REVISED AND UPDATED

Top Hedge Fund Traders on **BUBBLES**, **CRASHES**, and **REAL MONEY**

THE invisible HANDS

NEW PREFACE

STEVEN DROBNY

Forewords by **NOURIEL ROUBINI**, author of *Crisis Economics* and **JARED DIAMOND**, author of *Guns, Germs, and Steel* and *Collapse*

WILEY

THE INVISIBLE HANDS

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Top Hedge Fund Traders on Bubbles, Crashes, and Real Money

Revised and Updated

Steven Drobny

Forewords by Nouriel Roubini and Jared Diamond

WILEY

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For the taxpayer.

The whole problem with the world is that fools and fanatics are always so certain of themselves, but wiser people so full of doubts.

—Bertrand Russell

Investors are the big gamblers. They make a bet, stay with it, and if it goes the wrong way, they lose it all.

—Jesse Livermore

Only after disaster can we be resurrected.

—Tyler Durden

Argue for your limitations and they're yours.

—Richard Bach

The truth always happens.

—Peter Tunney

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Foreword to the 2011 Edition

I first met Steven Drobny in Milan in 2005, when he invited me to deliver the keynote address at a global macro hedge fund conference he was hosting. I was bearish on the global economy at the time, as I had been looking beneath the speculative frenzy that was driving the booming real estate and asset markets around the world. As is often the case in good times, few people paid heed to my doomsayer views, preferring instead to indulge the environment of easy money and write me off as an out-of-touch academic. I thus became accustomed to being the dark cloud at the party.

Before arriving in Milan, I was expecting more of the same: a group of successful, self-congratulatory hedge fund managers who in truth were only riding the loose credit wave by being long stocks, long credit, and long illiquid assets. To my surprise, this was not at all what I found in the Drobny crowd of predominantly global macro managers. Rather, these managers seemed to be on the same page as me, with the discussions focusing on growing macroeconomic imbalances, building credit concerns, housing bubbles, and other systemic issues with deep and far-reaching consequences for the global economy as a whole.

Although the boom would persist stubbornly for another year, the problems discussed at the conference only increased, becoming exacerbated by the very fact that they continued longer than they should have. Ultimately, it all ended in tears during the 2007–2008 meltdown and ensuing credit crisis, whereby those riding the beta trades dependent upon easy money were cleaned out. I was not at all surprised to see that many of the best-performing hedge funds through the crisis were run by some of the savvy managers whom I had met in Milan.

Fast-forward to today and the crash of 2008 seems a distant memory, as unprecedented government response has showered liquidity on markets in the form of tax cuts, bail-ins, bailouts, interest rate cuts (often to zero), credit extensions, guarantees, and other measures, all of which have been packaged in a panoply of acronyms dreamed up in the halls of Washington, Beijing, and Brussels. Stock markets have rallied, with many indexes doubling from their lows; credit spreads have narrowed to pre-Lehman levels; and extreme volatility has softened considerably. In short, investor complacency has returned. But the global economy is far from recovered, and the underlying systemic issues have not gone away.

The big question that remains is whether the economic recovery is sustainable after the massive government stimulus—monetary and fiscal—is withdrawn, or financial markets will wake up and realize that the big systemic risks still remain. Governments have merely kicked the can down the road, transferring private-sector debt to the public sector and piling public leverage on top of private. And we are already seeing some of the implications of this manifested in the sovereign crises of Iceland and the PIIGS (Portugal, Ireland, Italy, Greece, and Spain); higher commodity prices globally; and the threat of inflation coming back in both emerging and developed markets. Although zero interest rates made things look better for a while, at some point policy rates will have to normalize and the fiscal drug will have to be withdrawn. At the same time, geopolitical risks are rising, starting with the domino effect of uprisings in the Middle East, which are causing oil prices to spike and potentially trigger a stagflationary shock. As Ian Bremmer and I discussed in our recent *Foreign Affairs* piece (March/April 2011), we live in a G-Zero world, not a G-20 world, in which there is no global leadership and there is rather much conflict among great powers about macro,

financial, and security issues. Much disagreement surrounds monetary and fiscal policy, exchange rates, trade, global climate change, food and energy security, the reform of supervision and regulation of financial institutions, the redesign of the international monetary system, and global security issues. It is in such a G-Zero world that the great powers see most issues as a zero-sum game, rather than a positive-sum game.

