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PRAISE FOR *MONEY: MASTER THE GAME*

"Tony Robbins is a human locksmith—he knows how to open your mind to larger possibilities. Using his unique insights into human nature, he's found a way to simplify the strategies of the world's greatest investors and create a simple 7-step system that anyone can use on the path to the financial freedom they deserve."

—Paul Tudor Jones II, *founder*, *Tudor Investment Corporation*, *and legendary trader with 28 consecutive years of positive returns for his investors*

"Tony Robbins has influenced millions of people's lives, including my own. In this book he offers you insights and strategies from the world's greatest investors. Don't miss the opportunity to experience the life-changing value of this book."

—Kyle Bass, *founder of Hayman Capital Management and investor who turned $30 million into $2 billion in the middle of the subprime crisis*

"In this book, Tony Robbins brings his unique talent for making the complex simple as he distills the concepts of the best investors in the world into practical lessons that will benefit both naïve investors and skilled professionals."

—Ray Dalio, *founder and co–chief investment officer*, *Bridgewater Associates*, *#1 largest hedge fund in the world*

"*Money: Master the Game* will be a huge help to investors . . . Tony Robbins dropped by my office for a 40-minute appointment that lasted for four hours. It was the most provocative, probing interview of my long career, a reaction shared, I'm sure, by the other souls with strong investment values and sharp financial minds who populate this fine book. This book will enlighten you and reinforce your understanding of how to master the money game and, in the long run, earn your financial freedom."

—John C. Bogle, *founder*, *the Vanguard Group and the Vanguard index funds*, *#1 largest mutual funds in the world*

"This book is not the typical financial book in any way. It is packed with wisdom and vital philosophies to enrich your life. A lot of books out there have more sizzle than steak to offer. Tony's is different. This book will change your life."

—Dr. David Babbel, *professor of finance*, *Wharton School of the University of Pennsylvania*

"In this book, Tony masterfully weaves anecdote and expertise to simplify the process of investing for readers—priming their financial education and helping them effectively plan for their future."

—Mary Callahan Erdoes, *CEO*, *J.P. Morgan Asset Management*, *$2.5 trillion in assets under management*

"Tony Robbins needs no introduction. He is committed to helping make life better for every investor. Every investor will find this book extremely interesting and illuminating."

—Carl Icahn, *billionaire activist and investor*

"A gold mine of moneymaking information!"

—Steve Forbes, *publisher of* Forbes *magazine and CEO of Forbes*, *Inc.*

"You can't meet Tony Robbins, and listen to his words, without being inspired to act. This book will give you the strategies to create financial freedom for yourself and your family."

—T. Boone Pickens, *founder*, *chairman*, *and CEO at BP Capital and TBP; predicted oil prices accurately 18 out of 21 times on CNBC*

"Robbins's unrelenting commitment to finding the real answers to financial security and independence, and his passion for bringing the insights of the ultrawealthy to the average man, is truly inspiring. This book could truly change your life."

—David Pottruck, *former CEO of Charles Schwab and bestselling author of* Stacking the Deck

"If you're looking for answers and you're committed to creating financial freedom for yourself and your family, then Tony Robbins is your man. Get this book, change your life."

—Farnoosh Torabi, *award-winning author of* When She Makes More: 10 Rules for Breadwinning Women

"Sitting in the back of Financial Destiny nearly twenty years ago, I was a student of Tony Robbins's who had a dream to help teach and empower one million women to be smarter with money. Thanks to Tony, a year later I would be speaking on stage at his events, writing *Smart Women Finish Rich*, and ultimately creating a program that would reach millions of women worldwide. Today there are more than seven million copies of my *Finish Rich* books in print, translated into 19 languages. Tony changes lives, and he will change yours. I, like you, will be reading *MONEY* cover to cover, and sharing it with my friends."

—David Bach, New York Times *bestselling author; titles include* The Automatic Millionaire*;* Start Late, Finish Rich*;* Smart Women Finish Rich*; and* Smart Couples Finish Rich*; founder of FinishRich.com*

"We've been selected by *Forbes* as the most innovative company in the world for four consecutive years. Our revenues are now over $30 billion annually. Without access to Tony and his teachings, Salesforce.com wouldn't exist today."

—Marc Benioff, *founder, chairman, and CEO of Salesforce.com*

"Tony's power is superhuman . . . He is a catalyst for getting people to change. I came away with: It's not about motivation as much as it is allowing people to tap into what's already there."

—Oprah Winfrey, *Emmy Award–winning media magnate*

"Tony Robbins's coaching has made a remarkable difference in my life both on and off the court. He's helped me discover what I'm really made of, and I've taken my tennis game—and my life—to a whole new level!"

—Serena Williams, *18-time Grand Slam tennis champion and Olympic gold medalist*

"I was afraid that my success would take something away from my family. Tony was able to turn it around and show me that I've helped millions of people. Probably the most intense feelings I've ever had."

—Melissa Etheridge, *two-time Grammy Award–winning singer and songwriter*

"No matter who you are, no matter how successful, no matter how happy, Tony has something to offer you."

—Hugh Jackman, *Emmy and Tony Award–winning actor, producer*

"If you want to change your state, if you want to change your results, this is where you do it; Tony is the man."

—Usher, *Grammy Award–winning singer, songwriter, entrepreneur*

"Working with Tony Robbins, I felt unstoppable. From that moment on, there was zero doubt in my mind about what I wanted and how I was going to achieve it. I was so clear about what I wanted that I made it happen: I became world champion."

