THE UBERIZATION OF FINANCE: INVESTING IN NON-BANK BANKS A MODEL PORTFOLIO

Shinnecock Partners

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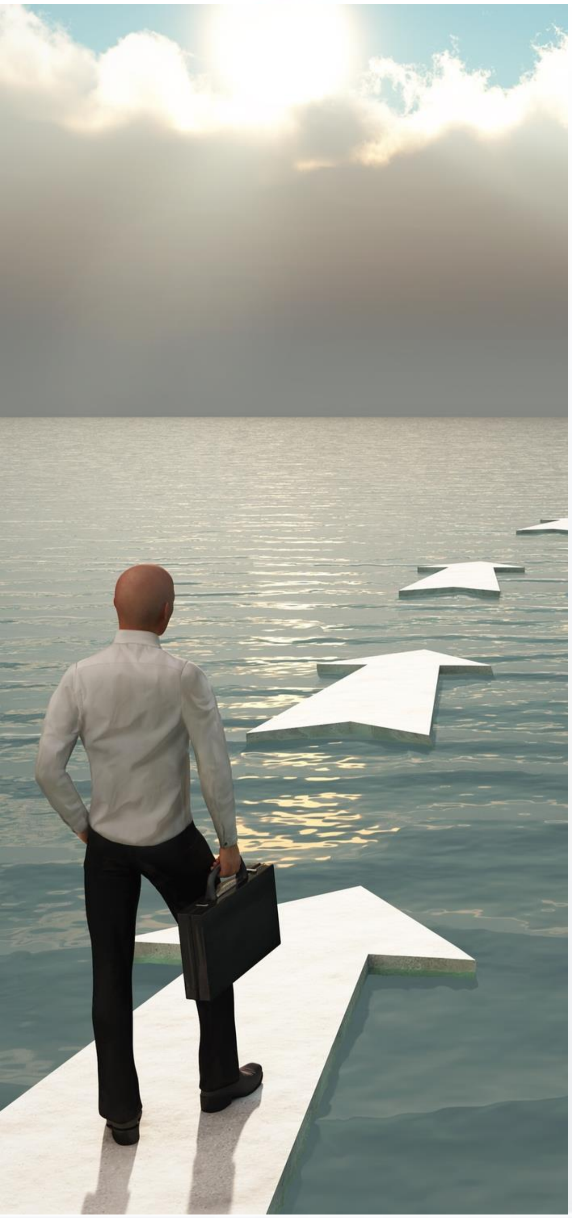
Is the Search for Yield an Impossible Quest?

- **Investors demand:**
  - Compelling yield now
  - Protection from the unexpected
  - Liquidity
  - Low correlation
  - Portfolio complement
  - Cash income
  - Quality controls
  - Simple
- **Are we Don Quixote in a Zero Interest Rate Environment?**

Pilgrims on the Quest for Yield



- **The Journey:**
  - Endless due diligence, evaluations, and quantitative analysis led in circles
  - After years of investing in the "non-bank" lending space, a.k.a shadow banks, we finally connected the dots!
- **Our Epiphany:**
  - Let investors earn the spread bankers have traditionally received
  - Create a diversified portfolio of yield-generating niche alternatives across multiple strategy segments

Let Investors Earn the Spread Bankers Have

- **Create a diversified/conservative portfolio model of fintech, specialty and niche loans**
  - **Attractive returns:** 7% - 10% annual net return
  - **Short duration:** 18 months
  - **Downside protection:** 14x return buffer over current write-off expectations
  - **Quarterly liquidity**
  - **Historically low correlation to equities and high-grade bonds**
  - **Multi-asset diversification**
  - **Cash income**
- **Almost too good to be true**

Model Portfolio Trumps Other Choices

Investment Type	Yield	Rising Rate Protection	Downside Protection	Liquidity	Correlation to Market	Volatility	Transaction Costs
Model Portfolio	**High**	**Yes**	**Yes**	**Moderate**	**Low**	**Low**	**Low**
High-Yield Bonds	High	No	Moderate	Moderate	Moderate	Moderate	Moderate
Dividend Stocks	Low	No	Moderate	High	High	Moderate	Low
REITs	Moderate	Maybe	No	High	Moderate	High	Low
MLPs	High	No	No	High	Moderate	High	Low
Closed-end Bond Fund	High	No	No	High	Low	High	Low
BDCs	High	Maybe	No	High	Moderate	High	Low
SBA Loans	High	Maybe	Moderate	Low	Low	Moderate	Moderate
Yield Co's	Moderate	Maybe	No	Moderate	Low	High	Moderate
Income Property	Moderate	Maybe	No	Low	Low	Low	High

Additional Considerations:

- Investment time horizon; the relative importance of each characteristic is investor determined. This chart is meant to be a generalized view.