Unlike many books that have appeared in the wake of the crisis, which explain or analyze the events of the past, Steven Drobny's book, *The Invisible Hands*, takes lessons from the past and then looks to the future to examine how all investors can take a risk-based approach to portfolio management that will allow them to navigate what I see as an increasingly volatile road ahead. Economies from Spain to Japan to the United States eventually have to stand on their own feet without government support, and must face investors who are looking for returns commensurate with the risks they undertake. The lessons from Iceland, Greece, and Ireland may well prove to be a warning shot in the same way that issues in subprime mortgages foreshadowed what was to transpire more broadly.

We in the macro community are often decried for our obsession with doom; macroeconomics is the dismal science, after all. But it is not about doom; it is about observing reality and being aware of the tail risks, the "white swan" crises—as I define them in my recent book, *Crisis Economics*—which now occur with increasing frequency and virulence. It is this very objectivity that forces me to continually focus on the downside risks, something that enabled me to correctly articulate the events of 2007–2008. It is not easy to be early in identifying potential risks, but it is essential for global investors today to make that the first step in their investment process. Steven Drobny has spent considerable time and attention reexamining portfolio issues in the real money community, with special focus on risk management. All investors would be wiser for reading this book. It could prove valuable in mitigating the pain that is sure to be ahead when the next crisis comes, which could well make 2008 look rather benign, after all.

Nouriel Roubini
New York
February 2011

Foreword to the 2010 Edition

Question: What is the difference between a Peruvian peasant farmer and a Harvard or Yale endowment manager?

Answer: The peasant is the one who understands risk-sensitive investing and sound investment goals.

That question and answer illustrate why I, as a mere impractical academic historian, find the practical world of investment fascinating.

I got my first peek into the mystery-wrapped world of hedge funds several years ago, when Steven Drobny invited me to give the opening address at his annual conference for hedge fund managers. That initial peek aroused my curiosity. It led me to return to his conference in the following year as an observer, to meet some of Steven's colleagues and invited managers, to read Steven's previous book, *Inside the House of Money*, and to enjoy brunches with Steven from time to time, where we talk about anything from hedge funds and raising children to fixing the world.

One reason why I became fascinated in the world of investing was the parallels that I saw between investing and history. The issue of risk

is acute in both of those spheres. Endowment and hedge fund managers evaluate upside and downside risk to the money they manage for other people, and they make or lose money as a result of those evaluations. The historical and modern peoples whom I study assess upside and downside risk to their own resources that they manage, and they and their families survive or die as a result of those evaluations.

For example, in the Middle Ages, the Norse on the island of Greenland, descended from Viking settlers who colonized Greenland in the year AD 984, made decisions each year about how many of their cows to cull in the fall. They knew the amount of hay that they had harvested during the previous summer, and knew the length of each individual winter (hence the demand for hay to feed the cows over the winter) over many past decades, but did not know the length of the particular winter lying ahead. If they still had hay left in the spring, that meant that they had culled a certain unnecessary quantity of cows, and they could have brought more cows through the winter, then produced more milk, cheese, and meat as a result and been less hungry the following year. If they instead found themselves running out of hay during the winter, that meant they had culled too few cows in the fall, meaning they would have to start sacrificing cows in the winter, ending up with fewer cows in the spring than if they had culled more cows already in the fall.

For about 376 years, the Greenland Norse made those annual decisions about risk-sensitive investment in cow herds sufficiently well that they flourished. But around year AD 1360 there was a particularly cold series of winters for which their hay gamble proved to be a bad miscalculation, with the result that all their cows died during one winter, and all of the thousand or so Norse of Greenland's Western Settlement starved to death in the late winter. Hedge fund managers will undoubtedly empathize with the dilemma that the Norse faced, and with their temptation to be greedy and to invest in many cows in their winter herd. But managers will be grateful, when their own risk calculations prove to be in error, that they themselves lose only their investors' money and don't lose their own lives.