—Derek Hough, *dancer, choreographer, and five-time winner of ABC's* Dancing with the Stars

"Before Tony, I had allowed myself to be put in a position of fear. After meeting Tony, I made a decision not to be afraid anymore. It was an absolutely game-changing, life-altering experience. I'm so excited and thankful for Tony Robbins and the incredible gift that he gave me."

—Maria Menounos, *actress, journalist, and TV personality*

"What Tony really gave me, a kid sitting on Venice Beach selling T-shirts, was to take risks, take action, and really become something. I'm telling you as someone who has lived with these strategies for 25 years: I'll come back for more again, and again, and again."

—Mark Burnett, *five-time Emmy Award–winning television producer*

"What does this man have that everyone wants? He is a 6'7" phenomenon!"

—Diane Sawyer, *former* ABC World News *and* Good Morning America *anchor*

"Tony Robbins helps you take that first step to making real change in your life. I have a pretty good life, but all of us have aspects of our lives that we want to make greater. It's life-changing. It really is."

—Justin Tuck, *defensive end*, *Oakland Raiders*, *and two-time Super Bowl champion*

"Tony Robbins knows the rhythm of success. He is an incredible source of inspiration, and his methods have improved the quality of my life. I only work with the best, and Tony is the best."

—Quincy Jones, *Grammy Award–winning musician*, *producer*

"Tony Robbins provides an amazing vehicle for looking at your life, mapping out a mission, and determining what's holding you back and what you need to move forward."

—Donna Karan, *legendary fashion designer*, *founder DKNY*

PRAISE FOR *UNSHAKEABLE*

"Remarkably, Robbins has produced a book that will appeal to both the beginner and the most sophisticated money jockey overseeing multibillions of dollars in assets. If there were a Pulitzer Prize for investment books, this one would win, hands down."

—Steve Forbes, *publisher of* Forbes *magazine and CEO of Forbes Inc.*

"Robbins is the best economic moderator that I've ever worked with. His mission to bring insights from the world's greatest financial minds to the average investor is truly inspiring."

—Alan Greenspan, *former Federal Reserve chairman under four sitting presidents*

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Life Force

Unshakeable

Money: Master the Game

Unlimited Power

Awaken the Giant Within

Notes From a Friend

THE HOLY GRAIL OF INVESTING

THE WORLD'S GREATEST INVESTORS REVEAL THEIR ULTIMATE STRATEGIES FOR FINANCIAL FREEDOM

TONY ROBBINS

WITH CHRISTOPHER ZOOK

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PART 1

CHAPTER 1

THE SEARCH FOR THE HOLY GRAIL

Over the past ten years, I have had the privilege of authoring two #1 *New York Times* bestsellers on the topic of personal finance (*Money: Master the Game* and *Unshakeable*). They succeeded not because I am an expert in the field, but because I have one important thing . . . **access!**

Over four decades of work as a life and business strategist have earned me personal access to many of the world's most brilliant financial minds, many of whom happen to also be fans of my work. From Alan Greenspan to Ray Dalio to the late Jack Bogle to Paul Tudor Jones and countless others, I've had the pleasure of sitting down with titans of investing to extract the tools, tactics, and mindset that anyone, at any stage of life, can—and should—apply in the quest for financial freedom. Their generosity of time and principles helped me form a trio of "playbooks," and I encourage you to read the others if you have not already.

I began my deep dive into money mastery after the 2008 financial crisis when the world's economy was on the brink of collapse due to the reckless behavior and greed of a relative few. Nobody escaped the economic pain, myself included. My phone rang off the hook as I tried to coach friends and family through job loss, home loss, and obliterated retirement plans. From the barber to the billionaire, the storm tore through everyone's life with varying degrees of devastation.

Never one to be a victim of circumstance, I decided to take immediate action to become part of the solution. With a healthy dose of cynicism, I set out to answer the most important question facing a financially illiterate society. . . . **Is the game *still* winnable?** In the post–financial crisis world, could the typical investor win the game of investing? Could the average person become financially free even if they never sell a business, inherit a nest egg, or scratch a winning lottery ticket? **After interviewing over fifty of the world's most brilliant financial minds and boiling down hundreds of hours of interview recordings, the answer to the question was a resounding YES!** Although the titans I interviewed shared very different approaches, they all agreed on certain immutable laws and steps the investor needs to take (and avoid) to win the game.

Although there are many, the four of the most common principles among these greats were as follows:

1. **First, don't lose.** As Warren Buffett succinctly says, "Rule #1, don't lose money. Rule #2, see rule #1." If you lose 50 percent in a bad investment, you will need 100 percent return just to get back to even. One thing that all the most successful investors have in common is they know that they will indeed lose at times (yes, even Buffett). To mitigate this, they never get too far over their skis and risk too much on any one investment, which leads to the second principle . . .
2. **Second is the core principle of asset allocation—**i.e., spreading your assets among different types of investments with varying risk-reward ratios. When I sat down with the late David Swensen, the man who took over Yale's hundred-year-old endowment and grew it from $1 billion to $31 billion, he explained that your asset allocation accounts for 90 percent of your investment returns! **As you will learn, the ultra-high-net-worth and biggest institutional investors have a drastically different approach to asset allocation than the typical investor.**
3. **Third, wherever possible, look for opportunities with "asymmetric" risk reward.** Simply put, these investors look for investments where the potential reward far exceeds the downside risk. My good friend, and legendary trader, Paul Tudor Jones will only place trades where he believes the risk/reward ratio is 5 to 1.

He will risk $1 to make $5. This way he can be wrong more times than right and still succeed.

