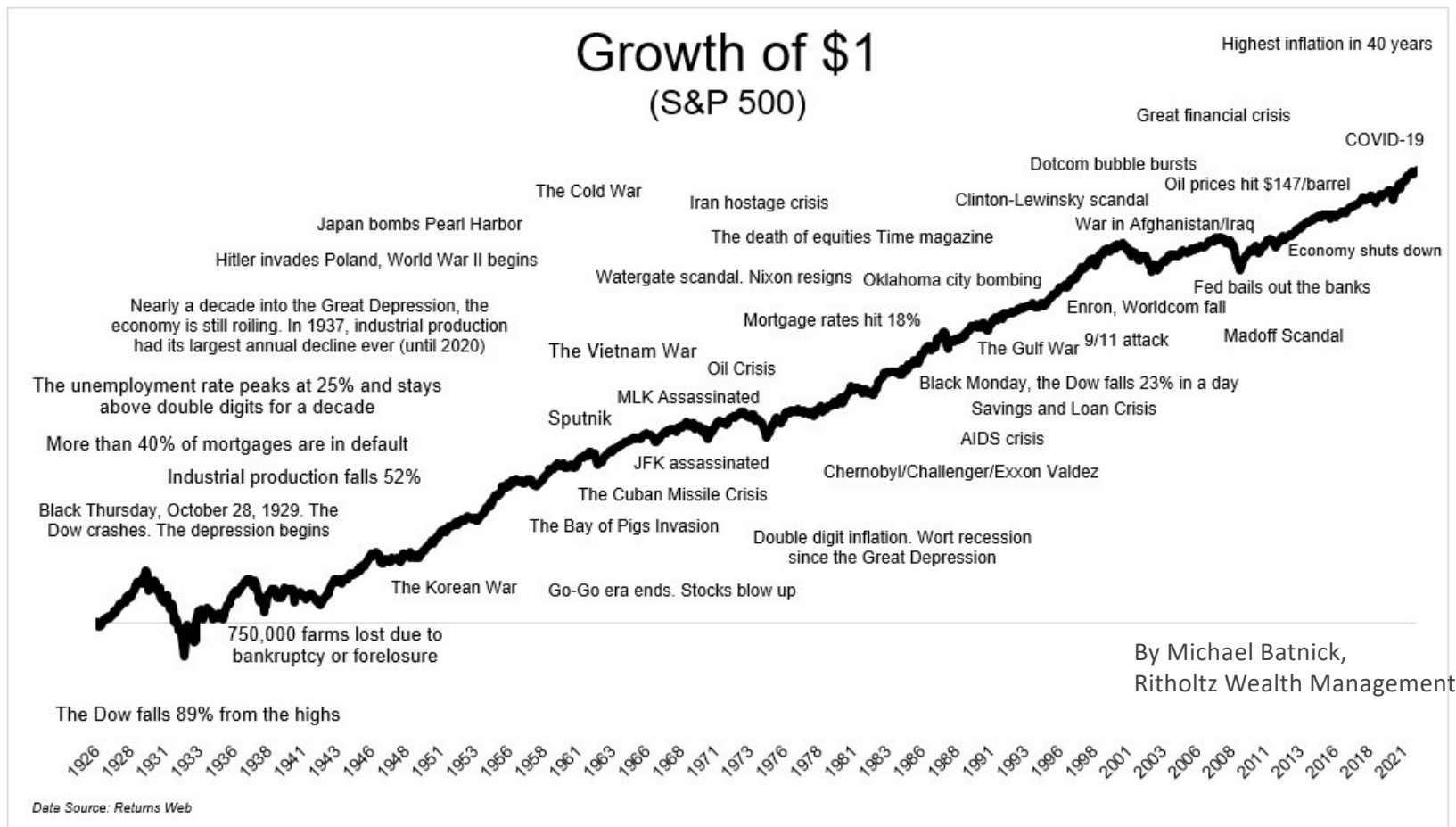
What is NOT in your control:

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

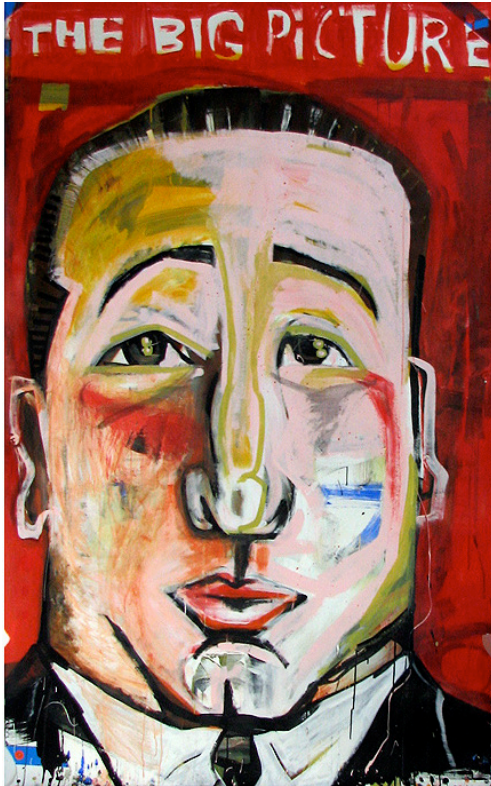
What IS in your control:

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

There is ALWAYS a Reason to Sell



By Michael Batnick,
Ritholtz Wealth Management



Barry L. Ritholtz

Chairman, Chief Investment Officer
Ritholtz Wealth Management
24 West 40th Street, 15th floor
New York, NY 10018
212-625-1200
Barry@RitholtzWealth.com



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