Another reason why I was fascinated with what I learned about the world of investments was the parallels between investment managers and modern farming peoples. For instance, studies of modern Peruvian peasants resolved a mystery that long puzzled medieval historians, and that should have puzzled college investment managers. Each medieval

peasant family didn't cultivate one large plot of ground; instead, they cultivated up to several dozen little strips of land scattered in several different directions from their hut, despite the obvious inefficiency of wasting time on traveling and carrying supplies between strips, as well as the waste of land inevitably left uncultivated at boundaries between adjacent strips belonging to different peasants. A possible explanation for the peasants' apparently irrationally stupid behavior was that they were practicing the virtue of diversification praised by modern financial managers: don't put all your eggs in one basket but instead diversify your portfolio. In any given year, all the strips in a single field may fail because of pest infestation, local climate, or thieves. You (the peasant family) are less likely to starve if you plant different scattered strips.

That idea of diversification is plausible, but only recently did economic historians and agronomists discover how sophisticated are the underlying calculations performed unconsciously by peasants. Modern Peruvian peasants scatter their strips of land as did medieval English peasants. Any individual Peruvian peasant owns between 9 and 26 different strips, whose yields of potatoes and other crops vary from year to year independently of each other and partly unpredictably. The peasants can't store significant quantities of potatoes from one year to the next; their food needs have to be satisfied by the current year's harvest. In analogy to the medieval Norse farmers' need for hay, the modern Peruvian peasants must succeed in obtaining a certain minimum potato harvest amounting to about 680,000 calories in every single year, otherwise they and their families end up starving. For 20 different peasants owning a total of 488 strips, the anthropologist Carol Goland measured the potato yields in successive years, then used those measured years to calculate the yield that each peasant would have harvested each year by cultivating only 1, or 2, or 3 . . . etc. strips, with total area held constant but with yield per acre equal to the value for each possible combination of the 1, 2, 3 etc. actual strips. She also measured the calories invested in travel between 1, 2, 3 . . . strips, in order to obtain the net calories remaining to the peasant for each combination.

Four interesting conclusions emerged from Goland's study. First, the long-term time-averaged potato harvest decreased with subdivision of the peasant's land, in agreement with the expectations of horrified western agronomists who urged the peasants to consolidate their strips, and for several reasons including wasted travel time. Second, the

year-to-year variance in potato harvest decreased with increasing subdivision of the peasant's land, as expected from the principle "don't put all your eggs in one basket." But, because of that variance, the third conclusion was that the frequency of the years with a harvest so low as to cause starvation was highest for a single strip and decreased with subdivision to reach zero at a certain number of strips varying between 4 and 13, depending on the particular peasant's land. Finally, each individual peasant planted 2 or 3 strips more than the number required to reduce the risk of starvation to zero.

In short, the peasants do *not* aim at maximizing long-term time-averaged yield, even though that is an appropriate goal for investors not spending their earnings and just investing to pay for luxuries on a rainy day in the distant future. Instead, the peasants only maximize long-term yield insofar as that is consistent with their overriding goal of eliminating their risk of starving in any given year, and throwing in a small safety margin for that calculation. It seems to me that the Harvard and Yale endowment managers are in a position analogous to that of the peasants, and would have done better to set a goal of maximizing yield only above a certain minimal level. As a Harvard graduate myself, I receive my college's periodic mailings, the tone of which has recently changed from pride in Harvard's wisdom to tales of woe. Harvard, like Peruvian peasants, uses endowment income for current needs; in fact, as it turns out, a considerable fraction of college expenses is paid from the endowment each year. As a result, Harvard has had to impose a hiring freeze, and recently it had to cancel its plan for a new science campus.

Naturally, Peruvian peasants did not perform the sophisticated statistical analysis that Carol Goland performed retrospectively. Instead, they arrived at their solution of optimizing strip numbers to avoid starvation on the basis of long experience. They had observed some greedy but lazy peasants with overconsolidated holdings who glutted themselves for many years, only to starve to death in a bad year. Likewise, they observed other peasants with overspread holdings who never starved but also never glutted, while still others discovered a happy medium of strip numbers that permitted frequent modest gluts and never any starvation. Should you suspect that the peasants really did use a pocket calculator and a friendly visiting mathematical modeler, birds such as sparrows, which

certainly don't have pocket calculators, also make similar risk-sensitive decisions such that they are never starving.

Steven Drobny's latest book is about the Peruvian peasants of the hedge-fund world: that minority of managers who made money or at least preserved capital during the *Annus horribilis* of 2008, while greedier managers who had accumulated major gluts and perhaps even achieved higher long-term time-averaged returns in previous happy years lost disastrously or went bankrupt. Hence, anyone interested in the world of finance and making money will pour over this book to extract some powerful lessons: What can I do to emulate those successful guys and gals in order to make money or preserve capital, even under the worst conditions, and become rich and famous?