4. **Fourth and final is the principle of diversification.** You want to own a wide variety of investment *types* (stocks, bonds, real estate, private equity, private credit, etc.) across various asset classes, geographies, time frames, etc. . . .

My guess is, if you are reading this book, you are NOT the average investor. You (or your clients) have likely accumulated enough of a financial foundation to move beyond these core tenets and add some additional fuel to your investing fire. **As you will see in the pages ahead, alternative investments have generated outsized returns for the world's most astute investors. For example, between 1986 and 2022, private equity as a whole has outperformed the S&P 500 by over five percentage points annually (9.2% compared to 14.28%). That's a 50 percent plus greater return. Private credit, an alternative to bonds, has generated two to three times the income/yield.***

It is undeniable that the smart money uses high-quality alternative investments as the engine for greater diversification and accelerated growth. This is what the titans of finance do with their own personal capital. I know because they've told me. Over decades, I have fostered ongoing relationships with these "masters of the financial universe." For this book, we have interviewed a baker's dozen, thirteen of the most successful alternative investment managers that have generated extraordinary, compounded returns rarely seen by the general public. Folks like . . .

- **Robert F. Smith**—Founder of Vista Equity Partners, Smith is considered the most successful enterprise software investor of all time, managing over $100 billion and generating outstanding returns relative to the company's peers (over the past twenty-plus years). Vista's portfolio spans more than eighty companies, with ninety thousand employees. As of March 2023, the portfolio companies that Vista owns generate over $25 billion in annual revenue!

*https:/moneymade.io/learn/article/private-credit-vs-bonds

- **Bill Ford**—A pioneer in the world of private equity, Ford has grown General Atlantic's assets under management from $12 billion to more than $80 billion and expanded the firm's global presence. Over its history, General Atlantic has invested more than $55 billion in over five hundred companies within technology, financial services, healthcare, and life sciences.
- **Vinod Khosla**—Founder of Khosla Ventures, Vinod Khosla is a legend in venture capital. His early stage investments in disruptive technology companies propelled him from an immigrant with little means to a self-made multibillionaire. He is famous for turning a $4 million investment in Juniper Networks into a $7 billion windfall for his investors.
- **Michael B. Kim**—The "Godfather of Asian Private Equity," Kim has created the largest independent private equity firm in Asia, with a focus on China, Japan, and Korea. His astounding success for investors has also made him South Korea's wealthiest man.
- **David Sacks**—Founder of Craft Ventures, cohost of the *All In* podcast and original member of the PayPal "mafia" with Elon Musk and Peter Thiel. Sacks has invested in over twenty unicorns, including Affirm, Airbnb, Eventbrite, Facebook, Houzz, Lyft, Palantir, Postmates, Slack, SpaceX, Twitter, and Uber.

And many more!

These individuals play the money game at the highest possible level. Yet they play the game with an edge. **The edge of access!** Their status and professional networks **provide them with extraordinary access to unique investments that, frankly, 99.9 percent of people won't typically have access to.** Perhaps even more compelling, they tend to perform well in good times and in bad. **These investors have shown over and over that while they're not immune to the ups and downs of the economy, they know how to thrive, not just survive, during the economic winters.** Instead of being content to ride out the storm, they go shopping when prices are down. To them, a storm is an opportunity. It's one thing to make money when the markets rise; a rising tide lifts all boats. But to generate returns when markets are choppy? That's what separates the good from the great.

One of the "hall of fame" players in the smart money game is my friend **Ray Dalio.** Ray is the Tom Brady of "macro" hedge fund managers. The G.O.A.T. For those who aren't familiar, Ray is the founder of Bridgewater, the world's largest hedge fund ($196 billion*), with an astounding track record in both good times and bad. He was one of the first who predicted the Great Recession and took advantage. **In 2008, while the market melted down 37 percent, Bridgewater bucked the trend and gave investors a gain of 9.4 percent.** Their "Pure Alpha" fund has averaged over 11 percent annually since its inception in 1991 (compared to approximately 7 percent for the S&P 500).† Needless to say, when you consistently beat the market by wide margins for more than thirty years, you become one of the most sought-after hedge funds for the world's wealthiest. From the sovereign wealth funds of the richest countries on earth to the most influential billionaires, Ray is on speed dial to many of the world's most powerful.

In some of our earliest conversations, nearly a decade ago, he taught me what he considers the most important principle of successful investing. A principle of diversification to maximize reward and minimize risk. A principle that has guided my own personal investment strategy and, more important, provided the inspiration for the title and content of this third and final book in my financial trilogy: what Ray calls the **"Holy Grail" of investing.** A simple yet profound strategy that is rarely put into practice. I'm going to tell you how it works.

First, it's important to understand that most traditional portfolios hope to **reduce risk and maximize upside through the core principle of diversification: Don't keep all your eggs in one basket.** But unfortunately, this doesn't always work out as expected. This is because many of today's traditional investments are "correlated," which simply means they move up or down in unison.

