

**Ditch
the Pie,**



**Pick up
the Barbell**

**Why it's time to reconsider
traditional investment theory
for HNW families**



CAZ INVESTMENTS
Access to Innovative Investing

A brief history on investment theory

Modern Portfolio Theory (MPT) was developed in 1952 by Harry Markowitz and won him a Nobel Prize in economics.

MPT is an asset allocation theory of constructing portfolios that are a mix of many different asset classes to get the “optimal” blend – theoretically providing the maximum possible return for a given level of risk.

Over the past 6 decades MPT has become nearly sacrosanct in the financial world for the simple reason that it has been proven to work. But with some very critical caveats...

MPT relies on **extremely long time horizons** and the ability to ride out the ups and downs of the market, **without needing to access your capital.**



The necessity of a virtually unlimited time horizon may work well for endowment funds and other institutional investors who can wait out the volatility of the market, but... **does the sophisticated family really have the desire to suffer the inevitable drawdowns from the roller coaster that this type of investing can create?**

A few sobering statistics* to illustrate:

- Statistics say that the odds of the Dow falling 7.7% in one day are **1 in 50 billion.**
- In other words, we should expect to never see “anomalies” like this in our lifetime.
- **Yet, despite the 1 in 50 billion statistical probability, drops of 7.7% in a single day happened 4 times in 2008.**
- **During the Great Recession the S&P declined by 50%** and while most investors felt they were well diversified, they still found themselves vulnerable to significant market declines and lost great sums of money.

Institutions may be able to weather such large drawdowns of their entire portfolio, but to a family, **risk is really the INABILITY to have their money available WHEN THEY NEED IT.**

High Net Worth families should reconsider any investment strategy based on an approach that relies on unlimited time horizons.



*Source: Clifford Short, III, “A Nontechnical Introduction To Benoit Mandelbrot’s Multi-Fractal View of Financial Markets Verses Modern Financial Models,” *The American Academy of Financial Management™ Journal*, Volume 7- Spring 2009

There is a way to step off the roller coaster

In the midst of the volatility in the financial markets many sophisticated HNW families and institutional investors have avoided much of the roller coaster by using a unique alternative, the "Barbell Strategy."

The strategy calls for an investment on both ends of the risk spectrum, with very little in between.

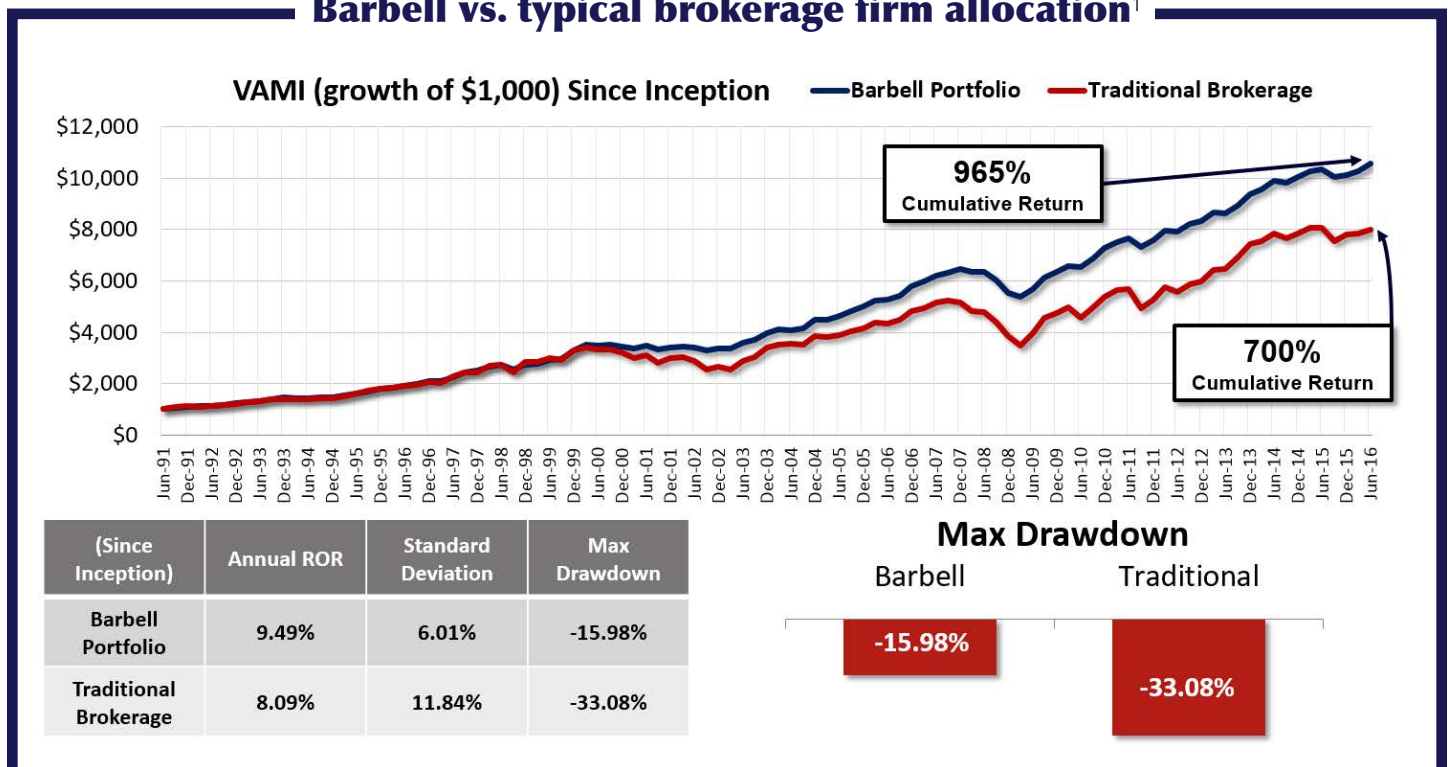
That means investing a percentage in low-risk, low volatility investments while the remaining percentage is invested in less correlated, higher potential return alternative investments.

For example:



Why you may want to consider an alternative barbell approach in 3 simple illustrations:

Barbell vs. typical brokerage firm allocation¹



Source: Standard and Poor, Bloomberg 2017

¹The data presented in this chart is included for illustrative and analytical purposes only and is not intended to constitute projections or predictions of any investment vehicle performance. The Barbell data was prepared by CAZ Investments to illustrate a portfolio management concept, but should not be viewed as a prior track record. The Barbell is comprised solely of indices selected by CAZ Investments, with annual reallocation back to target.

Why CAZ?

- CAZ Investments seeks to isolate major investment themes and identify unique and exclusive investment vehicles that provide downside protection and upside opportunity.
- We believe that by investing with CAZ Investments you will have access to some of the same world class managers as the largest endowment funds and institutional investors.
- We co-invest with our clients because it is very important to us that our interests are aligned with our partners and investors. In fact, our shareholders and principles have invested more than \$200 million in our vehicles to date.
- A significant percentage of our compensation is based on the performance of our client's investments.

We truly are co-investing with our partners – we win when you do.

“At CAZ Investments we provide access to some of the most exclusive investors in the industry. By co-investing with CAZ, our clients are part of a powerful organization that opens the door to a world of unique and innovative investments that are not generally accessible to most families.”

– Christopher Zook, Chairman



Let's talk.



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