



LOWEY DANNENBERG, P.C.



Securities Litigation and Portfolio Monitoring

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Retaining a portfolio monitoring securities law firm introduces a refined and expert perspective, specifically trained to identify and evaluate potential losses.

Asset Managers **DO NOT**
Investigate the Source of Financial Loss

Securities Litigation Law Firms **DO**
Investigate Corporate Fraud or the Source of
Financial Loss

All Pension Plan Sizes Matter

- Smaller pension plan funds play a key role
- Individual losses may be too small to justify litigation
- Institutional losses may lack the scale to litigate
- Funds often collaborate to seek redress

Securities Fraud Costs Retirees Billions of Dollars Each Year

- In 2021, it was estimated that \$830 billion was lost to fraud, malfeasance, and other corporate wrongdoings

**Source: Dyck, A., Morse, A. & Zingales, L. How pervasive is corporate fraud? In this article the authors estimate that corporate fraud destroys 1.6% of equity market value each year, which in 2021 was calculated at approximately \$830 Billion. <https://doi.org/10.1007/s11142-022-09738-5>.*

Enron Corporation (2000's)

- Fraudulent revenue inflation and debt concealment led to Enron's share price collapse
- Enron employees' 401(k) pension fund lost 60% of its value due to an overweight company stock allocation
- Retirement savings vanished following Enron's Chapter 11 bankruptcy



Valeant (2021)

- CEO (Martin Shkreli) concealed that Valeant's revenue and profits relied on price gouging of life-saving medicines
- Once exposed, Valeant's share price plummeted from \$262 to \$8.50
- Investors, including institutional public pension funds, lost over \$76 billion in market capitalization

Securities Portfolio Monitoring

- The first step in addressing investment losses from corporate misconduct is **portfolio monitoring**
- Law firms, including Lowey and our peers presenting this year, provide portfolio monitoring at **no cost to clients**
- Law Firms work closely with your **Custodian** to securely collect your Pension Plan's daily trading activity

Why Portfolio Monitoring?

Designed to identify fraud and detect discrepancies

When loss occurs, we conduct a thorough investigation into the company's disclosures for:

- Accuracy and completeness
- Financial and operational health
- Realistic projections and forecasts
- Insider breach of fiduciary duty to shareholders

Pros of Portfolio Monitoring

- Portfolio Monitoring is a **free service** to our Clients
- Clients may receive a **service award** from the court
- All recovered **losses go back** to the Pension Fund
- **Appreciation** from constituents and pensioners
- Fulfills an often-overlooked **fiduciary responsibility**

Pension Plans Trading Activity

Custodial banks securely provide transaction data for funds:

- That the Lowey team analyzes and reviews
- Which limits the use of clients' resources or time
- Ensuring financial data remains protected
- That is used to calculate recoverable damages

Legal Review & Analysis

- Our attorneys conduct an in-depth analysis of all cases
- Weekly team meetings ensure awareness of new cases
- Customized reporting based on client requirements
- All analyses are done in-house, without the use of vendors or third parties

Recommendations to Clients

- Advise on the existence of meritorious cases
- Determine the course of action that best serves them
- Identify the actions that result in the greatest recovery
- Complete transparency and total confidentiality
- Assess whether the potential recovery justifies the time, risks, and complexity of litigation

Session Recap

- Securities fraud is **real and expensive**
- Securities fraud **lurks below the surface**
- Asset managers **DO NOT investigate** financial loss
- Securities law firms **DO investigate** financial loss
- Portfolio monitoring is done at **no cost to the Plan**
- **All Pension Plan Sizes Matter**
- **We are here to help – Contact John Madden**

Thank you for attending our session



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