Correlation measures how much investments move together in the same direction (positively correlated means they move in unison, while negatively

*https:/whalewisdom.com/filer/bridgewater-associates-inc

†https:/www.reuters.com/business/finance/bridgewaters-flagship-fund-posts-gains-32-through-june-2022-07-05/#:~:text=In%20the%20first%20half%20of%202022%2C%20the%20S%26P%20500%20was,an%20average%20of%2011.4%25%20annually.

correlated means the opposite). Then you have varying degrees of correlation, meaning they move together but not in complete lockstep. **For example, stocks and bonds are generally uncorrelated. When stocks go down, it is helpful if bonds go up to give you some protection. However, correlations are always changing and can often throw some unexpected curveballs.**

In 2022, stocks and bonds both dropped simultaneously. While this is somewhat rare, it may not be an anomaly going forward. AQR, one of the world's most successful algorithmically driven hedge funds, believes that "*macroeconomic changes—such as higher inflation uncertainty—could lead to a reappearance of the positive stock–bond correlation of the 1970s,'80s, and '90s.*" In August of 2023, a Bloomberg headline came across my screen that read ***"Bonds are a useless hedge for stock losses as correlation jumps."**** The article noted that the positive correlation between treasury bonds and stocks is at its highest reading since 1996!

And it's not just stocks and bonds that have been shown to positively correlate lately. Publicly traded REITs (companies that own and manage real estate portfolios) tend to have a strong degree of correlation with stocks, despite being a different asset class. Between 2010 and 2020, REITs had an 80 percent positive correlation with the S&P 500.[†] Adding real estate to your portfolio might seem like a smart way to diversify, but in fact, your REITs and stocks are more likely to dance in unison. To be fair, REITs performed quite well over the period from 2010 to 2020. But here's the key point: when stocks came crashing down in 2022, REITs also took a tumble. So much for keeping a portion of your eggs safe and sound.

Likewise, cryptocurrency, often touted by its supporters as "digital gold" and a hedge against market volatility, has been moving in lockstep with stocks in recent years. In 2022, Bitcoin took a 65 percent plummet, from

*https:/www.bloomberg.com/news/articles/2023-08-02/bonds-are-useless-hedge-for-stock-losses-as-correlation-jumps

[†]https:/www.investopedia.com/articles/financial-advisors/030116/reits-still-viable-investment.asp#:~:text=REITs%20Offer%20Diversification%20Pluses,through%20the%20end%20of%202020.

approximately $47,000 to nearly $16,000. The same year, stocks entered a bear market and inflation took root. A Georgetown University study found that "crypto assets followed the market's lead even more closely during periods of high market volatility, such as the Covid pandemic and Russia's invasion of Ukraine."* Who knows how it will perform in the future, but it certainly failed as a hedge of protection most recently.

The problem is that today most traditional diversification strategies tend to involve adding more and more positively *correlated* investments! Some investors, knowingly or not, seem to have given up on finding uncorrelated investments to help manage big swings. **One frightening headline recently came across my newsfeed: Older Americans, those in retirement or near to it, are forgoing bonds for protection and betting most or all of their future solely on stocks.** This is quite the gamble. The *Wall Street Journal* reported of clients at Vanguard, "one-fifth of investors 85 or older have nearly all their money in stocks, up from 16% in 2012. The same is true for almost a quarter (25%) of those ages 75 to 84."† **This abandonment of diversification is a high-stakes roll of the dice, but unfortunately, many American's feel they have no choice when their "diversified" portfolios don't act the part.**

So what is the "Holy Grail" of investing?

According to Dalio, the Holy Grail is a portfolio of eight to twelve ***uncorrelated (or non-correlated)*** investments which, together, will dramatically reduce risk without sacrificing returns. **Dalio demonstrates that a portfolio structured this way can reduce risk by as much as 80 percent while maintaining the same, or similar, upside potential.** He puts it this way:

> *"From my earlier failures, I knew that no matter how confident I was in making any one bet I could still be wrong—and that proper*

*https:/www.institutionalinvestor.com/article/b8xcj9wtd1gjb5/Crypto-Is-Becoming-More-Correlated-to-Stocks-And-It-s-Your-Fault#:~:text=They%20found%20that%20the%20correlation,January%202016%20and%20January%202021

†https:/www.wsj.com/articles/it-isnt-just-boomers-lots-of-older-americans-are-stock-obsessed-ca069e1a

diversification was the key to reducing risks without reducing returns. If I could build [a portfolio filled with high-quality return streams that were] properly diversified (they zigged and zagged in ways that balanced each other out), I could offer clients an overall portfolio return much more consistent and reliable than what they could get elsewhere."

This sounds simple enough, right? But there's one big challenge: Where do we gain access to so many high-quality noncorrelated investments? **Turns out, access is the tricky part—and that's precisely why I wrote this book.**

THE BILLIONAIRE'S PLAYBOOK

Since embracing the Holy Grail philosophy, I've developed a portfolio of publicly traded stocks combined with a large dose of unique alternative investments. For example, I am a fan of **private real estate** that affords steady income and tax benefits (e.g., depreciation). I am a fan of **private equity,** as nearly every great private company needs capital to grow, and private equity returns have consistently outperformed stocks quite handily. **Private credit,** when managed correctly, has proven to be a great alternative to bonds, especially at a time when rates are surging. I also sprinkle in some venture capital; it's higher risk but is always pushing the edge of innovation and disruption, which resonates with my inner entrepreneur.

As you may already know, once you reach a certain net worth, the SEC invites you into a special club.**They deem you an accredited investor when you achieve $200k in annual income or $1 million net worth (not including your home).** This affords you access to some, but not many, alternative investments.**The good news: At the time of this writing, there is legislation pending that will allow anyone to take a test to become "accredited" regardless of their net worth (more on this later in the chapter).**

The SEC bumps you up to **qualified purchaser** status when you have $5 million in total investments. This opens up the entire universe of alternative investments. But here's the rub . . . Just because you qualify, doesn't mean you can get in the door. **In fact, many of the best alternative investments are closed to new investors or, like a new, limited-edition exotic car, they sell out before they even hit the market.**

Earlier in my investing career, I experienced this frustration numerous times. The truth is, there seems to be simply too much demand—too much cash looking for a home in alternative investments. And who seems to be first in line? The biggest check-writing institutions in the world. Sovereign wealth funds, college endowments, and mega family offices throw their weight around and elbow out the individual investor.

