



TIGER 21

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George Soros Featured Guest at TIGER 21 Headliner Luncheon

World Renowned Investor and philanthropist interviewed by Institute for New Economic Thinking Executive Director Robert Johnson; Comments on members' 2012 predictions

New York, NY (February 8, 2012) – Members of **TIGER 21**, the leading peer-to-peer learning network for high net worth investors in North America, had a treat recently when renowned investor and philanthropist George Soros was the featured presenter at the group's December all-member luncheon.

Soros was interviewed by **Robert Johnson**, executive director of the **Institute for New Economic Thinking**, of which Soros is a founding sponsor. The wide-ranging discussion focused largely on the economy and responses to the past and current financial crisis both in the US and in Europe, but also touched upon the needs of developing nations; the political divide in the US; and China's influence on the world economy. The session ended with Soros commenting on some members' predictions for what is in store for 2012.

TIGER 21 founder and chairman **Michael Sonnenfeldt** introduced Soros by saying, "Since TIGER 21's inception in 1999, we have strived to create an intellectually stimulating environment. One component of this is our Headliner Luncheons at which we've had many world-class investors join us. George's reputation and investment acumen are unrivaled in the world and we are pleased that he agreed to appear at TIGER 21."

Johnson began the discussion by noting that wealth preservation is a formidable task, especially at this time when anxiety and uncertainty underpins the economic environment. He referenced Soros' often used phrase "Far from equilibrium conditions" as it pertains to current economic situation:

"After crisis of 2008, many people thought we were going back to business as usual. But at this junction it does not appear that we are going back to equilibrium and the state of disequilibrium has many facets."

Soros responded that he was not going to cheer anyone up with what he had to say. "The way I see it, this is about as serious and difficult an environment as I have experienced in my career," he cautioned.

Soros explained that the current financial crisis is a direct outgrowth of the financial crisis of 2008. "In 2008, when Lehman went bankrupt, the financial system did collapse. The week between Lehman filing and the announcement of TARP were memorable days where one market after another ceased to function. "

Now the viability of sovereign debt is in question. This came to a head in Europe because the Euro has some flaws in its construction that are being exposed. However, he pointed out that the Euro crisis is not a currency crisis, but rather a banking crisis.

Soros underscored that he sees the current crisis as more severe and more lasting than the crisis in 2008.

Differences between 2008 and now

In 2008, we had the institutions that were needed to bring the situation under control, Soros said. In the case of Europe today – there is a central bank but no treasury. It needs to be created to address the current crisis.



“When the Euro was introduced everyone knew that the treasury was missing, but there was no political will to have a fiscal union – the leaders thought that when the time came they would have the political will to put it in place. However, there is less political will today than there was in the 1990s,” Soros said.

“Therefore the authorities have no solution and they are trying to buy time. Buying time usually works -- because you calm markets and money that you put to work to save the market actually turns a profit. But in this case it is not working because the crisis is getting bigger and bigger, and the authorities are doing what it takes to keep things together, but never more. So you actually need a continuing crisis to make what is politically impossible, possible.”

Is it inflation or deflation?

Soros explained that there is a fear of inflation because of the tremendous amounts of currency being printed. But in reality we have deflation, although people are acting on the basis of inflation. This is particularly strong in Europe and especially Germany – which had very traumatic experiences of runaway inflation in the ‘20s and at end of World War II. Because Germany is spooked by a fear of inflation, the Bundesbank has an asymmetric view that the central bank should only guard against inflation. And this is reflected in the statutes that established the European Central Bank. So it is not acting on deflation, which is why the current crisis is so unsolvable.

On the possibility of Chinese rescue of Europe:

China might not rescue Europe but it has an interest in keeping the Euro alive so that there is an alternative to the US dollar.

He also commented that by controlling their own currency, China is controlling the exchange rates of all currencies. Where the Euro is versus the dollar is up to the Chinese.

Advice for Prudent Investor

On what investments the prudent investor should be considering over the next twelve months, Soros did not hesitate to suggest cash, agreeing with a sentiment felt by many investors in the room that while the “risk-free “ rate used to be 2 percent, it is now -2 percent. Soros attributed this to the phenomenon of fiscal repression.

Mistake to reduce entitlements

Commenting on a report that the US budget deficit is driven by 80% excess entitlements and 20% under-taxation, Soros agreed in the general idea of the make-up of the deficit, but said that reducing entitlements in the current environment would be a mistake. “The desire to eliminate budget deficits at a time of insufficient demand and deflation is absolutely the wrong policy to follow,” argued Soros.

Ahead for 2012

In a round of “Agree or Disagree,” Sonnenfeldt asked Soros to react to several predictions for 2012 that individual TIGER 21 members forecast. Soros was asked to indicate whether he agreed with the predictions or might reject them outright. Among the predictions:

- **That cracks in the Eurozone will result in at least one or more countries leaving the economic and monetary union within the year.** While not fully committing to agree with this statement, he said it was not very far from impossible. However, he indicated that in the case of Greece, default is more than a 50% probability.
- **Collapse of Chinese market.** Soros rejected this idea, but pointed out that the housing bubble in China has been pricked, partly as a result of the effects of the financial crisis here spreading to China.
- **Former MF Global Chief Executive John Corzine goes to jail under Sarbanes Oxley.** A real possibility according to Soros.



- **Attack on Iran – either by the US or Israel.** While an outside attack on Iran was very unlikely, according to Soros, he does think that the country's present regime is not going to last the year.
- **Gold reaches \$2,000/ounce and rises.** Soros does not think gold will reach \$2,000. He said that gold is the ultimate bubble, which means its price can go in either direction. It was the ultimate safe haven, but funds had to sell their positions in gold to cover some losses in the stock market. On the other hand, Soros also commented that he does not expect gold to retreat much and that \$1,000/ounce was not probable either.
- **That there will be rioting in some American cities because of the polarization of the top 1 percent and the rest of the population.** On this Soros said that rioting is already happening in the US, but it is not getting much media coverage.
- **On the chances that President Obama is re-elected.** Soros hedged his response, saying it depends on who the Republican opponent is – which at this point does not seem to be an impediment to Obama's reelection. "Obama has a slightly better chance than most people because of the totally unacceptable character of the opposition," Soros said.
- **Unemployment falling below 7 ½ percent in US.** Soros does not expect employment numbers to grow, but also noted that expiring unemployment benefits will push down the overall unemployment rate.

Soros's parting comments echoed an investing philosophy that most TIGER 21 members subscribe to. He said, "At times like this it is more important to survive than to get rich." This parallels many members' goals of wealth preservation. Soros continued, "Since there are not many productive uses of money right now, it is time to take the long-view." Two potential plays Soros suggested: Think of undervalued stocks that will survive over long-term, and put the rest in cash.

Please contact Harley Frank, Director of Membership at harley.frank@tiger21.com or call 212-584-0222 for further information.

About TIGER 21:

TIGER 21 (The Investment Group for Enhanced Results in the 21st Century) is North America's premier peer-to-peer learning network for high net worth investors. TIGER 21 has 193 Members who collectively manage over \$18 billion in investable assets and have been entrepreneurs, inventors and top executives. TIGER 21 focuses on improving investment acumen as well as exploring common issues of wealth preservation, estate planning and family dynamics beyond finance. Founded in 1999, TIGER 21 is headquartered in New York City and has groups in New York, Los Angeles, San Francisco, San Diego, Miami, Washington, DC, and Dallas, as well as Canadian groups in Vancouver, Toronto, Calgary and Montreal. More information can be found at www.tiger21.com.

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