Alternative Lenders, Non-Bank Banks and Shadow Banks All Mean the Same Attractive Thing!

- **$51 trillion rapidly growing global market serviced by "non-bank" financial institutions***
- **Traditional lenders hamstrung by bloated bureaucracies, dated technology, restrictive regulation and need to repair balance sheets**
- **Alternative lenders as distinguished from traditional banks:**
  - Do not accept deposits
  - Act as intermediaries, pooling loans
  - Provide a conduit between investors and borrowers
  - Enjoy a substantial cost advantage
  - Usually specialize in a particular niche

*Financial Stability Board Report 2013

Alternative Lenders are the Disruptors

- **Disrupting the market through:**
  - **New Technology:** "big data" analytics level the playing field, improving lenders' ability to evaluate credit
  - **Efficient Customer Acquisition:** new media channels enable lenders to source borrowers at lower costs
  - **Focused and "Purpose Built" Organizations**: allow lenders to offer loans at lower rates than traditional players
- **JPMorgan Chase CEO Jamie Dimon famously said:**

"Silicon Valley is coming"*

*JPMorgan Chase & Co. 2014 Annual Report

Respected Third-Party Validation*

Goldman Sachs: Alternative lenders are "the future of finance"

Financial Stability Board: Broad global reach

Morgan Stanley: 51% CAGR through 2020

Harvard Business School: Small business credit opportunity is compelling

McKinsey: Alternative lenders beat banks

Towers Watson: Multi-strategy execution is superior to a single strategy allocation

Credit Suisse: Fin tech is real

Moody's: More securitizations

The Wall Street Journal: "The Uberization of Finance"

Conning: Greater growth ahead in life settlements

*See appendix page 40 for article information

Enormous and High Growth Market

- **$12 trillion in outstanding U.S. loans, including*:**
  - $843 billion in consumer loans
  - $186 billion in small and medium business loans
  - $832 billion in leveraged business lending
  - $2.35 trillion in commercial real estate debt
  - $1.17 trillion in mortgage originations
  - Over $6.50 trillion in other loans (e.g. securitizations)
- **From these segments, approximately $1.6 trillion is forecasted to move quickly to alternative lenders with annual net profits of $11 billion for investors**
- **Global market in trade finance of $18 billion****
- **Conning estimates a $180 billion life settlement market… "a growing unmet need" and an "increasing opportunity"*****

**Goldman Sachs Global Investment Research*, *Equity Research,* "The Future of Finance Part 1", March 3, 2015

**Oliver Wyman: *The Future of Transaction Banking Volume 2: Trade Finance*

***Conning Research Report - 2014

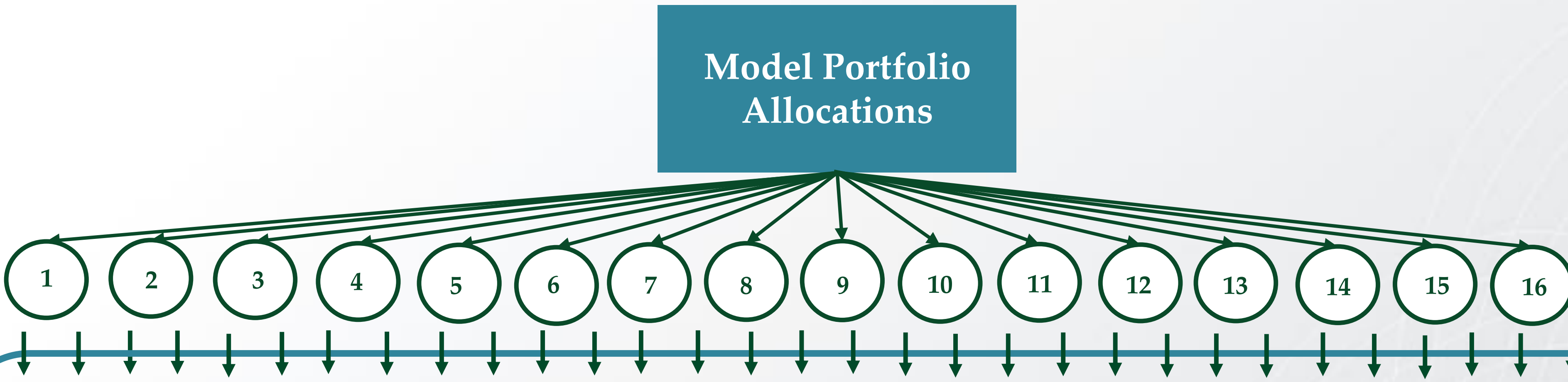
Pre-Investment Allocation Selection Process