My co-author, Christopher Zook, shared a funny anecdote from early in his career . . .

I had been waiting for the fax all morning. Yes, this was more than twenty-five years ago, in the days of the ancient facsimile machines. I had received a call the day before notifying me of the good news that my clients and I would be able to invest in a certain flagship private equity fund. We had been trying for years (to no avail) to get access to this specific manager as every fund was "over-subscribed."

Now the time had come to find out just how much of an allotment we would be given. We were finally going to get into the cool kid's club. My clients and I had pooled together approximately $5 million of our own money to invest. The fax machine began to make that unmistakable racket and spit a thin paper scroll onto the floor. My heart sank as I read that our total allotment (aka our allocation) was a whopping $250k. It was like getting a reservation at the best pizza place in New York only to be served a single slice to share with a crowded table of friends.

AN INSATIABLE APPETITE

The appetite for alternative investments in the areas of private equity, private real estate, and private credit seems insatiable. According to research firm Preqin, in 2006 approximately $1 trillion was being managed by private equity managers.**Today there is more than $6 trillion allocated to**

private equity, with projections that the market will grow to more than $14 trillion by 2025. This "Great Migration" to alternatives seems unstoppable as the smart money is clearly re-allocating. Fewer public equities, more private equity. Less public credit (bonds), more private credit. Fewer public REITs, more private real estate.

My suspicions were confirmed by my dear friend and advisor Ajay Gupta. Ajay has represented my family for over fifteen years. By way of background, Ajay is the former (now retired) chief investment strategist for one of the largest independent investment advisors in the U.S., with approximately $200 billion in assets under management. He sold to one of the larger private equity firms, and he now runs Robbins Gupta Holdings, our joint family office.

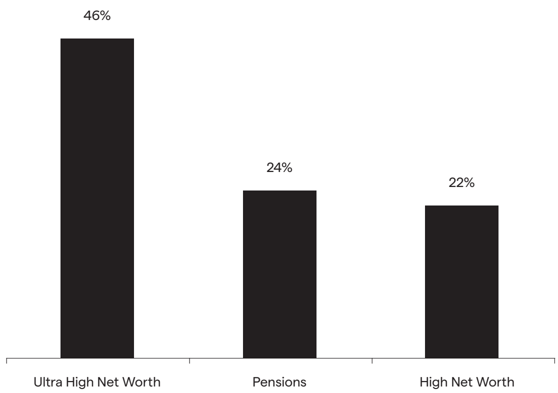
One day, Ajay handed me a report from KKR, one the world's largest private equity firms. They had recently conducted a survey in which the world's wealthiest family offices, endowments, and pension plans all gave a peek under the hood. I was surprised by the survey participants' willingness to share their current asset allocation. It bears repeating that our asset allocation, how much we choose to invest and in which asset class, is the greatest driver to our investing success. This is a universal truth among every single investor I have interviewed over the past two decades.

As I scoured the KKR report, this was the most shocking statistic I saw . . .

Ultra-high-net-worth families (those with over $30 million) have nearly 46 percent of their assets in alternative investments, with only 29 percent in publicly traded stocks (see figure on page 13).* Alternative investments used to be a side dish in a portfolio; now they are more like the meat and potatoes. **And get this . . . of the money these groups had in alternatives, more than half (52 percent) was invested in private equity, with the balance nearly equally divided between real estate (25 percent) and hedge funds (23 percent).**

*https:/www.kkr.com/global-perspectives/publications/ultra-high-net-worth-investor-coming-age

ALTERNATIVES AS A % OF TOTAL ASSET ALLOCATION



Data as of March 2017. Source: Willis Towers Watson Global Pension Assets Study 2017, publicly available private wealth manager data. KKR 2017 HNW Survey

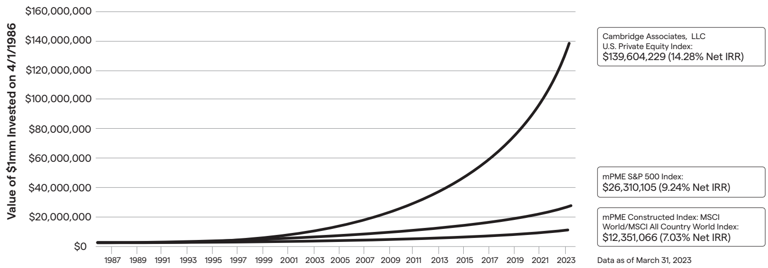
Why this profound shift toward alternatives? Well, these tea leaves don't take much reading . . .

On a global level, private equity outperformed public markets in thirty-five of the last thirty-five years (between 1986 and 2020)!*

As you can see in the figure below, as an entire asset class, private equity† produced average annual returns of 14.28 percent over the thirty-six-year period ending in 2022. The S&P 500 produced 9.24 percent. That's more than five percentage points greater in annualized returns, which translates into runaway compound growth. To put that into perspective, between 1986 and 2022, a hypothetical $1 million investment in the S&P 500 would have grown to **$26,310,105.** Not too shabby. But the same $1 million would have grown to a whopping **$139,604,229** with private equity! Keep in mind, these returns are the average for the private equity industry as a whole, but many firms have achieved far greater returns.