But this book will also fascinate anyone interested in people. My other interest in the hedge fund world is for that reason. When Steven Drobny introduced me to his world of colleagues and clients, I found myself comparing them with the many creative scientists, architects, composers, artists, and business people whom I have interviewed. I wondered: What makes these people tick? How did their childhood experiences shape their adult professional success? Because a person's abilities change with age, do most hedge fund managers become washed up by age 40, or does a 60-year-old manager still have ways of succeeding in a world of cutthroat young managers who need less sleep and who received a more recent technological education? Are they managing money in order to become rich, to stoke their ego, to acquire flashy cars and supermodel dates, or to satisfy some other motivation?

With Steven Drobny's kind help, I interviewed some hedge fund managers (including a couple that Steven interviewed for this book) just for my own curiosity. I was struck by the fact that, although all the managers were quite different from each other, each had a broader life philosophy that he or she applied to the world of hedge funds in particular. Each had childhood experiences, things that their parents did or didn't do for them, that shaped them as future managers, although their parents could have hardly anticipated that outcome. All of them became managers partly for fun and curiosity. They want to understand how the world works, and they want to keep testing their evolving hypotheses about the world's workings against reality. All are still active in their 40s, 50s, and 60s. Yes, the 28-year-old whiz kids can get by with less sleep,

while saddled with less knowledge about dated technologies, and have been schooled in the latest technologies. But "older" managers whom I interviewed enjoyed the advantage of having used their years to try out more things, and having seen more ups and downs. They are in the position of the peasant who remembers that dry summer 17 years ago, and who isn't deceived by the recent runs of wet summers into assuming that summer will always be wet. Some of the managers whom I met expect still to be managing money when they are 80 years old. They fulfilled their own lifetime financial needs long ago, but they may never fulfill their curiosity about how the world works, nor the fun they derive from testing their ideas.

My own interviews were casual ones, by an interviewer (i.e., me) ignorant of the subject matter. Steven Drobny's book consists of 12 long interviews with global macro hedge fund managers. No one is better qualified than Steven to probe the subject matter, and to place his interviewed managers in a broad context, both as investors and as human beings. Whether you are curious about money or people, you are certain to love this book.

Jared Diamond
Professor of Geography and Environment Health Sciences, UCLA
Author of numerous books including *Guns, Germs and Steel; Collapse; The Third Chimpanzee;* and *Why Is Sex Fun?*

Preface

This book was written in 2009, largely inspired as a response to widespread losses the prior year suffered by all types of investors, but especially real money portfolios (pensions, university endowments, sovereign wealth funds, foundations, family offices, and other asset managers). Risk management had been grossly neglected in the run-up to the crisis by almost everyone, and 2008 sent most investors scrambling to stem losses.

Fast-forward to 2013 and the U.S. economy appears to be the healthiest in the world, the S&P is at all-time highs, and quantitative easing seems to have helped avert most worst-case scenarios. Conventional wisdom is that everything is happening in due course: the world was overlevered, a crash ensued, we're making our way through the adjustment process, and everything will ultimately be fine. Very few investors have used 2008 to do necessary introspection on their investment processes and risk management procedures. In the course of my research for this book, I asked the chief investment officer (CIO) of a triple-digit billion-dollar pension fund what he would have done differently in 2007

with perfect hindsight, and he didn't have an answer. Four years later, I suspect he still doesn't have an answer.

Most real money investors today are patting themselves on the back because they've "recovered" and are at or near their asset highs. Yet this comes after six years spent in a drawdown. Meanwhile, liabilities continue to grow. An 8 percent assumed rate of return compounded over 6 years is almost +60 percent. If net asset value peaked in 2007, then they are less than halfway from where they need to be from an actuarial perspective. And they are not at all prepared for another 2008.

Led by their consultants, lay boards, and committees, real money investors remain stuck in their antiquated ways. They still view their investments from a notional allocation standpoint, and diversify their holdings by asset class names, not by underlying risk characteristics. Most have their assets in U.S. equities, global equities, private equity, venture equity, real assets, credit, and equity long/short funds, yet think that they're diversified because each of these categories has a different color on their pie charts. Unsurprisingly, they have an extremely high correlation to public equities. One large pension fund, for example, has had a 0.96 correlation with the S&P over the past 30 years.

