April 29, 2016

We Owe You a Major Apology
By Alan Snyder

Several readers of our last piece complained that we had misled them with the title "Get Sexy with Alternative Lending" – where was this sex? Admittedly, we took some poetic license. The following table may not be sexy but equally so, highlights the comparative attractiveness of alternative lending investments.

BlackRock, the world's largest money manager, offered their predictions for returns, volatility and correlation among various asset classes over both five-year and ten-year horizons. ***OMG.*** For any investor, the forecasts are daunting, only to spur all of us on to find less discovered investment niches that are more attractive.

ASSET CLASS RETURN AND LONG-TERM VOLATILITY AND CORRELATION ASSUMPTIONS

Asset Class	Asset	5-year Expected Return	Long-term Expected Return	Long-term Expected Volatility	Long-term Correlation Global Equities	Long-term Correlation Global Treasuries
Fixed	US cash	1.4%	1.5%	0.0%	0%	0%
Fixed	US treasuries (all maturities)	0.7%	2.0%	5.3%	-27%	78%
Fixed	US treasuries (15+ years)	-0.9%	2.6%	14.9%	-24%	77%
Fixed	US inflation-linked treasuries	1.4%	2.2%	6.3%	12%	53%
Fixed	US credit (all maturities)	1.8%	3.3%	6.0%	32%	57%
Fixed	US credit (long bonds)	2.0%	4.8%	12.3%	34%	53%
Fixed	US high yield	4.8%	3.7%	9.1%	68%	-7%
Fixed	US aggregate bond index	0.9%	2.4%	4.0%	-1%	75%
Fixed	Global ex-US treasuries	0.5%	2.0%	3.2%	-16%	100%
Fixed	USD EM debt	3.7%	3.9%	9.6%	50%	31%

Fixed	Local-currency EM debt	2.2%	4.4%	12.4%	76%	4%
Equities	US large cap	4.3%	5.6%	15.5%	87%	-20%
Equities	Global ex-US large cap	6.5%	6.2%	18.4%	100%	-16%
Equities	US small cap	4.8%	6.1%	18.6%	88%	-20%
Equities	EM equity	6.5%	6.0%	22.5%	88%	-17%
Alternatives	Global real estate	4.0%	5.2%	17.1%	62%	2%
Alternatives	Global private equity	7.6%	7.3%	25.6%	85%	-23%
Alternatives	Global infrastructure equity	4.8%	5.5%	13.8%	78%	-8%
Alternatives	Defensive hedge funds	3.1%	2.9%	6.0%	73%	-24%
Alternatives	Aggressive hedge funds	4.1%	4.2%	10.2%	86%	-22%
Alternatives	Commodities	2.0%	1.8%	15.6%	53%	-24%
Alternatives	US bank loans	4.1%	2.9%	8.0%	58%	-18%
Alternatives	Global infrastructure debt	2.5%	3.9%	8.5%	46%	47%

https://www.blackrock.com/institutions/en-us/insights/portfolio-design/capital-market-assumptions
Note: The term "Long-term" is defined as a ten-year plus time horizon and is meant to reflect "equilibrium" or "valuation neutral" market conditions that one would expect in the long run.

We believe that a diversified, multi-strategy portfolio of alternative lending allocations is one component of a solution. For an example of such a (general, non-Shinnecock) portfolio, see: http://www.shinnecock.com/articles/alternative_lending_presentation.pdf.

Of course, we are happy to engage with you about our own specific thoughts on how to participate in this risk-adjusted yield opportunity. After 18 months of research, 250 manager meetings, deep due diligence and evaluations and soul searching over portfolio construction, we are ready to engage with you. Call and/or email us.

Alternative lending may not be something to rub all over your body to be sexy, but it just might help your portfolio compound your money… with relative safety.