*Global PE vs MPME MSCI All Country World Index—Cambridge and Associates
†As measured by the Cambridge Private Equity Index. https:/www.cambridgeassociates.com/insight/us-pe-vc-benchmark-commentary-first-half-2021/

SIMULATED PERFORMANCE OF PRIVATE VS. PUBLIC EQUITY



The index is a horizon calculation based on data compiled from 1,505 funds, including fully liquidated partnerships, formed between 1986 and 2022.

Private indexes are pooled horizon Internal rate of return (IRR) calculations, net of fees, expenses, and carried interest. CA Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public index's shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME NAV is a function of mPME cash flows and public index returns. "Value-Add" shows (in basis points) the difference between the actual private investment return and the mPME calculated return. Constructed Index: MSCI World/MSCI All Country World Index: Data from 1/1/1986 to 12/31/1987 represented by MSCI index gross total return. Data from 1/1/1988 to present represented by MSCI ACWI gross total return. The timing and magnitude of fund cash flows are integral to the IRR performance calculation. Public indexes are average annual compounded return (AACR) calculations which are time weighted measures over the specified time horizon and are shown for reference and directional purposes only. Due to the fundamental differences between the two calculations, direct comparison of IRRs to AACRs is not recommended.

Sources: Cambridge Associates LLC, MSCI, Standard & Poor's.

PAST PERFORMANCE IS NOT A GUARANTEE OF CURRENT OR FUTURE RESULTS. Historical examples shown do not, nor are they intended to, constitute a promise of similar future results. The information and statistical data contained herein are taken from sources believed to be accurate and have not been independently verified by CAZ Investments. Historical examples are provided for information purposes only and are not intended to represent any particular investment.

As you can see, private equity performs well in good times, but it has also weathered many a storm. When we look at recent history, there have been three major market downturns (and subsequent recoveries). **The Internet Bubble Bursting of 2001, the Great Recession of 2008, and the COVID Pandemic of 2020. In all three cases, the "peak to trough" declines of the S&P 500 were far steeper when compared to private equity.*** A study by Wall Street behemoth Neuberger Berman summed it up nicely: ***"Private Equity historically experienced a less significant drawdown, and a quicker recovery, than public equities in all three [downturns]."*** **Case in point, in 2021, on the heels of the pandemic and a global supply chain crisis, private equity had one of its best years, producing pooled returns of 27 percent.† This is just slightly below the stellar performance of 33 percent in year 2020.‡** Private equity heavyweight Bain Capital wrote,

*As tracked by the US Private Equity Buyout Index of Cambridge and Associates
†https:/www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/mckinseys-private-markets-annual-review
‡McKinsey Private Markets Annual Review 2021

*"Private Equity blew the doors off in 2021 as trillions in pandemic-related stimulus produced a historic surge in dealmaking and exits."**

This explains the massive shift to private investments. They simply offer a greater opportunity set. You have to fish where the fish are. Increasingly, companies don't need to go public like they used to. They can get access to capital without dealing with the barrage of legalities and procedures that come with becoming publicly traded. In fact, according to the *Financial Times*,† **the number of publicly traded U.S. companies has fallen by nearly half, to around forty-four hundred, since the peak in 1996. That's just forty-four hundred companies for investors to consider,** and we all know many of them are mediocre at best when it comes to profitability, growth, and future prospects. **In fact, back in 2009, 81 percent of public companies were profitable (post IPO); by 2021, only 28 percent were profitable (post IPO).‡**

By contrast, there are tens of thousands of private companies growing, innovating, and disrupting. Approximately 80% of all companies with more than $100 million in annual revenue are privately held. **When you look at the total value of all publicly traded companies globally, you may be shocked to learn that the value of all companies held by private equity funds dwarfs public stocks by nearly 4 to 1!§**

Now, this is not to say that public stocks don't have a role in our portfolios. They absolutely do, and they are an important ingredient in many Holy Grail portfolios (mine included). Stocks allow anyone and everyone to become owners of our economy, not just consumers. You can own Apple, not just an iPhone. **And stocks allow us to access thousands of global companies, doing business in numerous geographies, with the ability to buy/sell their shares at the click of a button.** There is *not* a competition between public equity vs. private equity. **They are complementary!**

Numerous studies have shown that adding private equity to a typical stock-and-bond portfolio has the tendency to not only reduce volatility,

*https:/www.bain.com/insights/private-equity-market-in-2021-global-private-equity-report-2022/

†https:/www.ft.com/content/73aa5bce-e433-11e9-9743-db5a370481bc

‡https:/www.statista.com/statistics/914724/profitable-companies-after-ipo-usa/

§Prequin: World Federation of Exchanges

but also increase returns.* This is what it's all about: reducing risk (volatility) while increasing returns.

DEMOCRATIZATION

In addition to the many trillions already flowing into private markets, regulations are now being loosened.† Soon, hopefully, average investors will be able to invest in private markets through their 401k plans. This could add more rocket fuel to an already soaring industry. **And here is the best news of all. . . .**

As I mentioned earlier, it has always struck me as unjust that only those with enough net worth can participate in high-quality alternative investments. Heck, many wealthy individuals have become wealthy by selling a business—that doesn't necessarily mean they're sophisticated investors. On the other hand, there are plenty of folks with smaller checkbooks out there who have the desire and intelligence to play ball in private markets. It's my humble opinion that if someone is smart enough and understands the risks, they too should be able to join in. Luckily, Congress agrees. **At the time of this writing, the House of Representatives has passed a bipartisan bill that will allow anyone, even if they fall short of the wealth requirements, to become an accredited investor if they pass a test.** My hope is that by the time you are reading this, the legislation will have become law, and everyone will be able to access great opportunities.