The choice for real money investors going forward is: look in the mirror and accept the fact that they are essentially running one principal bet, or roll up their sleeves and effectuate change. If the status quo is accepted, then all external managers, in-house staff including the CIO, fancy offices, and consultants should be immediately cut loose, as their input is no longer required and their fees and costs are a tremendous drag on returns. A simple exchange-traded fund or cheap swap would do the trick. Alternatively, taking action requires a fundamental rethink of their entire approach.

The Invisible Hands sought to address such structural issues in the U.S. pension system and real money investing community, trying to learn from global macro hedge fund managers who, by and large, were the better-performing funds during 2008.

After years of researching this topic, talking with investors, watching behavior, and reviewing annual letters and other performance material, the path to success is now quite clear to me. Mind you, this is not a

solution but, rather, a road map or process. There is no magic bullet. Success in real money management requires:

- A strong, decisive investment board (ideally with a single, risk-loving patriarch).
- A skilled, well-compensated, and properly incentivized investment team.
- A risk management process that focuses on true risk exposures.
- A heavy reliance on inexpensive beta to attain various risk exposures.
- A low reliance on external managers who charge high fees.
- When external managers are used, there should be a requirement that value is derived from leveraging information and opportunities across the policy portfolio.
- A strong understanding for the value of liquidity.
- A relevant cash position at all times.
- And, finally, extreme scenario testing.

That said, as I write, however, complacency reigns. As equity markets grind higher, why worry about another 2008? The authorities have proven that they will do whatever it takes to avoid dealing with the true structural problems. Thus, investors must embrace moral hazard in order to navigate the environment.

While it is far easier to forget the painful lessons of 2008 and relegate a macro risk framework to the dustbin, a macro approach to money management is arguably more relevant now than ever. Quantitative easing is coming to an end, and tremendous uncertainty exists everywhere. No one is prepared for another crisis. We are in uncharted waters, making these interviews with managers who navigated 2008 more relevant than ever.

Steven Drobny
Malibu, California
August 2013

Preface to the 2011 Edition

This book was originally conceived in the dark days of spring 2009, when the Standard & Poor's (S&P) 500 index hit a low of 666. The idea was born of two conversations: one with Joseph Dear, chief investment officer of the California Public Employees Retirement System (CalPERS), and another with the former manager of a major U.S. university endowment. Both managers conceded that the model of real money management, as it was being implemented at the time, was broken. Yet they bemoaned the fact that no new model had emerged.

From those two conversations, I naively thought that I had the new model, although my model was less an asset allocation formula than a framework, a thought process. I figured, in a globalized, interconnected world where massive amounts of capital flow anywhere with the push of a button, and where risks spring up suddenly and abruptly, that the static, backward-looking approach to asset allocation employed by so many real money players made little sense. A global macro-style approach seemed the only sensible way to manage real money pools, regardless of the size of the capital base. Starting from this basic premise, I sought out people much smarter than me for further clarity and confirmation, the results of which comprise the conversations in this book.

Since the release of the original edition of *The Invisible Hands*, reactions to the book and to the crisis of 2008 have been bifurcated. On the one hand, many investors have made no changes to their approach and are carrying on as if nothing ever happened. They chalk up the crisis as a once-in-a-hundred-years event and forget about it. On the other hand, a few investors are thinking more deeply about portfolio construction with a sharp eye on risk management, liquidity, and the opportunity set going forward. The striking difference can be seen in real time by comparing the two largest university endowments: Yale and Harvard. These two endowments were managed in a similar style prior to the 2008 crisis, and suffered similar fates: losses in the 30 percent range, drastic cuts to university spending, and other changes at the institutional level (such as lowering the thermostats or cutting hot breakfasts to save money). Both universities also issued debt to cover cash shortfalls, in effect further levering the institutions and arguably limiting the losses on the endowment portfolios, since further forced sales of assets at distressed prices were avoided. Postcrisis, however, their approaches have diverged dramatically. Yale Endowment, according to the 2009 annual report, has stuck to its guns, maintaining that over the long term, illiquid equity and equity-like instruments are the best way to generate returns. Meanwhile, Harvard Management Company, according to its 2010 annual report, began to rethink the road ahead, bringing more money management duties in-house, tightening up risk management, reducing leverage, and increasing liquidity and cash.

