



VIEW NEAR THE CTCLUSI RESERVATION, OREGON

TFA

Monthly Newsletter

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IN THE NEWS

March Madness—Level-headed Lessons from the Craziest of the Hardcourt

by Kristi Jackson

Heading into April – it's all about the conclusion of March Madness... the time when every office around the country turns into a virtual sports book as bracketology, seeds and Cinderellas become part of our everyday language. But what can we learn from all of this basketball-mania?

There's No Such Thing as a Perfect Bracket.

When Warren Buffet, arguably the world's most savvy investor, offered a \$1 billion prize to any person with a perfect bracket... you know it doesn't exist. This year, of the over 11 million players in ESPN's Tournament Challenge, the last perfect bracket fell before the end of the opening weekend. Theoretically, of course, a perfect bracket is possible – (1 in 9.2 quintillion) – but you are 31 times more likely

to be struck by lightning for 3 consecutive years than to end up with a perfectly complete bracket after the tournament is over. Lesson: While it's admirable to dream big, when the odds are stacked so overwhelmingly against you, recognize your limitations and set a more obtainable goal. In finance, the analogy we use is beating the market every month. It is impossible to regularly beat the market – recognize that there will be quarters (and years) of down performance – expect it and plan to protect against those periods.

The Clock Almost Always Strikes Midnight for Cinderella.

The underdog is great to root for in the tournament. When the longshot wins, it can produce heady results for the faithful (or the lucky) that picked it to prevail. In NCAA tournament history,

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Feds Grant Reservation to Cowlitz Indian Tribe

3/9/15 – tdn.com

New Mexico House Approves New Indian Gaming Compact on 61-5 Vote

3/19/15 – abqjournal.com

Despite Deep Rivalry, Connecticut Tribes Plan New Casinos

3/22/15 – timesunion.com

BIA to Host Public Meeting for Pokagon Band Casino in Indiana

3/24/15 – indianz.com

BIA Expected to Finalize Changes to Federal Recognition Process

3/24/15 – indianz.com

MGT Capital Investments and Seneca Gaming Corporation to Launch Daily Fantasy Sports Site

3/25/15 – prnewswire.com

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Cinderellas have not had much success as only one 8 seed has become national champion – Villanova in 1985. Betting on the longshot to go all the way is just not smart money. Lesson: Investing time (and money) in an effort that isn't top-notch is unlikely to pay off. As we think about investments, typically only a very small portion of a portfolio should be put to work with high-risk ventures. TFA sees many clients who have risked outsized proportions of their total investable portfolio in risky ventures. We've seen a few who have put nearly all of their cash assets into a single start-up venture – only to lose it all. Limit high risk opportunities to small allocations.

Balanced Teams Win Tournaments.

Predictably, unbalanced teams that are strong on offense or defense but lacking on the other side of the ball have not had much success in the tournament. Since 2004, 84 teams have concluded their season ranked in the top 10 in either offense or defense but below 70th on the other end. Of those 84 unbalanced teams, none have even reached the championship game. Lesson: Diversification is critical to a successful economy. The risks that are exposed when all business is in one

industry, or in one geographical area, are significant. Just as important, financial assets need to be properly diversified across asset classes, time horizons and regions, among other measures.

Doing Your Homework Pays Off.

While there are the fortunate few in the March Madness crowd who have success filling out their bracket with guesswork – those that end up with the most consistent long-term success have researched the teams and the matchups. Lesson: In finance, we use the term "due diligence". The amount of diligence done prior to making a financial decision has a direct correlation to the probability of generating a

positive outcome and return. Fully researching an opportunity will provide a complete picture – with the risks and weaknesses identified ahead of time so that you can protect yourself and guard against material declines in performance.

It's fun to watch the tournament – and for those who aren't basketball fans – it can be just as entertaining to fill out a bracket and see where you end up. As we transition back to our everyday work-life - think about realism, the odds, diversification and diligence as key themes to carry over and propel your tribe toward its long-term financial goals.



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