As the bright future of alternatives began to take shape in my mind, my instinctual question was, **How can we participate in this broader trend of the trillions of dollars seeking out alternative investments? How can we ride this wave, this tsunami, beyond just being content with getting access to a handful of opportunities?**

Turns out, many of the best and brightest financial wizards have already figured out a way, and I assure you, most people have never heard of it.

*https:/www.nb.com/en/global/insights/investment-quarterly-asset-matters-private-equity-and-your-portfolio

†https:/news.bloomberglaw.com/daily-labor-report/private-equity-firms-are-winning-the-fight-for-your-401k

MY BIG BREAKTHROUGH

As many of you know, I have been coaching my dear friend Paul Tudor Jones for over two decades. Paul is considered by many to be one of the top ten hedge fund managers in history as well as an incredible philanthropist—his Robin Hood Foundation has donated more than $3 billion toward fighting poverty in New York City.

Nearly a decade ago, one of Paul's former partners (who has since launched his own successful fund) and I were having a conversation about alternative investments. I was commiserating over the common challenge of not being able to get into some of these great investment opportunities. **Getting an "allocation" in a highly sought-after private equity fund is the wealthy person's version of getting past the velvet rope at a hot new nightclub.** More often than not, people are left out in the cold, cash in hand.

Buddy to buddy, he decided to divulge what he does with a good chunk of his personal money. My ears immediately perked up. Here was a top-pedigree fund manager about to tell me what he does with his treasure. Like Tiger Woods telling you where he gets fitted for golf clubs. Better take note! He explained he personally uses a firm out of Houston, Texas, that was taking a slightly different approach. Texas? I thought a guy from Greenwich, Connecticut, would be using an elite firm from Wall Street, London, or Singapore. But like most brilliant financial folks that breathe rarified air, he would be found on the road less traveled.

He spent the next hour educating me on one particular approach that sounded like an exact answer to my question.

How can one participate in this seismic shift toward alternative investments?

As I scribbled notes as quickly as I could, he explained that instead of fighting to get into a fund as an LP investor (a limited partner), there was sometimes a way in which one could join up and become an owner of the entity known as the GP (general partner). The general partner is the actual operating company, also known as the asset manager, who manages the underlying investment funds. The GP is typically owned by the founders and the C-suite employees. "*One can actually buy a piece of the GP!?*" I asked, somewhat baffled. He nodded with the grin of a tenured veteran. This was a paradigm-shifting moment for me. After all, many of the financial titans I have interviewed became billionaires by owning their own asset management firms (and thus being the general partner).

It's no secret that the highest concentration of billionaires on the Forbes 400 are not from big tech or oil and gas. They are the moguls of private equity, private real estate, and private credit. These are the financial masterminds that often generate massive wealth for their clients (the LPs) and for themselves (the GP). These are the people that have mastered the game of money and manage tens or even hundreds of billions. These are the people that, given the opportunity, I want to sit shoulder-to-shoulder with as partners. Could it *really* be possible that I could own a sliver of their business of managing money, especially as trillions are flowing into alternatives? The answer, it turns out, is yes. This world, known as "GP stakes," has become increasingly popular among big institutional investors over the past decade but is only beginning to see mainstream coverage. A story in the *Wall Street Journal** summed it up with a headline: **"Buying Stakes in Private Equity Firms, Not Just Their Funds, Pays Big."**

Why does it pay big? . . .

The client of these firms, the investors/limited partners, pays the GP at least two different fees. First, they pay a management fee that is typically around 2 percent per year on the investment amount. Second, if the investment fund performs well, the firm typically gets 20 percent of the profits. So for the top-tier firms that make investors happy, the firm itself is a wealth-building machine for its founders and owners.

As my brain worked to process what I had just learned, I launched into a game of twenty questions. He boiled it down for me, explaining that becoming a minority/passive owner in an asset management firm (the GP) has three distinct benefits . . .

1. Cash Flow—Predictable income is a wonderful thing. If you run a business, you know how rare, and wonderful, it would be to know in advance that you'll have stable, predictable revenue for years.

*https:/www.wsj.com/articles/buying-stakes-in-private-equity-firms-not-just-their-funds-pays-big-1542542401#

Welcome to private asset management. A typical asset management company (GP) manages numerous funds on behalf of investors (LPs). The investors often agree to "lock up" their investments for longer periods of time in exchange for the potential of outsized returns. This creates a long-term horizon for the manager, giving them plenty of time to make the best possible decisions. While putting the investors' money to work, the manager is entitled to a management fee (typically 2 percent per year of all dollars invested). **When investors agree to specific "lock-up" provisions (typically between five and ten years), the asset manager knows they will generate predictable and contractually secured management fee revenue throughout that period. That translates to reliable cash flows for the owners of the firm—in this case, that would include us!** Even better, this steady stream of income will also rise as the firm increases the amount of the money it manages!

2. A Piece of the Profits—As mentioned, in exchange for making their investors money, **the GP receives a handsome percentage of the profits, typically 20 percent, on all the capital they manage.** This is known as carried interest or performance fees. Making money on other people's money, while still giving them great benefits, is a win-win situation that can create outsized returns for the GP (us again!).
3. Diversification—In the wise words of Nobel Prize laureate Harry Markowitz, **"diversification is the only free lunch."** Owning part of the asset management company gets you tremendous diversification. **Why? Because a typical firm manages numerous funds.** Each of those funds has a unique start date or "vintage," which means they are spread across various market/economic cycles. Beyond that, each of those funds contains its own portfolio of companies/investments spread across various industries, sectors, geographies, and stages of growth. This is diversification at the highest level.