Initial Screen	➢ **Sector and strategy must be appropriate for the portfolio** ➢ **Allocator must have demonstrated superior performance**
Strategy Analysis	➢ **Determine correlation to economic cycles** ➢ **Evaluate each segment for loan default risk and/or collateral impairment** ➢ **Assess strategy mitigating factors** - Investment or loan structure, e.g. loan to value ratios (LTV) - Hedging - Return versus default risk ➢ **Sector historical experience**
Fund Analysis	➢ **Comprehensive statistical report** ➢ **All related documents**
Portfolio-Level Review	➢ **Analysis of a pro forma portfolio including the new allocation**
Due Diligence	➢ **Conference calls, in-person meetings, due diligence questions, background research** ➢ **Regular monitoring after investment**

Post-Investment Allocation Evaluation Criteria

- Correlation to other asset classes, cross-correlation to other portfolio positions
- Review original touchstones: volatility, duration, yield, downside protection, historical and potential default rates
- People durability
- Growth risks – monthly AUM verification
- Secular and cyclical shift potential – normative behavior analytics
- Peer group comparisons
- Mark-to-market and fair value experience

Portfolio Composition



Consumer Lending
- Tax liens
- Fine art finance
- Marketplace loans
- Non-performing debt

Business Lending
- Senior secured lending
- Government receivables
- Equipment finance
- Receivables factoring
- Litigation finance
- Auto and auto dealer finance

