TJT CAPITAL GROUP

Why Wall Street Is Wrong!

When it comes to investing, many people have begun to realize that blindly accepting industry narratives based on outdated theories has cost them a lot of money. Some of the assumptions they believed to be true about the markets are not. And that a large number in the media have given up any pretense of objectivity in favor of biased reporting rather than providing accurate information.

In stark contrast, having fact-based knowledge of a few enduring principles can generate wealth that can last a lifetime. For more than two decades, **clients of TJT Capital Group have come to trust us with their most important financial decisions based upon those principles.**

Our clients do not want to settle for average. They do not believe in the "one-size fits all" approach.
Like us, they have never thought the "rules" made sense.

Are we to believe that the markets are always efficient and investors are mostly rational because of a paper written nearly 50 years ago?

Should we cling to a hypothesis that was developed before the internet, before e-commerce, before social media, before zero and even negative interest rates, before quantitative easing, and before trading algorithms?

Moreover, is a diversified portfolio of many stocks better than ones with fewer companies that are leaders in growing markets?

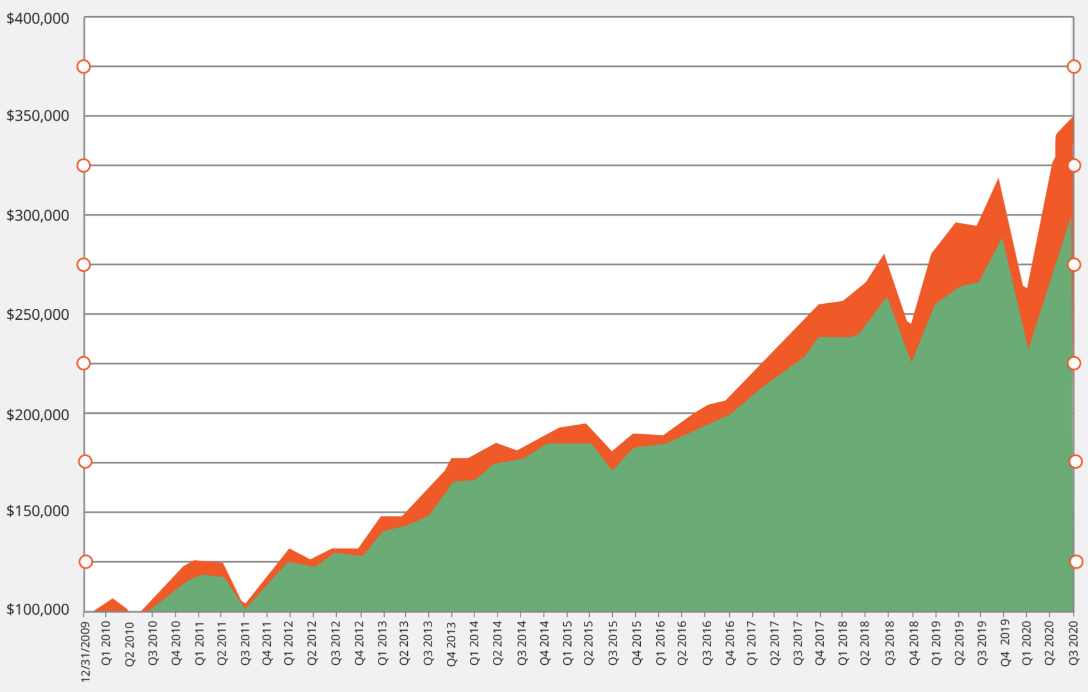
Should we blindly accept that as fact because Wall Street says so?

The reality is that there is a wide gap between investment theory and the real world. In all walks of life there are elite performers: surgeons, musicians, chefs, actors and, yes, money managers. One of those elite managers, Stanley Druckenmiller, who averaged a 30.4 percent return for 30-years with no down years, called diversification "nonsense."

Charlie Munger, the **billionaire Vice-Chairman** of Berkshire Hathaway said **"The academics have done a terrible disservice to intelligent investors by glorifying the idea of diversification."** He then made an important observation between what people say and what they do.

Munger said, "One of the greatest economists in the world is a substantial shareholder in Berkshire and has been for a long time. His text books always taught that the stock market was efficient and nobody could beat it. But his own money went into Berkshire and made him wealthy."

By incorporating the principle of non-diversification when it comes to investing, the value that good managers can add to a portfolio's return over time can be seen below.



TJT Capital Group Classic Growth Portfolio

S&P 500 Index

Past performance is no guarantee of future performance.

TJT Capital Group, LLC • 9 W. Broad Street • Stamford, CT 06902 • 877.282.4609 tel • 203.504.8849 fax • tjtcapital.com

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For example, a non-diversified fund we have used in a number of accounts - **T. Rowe Price New Horizons Fund - generated a return** of **188 percent** between 2015 and the third quarter of 2020. Another non-diversified fund - **Akre Focus Fund - returned 134 percent** over the same time period, while a third fund - **T. Rowe Price Capital Appreciation Fund** - which has approximately **67 percent** in equities with the balance in other assets such as **bonds and cash, returned** more than **74 percent**. These returns compare with the **S&P 500 index**, which returned approximately **63 percent** over the same period of time.

Another principle is understanding market conditions, whether they are favorable or unfavorable. The reason is simple: **9 of the last ten bear markets began with the onset of an economic recession**, and all nine of those were preceded by an inverted yield curve, including in February 2020.

Investing can be challenging. Unlike Wall Street, we try to simplify it by **focusing** on two **critical factors** that determine investment success: **market conditions** and **non-diversified investing.** By focusing on important and relevant information and **eliminating all non-essential noise** - predictions, headlines, forecasts, or narratives – you won't get distracted by other people's agendas or opinions.

There is a sign on a wall in a NASA meeting room that says "None of us is as dumb as all of us," a reminder that accidents can happen when unexamined "groupthink" takes over. Far too many people simply follow the crowd when it comes to investing thinking "they" must know more. **The gravitational pull of groupthink is very powerful.**

Yet consider this: nine of the top ten people who have amassed the greatest wealth in the U.S. did it with **concentrated stock positions** – **companies** that were/are the **leaders** in **fast-growing markets** within **powerful trends**. None of these companies were overnight successes. If that is indeed the case, and just one company, one industry, one trend can have an enormous impact on a portfolio, then why do so many in the investment industry preach a different approach?

If you are not OK with the industry's version of average products designed for the masses, and prefer principles with a record of success over abstract theories unrelated to the real world, there are **remarkable opportunities today. Enduring principles can produce a lifetime of results.**

OUR GOAL IS TO PERFORM FOR OUR CLIENTS IN A WAY THAT HELPS THEM REALIZE THEIR INVESTMENT GOALS.

IF YOU ARE LOOKING FOR A BETTER WAY, WE ARE CONFIDENT THAT WE CAN HELP YOU TOO.

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