The jury is still out on who will be proven right, as many positions entered into before 2008 remain on the books with uncertain valuations, and no clear set of best practices for real money management have emerged. But after spending a year of my life researching what I had previously considered to be the most boring aspect of finance, it is now very clear to me that understanding the implications of real money management is of the utmost importance. One only needs to open a newspaper to read about underfunded pensions, municipal finance deficits, and a myriad of other fiscal problems to understand how important these issues have become. Indeed, the recently issued report from the Little Hoover Commission on public pensions concludes that "pension costs will crush government" and "barring a miraculous

market advance, few government entities—especially at the local level—will be able to absorb the blow without severe cuts to services."

Since my initial conversations in spring 2009, equity and credit markets have largely recovered. Nevertheless, many pensions remain drastically underfunded and most real money funds are still well below their peak asset levels prior to the crisis. Still, what would you do if you could go back to 2007 and reposition your portfolio? Given current market levels, thanks to government (i.e., taxpayer) generosity, we essentially do have this opportunity. The interviews contained in this book offer a multitude of ideas on how certain key concepts in macro investing can be incorporated in all real money investment portfolios. Given the myriad of risks in the world, from sovereign default to commodity price inflation to unrest in the Middle East to other looming, potential issues, it seems that a forward-looking, risk-based, global macro approach to real money management is the only viable option left.

Steven Drobny
Manhattan Beach, California
February 2011

Preface to the 2010 Edition

2008 was an unmitigated disaster for most investors, including unlevered "real money" investors—the focus of this book. Markets around the world, from real estate to equities to commodities to credit, posted huge declines, taking down with them some of the world's most venerable financial institutions, a wide variety of alternative asset managers (hedge funds, private equity, venture capital, and real asset managers), and a host of real money accounts (pension funds, insurance companies, endowments, foundations, family offices, and sovereign wealth funds). Almost everyone lost money in 2008, and in many cases more than anyone imagined possible.

Anger and confusion linger in the aftermath of the crisis, but are by no means limited to market players. Main Street is reeling as homes and jobs have been lost, savings have evaporated, and many assumptions governing the stability of modern society have been challenged. Governments around the world have responded with all sorts of innovative monetary and fiscal stimulus, generating even more uncertainty about the future. At the same time, the social contracts between governments and their citizens are being called into question as Social Security, health care, and pensions loom as potential financial crises for the taxpayer.

Meanwhile, a full year after the crash of '08, nearly everyone in the markets—from savvy hedge fund managers to small private investors with retirement accounts to policy makers—still struggle to understand what went wrong. While the debate over who or what deserves blame will likely rage for decades, the world has not ended and investors must now adapt and adjust to the new reality. The crisis of 2008 has called many investment mantras into question—notably the Endowment Model (diversifying into illiquid equity and equity-like investments) and others including stocks for the long term, buy the dip, buy and hold, and dollar cost averaging—yet no new model has taken root. The crisis of 2008 did, however, supply the financial community with an abundance of new information with regards to portfolio construction, in particular around risk, liquidity, and time horizons.

After such an extreme year in the markets, reactions in the real money world have been polarized: some have learned valuable lessons and are incorporating them in their approach, whereas others are operating as if it is business as usual, completely dismissing 2008 as a one-in-a-hundred-year storm that has passed. Although this latter camp may well prove correct in the near-term, history has taught us that extreme events happen more frequently than predicted, both on the downside and the upside. What if 2010 or 2011 offers an environment similar to or worse than 2008? Ignoring or discounting the lessons of 2008 is quite simply poor risk management.

One of the more significant questions facing all investors is whether a three-decade tail wind for risk assets—due to falling inflation and declining interest rates—could be over, now that the main economic blocks (United States, Europe, Japan) have no inflation and near-zero interest rates. Fiscal deficits, increasing public sector debts, private sector deleveraging, and populist and protectionist politics around the globe all point to increased volatility and a move away from "price stability." Still, real money accounts have an overwhelming proportion of their portfolio in equity and equity-like investments.

The status quo for real money management is no longer tenable. It is not acceptable to obscure losses and volatility behind benchmarks, long-term time horizons, or relative performance numbers. Losing less than peers or benchmarks does not provide the annual cash flow needs