There is a fourth and final overarching benefit. Sometimes, a private asset manager will go public or be sold to a larger firm. In this case, the owners, with whom you and I sit shoulder-to-shoulder, may receive a multiple on the equity they own upon the sale. There are a lot of additional benefits that you will learn as you read on, but needless to say, at this point in my conversation I was leaning forward in my chair. It all sounded very appealing (and a little too good to be true). I couldn't help but wonder . . .

Why in the world would a private asset manager sell a stake in their business?

His answer? You need to meet Christopher Zook.

HOUSTON, WE HAVE AN OPPORTUNITY

I was taken aback when I first met Christopher because the first thing he told me was that he was inspired to start CAZ Investments more than thirty years ago after listening to my original *Personal Power* cassette series. (Yes, those ancient cassettes!) It was 1991, and he was working for a major Wall Street bank at the time. He drew a line in the sand and told his wife that within ten years he would launch his own firm. In 2001, true to his word, he launched CAZ Investments—only to be greeted by the post-9/11 bear market. But as you will learn, Christopher is not easily discouraged, and he is an incredibly effective hunter of opportunity, regardless of the market conditions. In addition, he is extremely well respected in the world of alternative investments. **In 2019, the Texas governor appointed him to the state's Pension Review Board, where he serves as the chair of the Investment Committee.**

CAZ Investments is not your typical investment firm. A refreshing candor and a get-your-hands-dirty work ethic are reflective of its deep Houston roots. Under Christopher's more than two decades of leadership, they have forged their own unique path. They had to, because Christopher knew that in order to compete with the big institutions, he'd need to rethink the old, stale model.

Over more than two decades, Christopher and his team have built a network of high-net-worth families that bind together as an "insti-vidual" and use their collective purchasing power to negotiate access to unique investment opportunities. Once again: Access is the name of the game when it comes to alternative investments. As Christopher explained it to me, "*Our role is to wake up each and every day and curate exclusive opportunities for our* *network of investors to consider (they can always choose to invest or pass). In return, our investors have agreed to lock arms as a unified front. We pool our money for each new opportunity and write a single check that will move the needle as much as any major institution.*"

Today, the firm has more than three thousand high-net-worth clients across the globe as well as numerous investment advisory firms who participate in its curated opportunities. The firm has grown to be one of the top 200 allocators to private equity investments worldwide, ahead of major institutional investors like the endowments of Columbia, Duke, and MIT.*

Over dinner, Christopher briefed me on the numerous investment opportunities that have been funded by his network over two decades. I was thoroughly impressed at the scope of timely and thematic opportunities the firm brought to its network. From shorting subprime mortgages during the housing crisis to energy opportunities during an oil crash to buying fractional interests in NBA, NHL, and MLB teams. This list goes on. But it's in the world of "GP stakes" where **CAZ has grown to become one of the biggest players, with ownership in more than sixty prominent private equity, private credit, and private real estate firms that span the globe.**

After extensive due diligence, I became a client, and my family office partner, Ajay Gupta, joined the CAZ board. Over the years, the more we spent time with Christopher and his team, the more we fully appreciated his firm's method of reviewing more than fifteen hundred opportunities each year only to invest in a handful of the best and most timely investments. The team at CAZ was instrumental in helping me assemble my own personal Holy Grail portfolio. I decided I wanted to amplify Christopher's voice and wisdom within my network, and Christopher afforded us the opportunity to join a few dozen others in becoming minority shareholders in CAZ itself. I am not actively involved in the business, but I am passionate about being armed with knowledge about these investment trends, how and where the smart money is moving, and how to capitalize on timely opportunities.

*Source: PitchBook Data as of April 2022

LET'S SPREAD THE WORD

In the middle of 2022, the world was undergoing a major sea change as the era of zero interest rates came to an abrupt end. Persistent inflation, a supply chain crisis, the Ukraine-Russia war, and numerous other factors were sending ripples through the markets. I reached out to my Rolodex of financial titans (many of whom we interviewed for this book), and none were fearful. In fact, they were excited. They sensed opportunity. **For example, while bonds were crashing, rising rates were actually *helping* private credit firms (some of which I own a GP stake in) make substantially higher returns because the rates they charged adjusted upward. Prior to rate hikes, many businesses were accustomed to paying 5–6 percent to private credit lenders; once rates took off, those same businesses were required to pay north of 11 percent as the loans adjusted to the current market rate. Same borrower, same loan—but with a surge in profitability for the lender.**

I recall sitting on my back patio, staring at the ocean, feeling grateful for the principles that Dalio and numerous others had taught me along my journey. Grateful for the strategies I was deploying in my own Holy Grail portfolio. Grateful for the platform I have to share all the insights I have learned through my access. In that moment I knew that Christopher and I needed to write this book. There was simply too much important and empowering material for us to share. Too many interesting strategies to be revealed and explored. Too many voices of seasoned and successful veterans that needed to be heard. I picked up the phone and told Christopher that we needed to write this book for two reasons . . .

1. Between the two of us, we have unique access to many of the most brilliant and successful minds in the alternative investment space. **Folks like Barry Sternlicht, founder of Starwood Capital. Sternlicht has built a global real estate investing empire that spans thirty countries, with more than $115 billion in real estate assets under management. Folks like Wil VanLoh, founder of Quantum Energy, one of the largest private energy investors, with an astounding track record (despite investing**