

April | 2026

Alpha Wealth Monthly Brief

“To be a great investor, you must have an approach, and you have to stick to it, despite the times when it’s not working.”

- Howard Marks

In this month’s edition of The Brief, Blackrock’s Rick Rieder reflects on his investment career, the evolution of financial markets, and hard lessons learned along the way. Plus, we dive into Tim Cook’s exit from Apple and what it means for the future of the company.

Rick Rieder on Market Psychology and Portfolio Survival

In the Morgan Stanley series "Hard Lessons," Rick Rieder, BlackRock’s Chief Investment Officer of Global Fixed Income, sat down with Seth Carpenter to discuss the evolution of his investment philosophy. Rieder shared insights into navigating market volatility, the importance of being out of consensus, and the humility required to survive in a "gambling institution" market.

The Psychology of the Market: From Wisdom to Work

Rieder began by dismissing the idea that he possesses some sort of innate wisdom. Instead, he attributed his success to a maniacal focus on detail and immense amounts of work. He noted that while BlackRock’s scale allows them to see a tremendous amount of market flows, giving them a statistical edge in building the puzzle of the global economy, it doesn't make the job easier.

One of his most striking observations was that the modern market has transitioned into a "gambling institution." He argued that social media has intensified herd mentality, where everyone moves in the same direction simultaneously. In this environment, Rieder believes that being a contrarian and fading the consensus has become more profitable, though it requires the stomach to be lonely in your conviction.

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High-Conviction Wins: The Tech Geek Perspective

Rieder is a self-proclaimed tech geek who must be first in line for every new gadget. This personal passion has often informed his investment thesis. He highlighted his early conviction in Electric Vehicles as a prime example of a successful out-of-consensus call. While many viewed EVs as an automotive play burdened by expensive batteries, Rieder saw it as an energy efficiency business. Rieder described himself as being the "only dope in the room" at the time, but his hands-on experience driving early EV models convinced him the product was superior, allowing him to stay the course.

The Hard Lessons: Peloton and the 2008 Crisis

The interview took a humbler turn as Rieder discussed his failures, noting that investors learn much more from when they get things wrong.

- **The Peloton Trade:** Rieder was an early owner of Peloton and saw it explode during the pandemic. However, he admitted to holding on too long as the company struggled to pivot post-pandemic. The lesson here was twofold: the importance of stop-losses and the realization that the team running the company is just as important as the business model. He noted that successful companies must pivot as technology evolves, and he now spends more time assessing whether CEOs are good operators who know their numbers.
- **The Global Financial Crisis:** Rieder described the 2008 crisis as his hardest lesson. Having started a hedge fund just months before the collapse, he faced the cavalcade of events where all assets correlated to the downside. This period taught him the critical importance of liquidity, leverage management, diversification, and having an escape hatch or exit strategy for every position.

Risk Management and the Casino Strategy

Rieder's approach to fixed income is akin to a casino, relying on the law of large numbers. He aims to be right 60-70% of the time across a diversified portfolio of liquid assets. In contrast, he warned that equities are where "explosive wins and losses" happen, requiring even more thoughtful scaling to ensure one bad security doesn't ruin a career.

He concluded with a metaphor for risk: "If you haven't missed a flight in your life, you're probably not taking enough risk." He emphasized that while markets go down five times faster than they go up, a successful investor must enjoy a certain level of stress and stay focused on anticipating not just what an asset is worth, but how the public's psychology will interpret it in the months to come.

Tim Cook to Step Down as Apple CEO

For fifteen years, the question of "Who follows Tim Cook?" has loomed over Cupertino. On Monday, Apple finally provided the answer, announcing that John Ternus, the 50-year-old Senior Vice President of Hardware Engineering, will become the company's fourth CEO on September 1, 2026.

If Steve Jobs was the visionary architect and Tim Cook was the supply-chain master, John Ternus represents a fusion of the two: a hardware savant whose 25-year tenure has been defined by quiet competence and a relentless focus on the physical product.

A Legacy of Quiet Power

Ternus joined Apple in 2001, arriving just as the company began its meteoric rise with the iPod and the return of the Mac. Unlike the high-profile executives who often dominate Silicon Valley headlines, Ternus has operated with a low-profile, engineering-first mindset.



Inside Apple, he is known for a calm, collaborative leadership style that mirrors Cook's steady hand. Yet, his fingerprints are on nearly every device that has defined the modern era. From the early days of Mac product design to overseeing the hardware for the iPhone, iPad, and the groundbreaking transition to Apple Silicon, Ternus has been the invisible hand shaping the tools millions use daily. Most recently, he was credited with the successful launch of the MacBook Neo, a product that signaled Apple's continued dominance in personal computing.

The Challenges Ahead: AI and the "Next Big Thing"

The transition comes at a pivotal moment. Under Tim Cook, Apple's market cap soared from \$350 billion to over \$4 trillion. Cook transformed Apple from a hardware company into a services juggernaut, but the "next big thing," a product with the cultural and financial gravity of the iPhone, has remained elusive.

Ternus takes the helm as Apple faces two distinct hurdles:

1. **The AI Gap:** While rivals have sprinted ahead with generative AI, Apple is in the middle of a high-stakes brain transplant for Siri and its broader ecosystem.
2. **Product Vision:** Critics often wonder if Apple can still take the big, risky swings that defined the Jobs era. Ternus, while brilliant technically, is seen by some as a safe choice. His challenge will be to prove that an engineer's discipline can coexist with a visionary's daring.

The Transition: Continuity Over Chaos

To ensure stability, the transition will be gradual. Cook will spend the summer working closely with Ternus before moving into a newly created Executive Chairman role. In this capacity, Cook will focus on long-term strategy and global policy, areas where his diplomatic touch has been essential.

In a statement following the announcement, Cook praised his successor: "John Ternus has the mind of an engineer, the soul of an innovator, and the heart to lead with integrity."

As Ternus prepares to take the stage this September, he doesn't just inherit a company; he inherits a culture. Apple has bet its future on the man who built its past.

Fast Facts

In a historic first for athletics, an autonomous bipedal robot named Lightning completed a half-marathon in Beijing this month in just 50 minutes and 26 seconds. For context, that is nearly 7 minutes faster than the current human world record. - NBC

The startup Reflect Orbital is finalizing testing for satellites that can sell sunlight to solar farms after dark, potentially creating the world's first 24/7 solar grid.

– Morning Brew

The current favorability rating of billionaires in the U.S is 31%. This ties them exactly with members of Congress for the "least popular" group in the country.

– Forbes

If you're catching a game at Nationals Park or Dodger Stadium this month, be prepared for premium hydration. According to latest ballpark audits, a 16oz domestic beer at those stadiums now averages \$15.40, leading the league in price.

– Webstaurant

Contact Us

As always, feel free to reach out to us if you have any questions regarding your investments or financial plan or would like to schedule a meeting with our advisors.

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