Trade Finance
- Warehouse receivables
- Commodity export
- Project finance

Real Estate Bridge Financing
- Commercial real estate
- Residential real estate

Life Settlements
- Life policies

~ 30,000 individual loans

Portfolio Tradeoffs

Strategy Diversification

Portfolio Balance

- Yield
- Leverage
- Duration
- Collateral
- Liquidity
- Correlation

Loan Selection

Self-Selected
vs.
Domain Experts

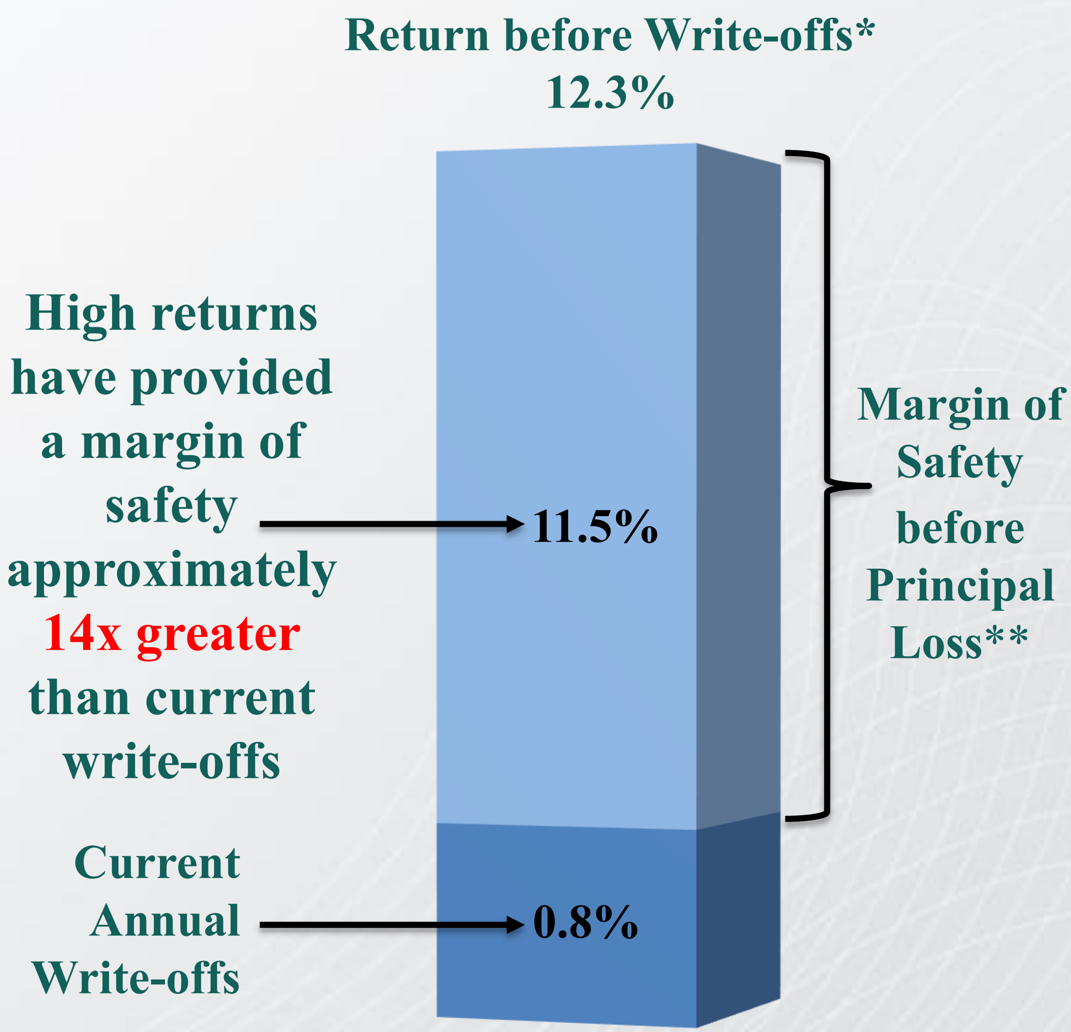
Strategy Diversification

16 Discrete Allocations In Blend Of Direct and Pooled Investments:

- **Business:** invest in business platform loans and niche lenders
- **Consumer:** invest in consumer platform ("marketplace") loans and niche lenders
- **Real Estate:** originate private short-term "bridge" financing for commercial, multi-family and residential real estate
- **Trade Finance:** finance the export of raw goods from local suppliers to international importers and related accounts receivable
- **Life Settlements:** acquire unwanted life insurance policies from original policy owners

A Buffer Against the Unexpected

- 94% of loans are secured.
- Average loan-to-value (LTV) is 50.3% where applicable. If a loan defaults, underlying asset values increase recoveries.
- Current annual write-offs across the portfolio average 0.8%. The return before write-offs is 12.3%. Defaults have to increase 1400% before principal is affected, assuming an even distribution of losses.
- Extremely wide diversification across five sectors, 16 allocations and approximately 30,000 individual loans provides additional safety.



*Annual return before write-offs less allocation operating expenses and management fees.
**Assumes losses are evenly distributed among allocations.

Portfolio Risks

SCENARIO	POSSIBLE OUTCOME	RISK MITIGATION
Economic Crisis – Maturity Extension	Less Liquidity	Short Duration Starting Point
Economic Crisis – Borrower Failures and Asset Depreciation	Higher Write-Offs; Slower and Smaller Recoveries	Significant Rate Buffer/ Low Loan-to-Value Ratios
Individual Manager Failure	Return Reduction	Low Sub-Manager Concentration
Increased Competition	Lower Returns	Enormous Market Potential and Returns Exceeding Current Alternatives
Regulatory or Political Actions	Lower Returns	Diversification by Strategy and Sub-Manager

Model Portfolio Characteristics

Net Yield*	9.1% return (LTM)
Leverage	2.2%
Duration	18.0 months
Liquidity*	Quarterly, after one-year lockup period
Cash Income	Quarterly distributions available
Correlation	Low
Sub-Manager	7.8 average years in operation

*Special terms with selected managers

Model Portfolio Operational Assumptions

- **Portfolio Level**
  - $30 million+ required to achieve manager minimums, adequate balance, and fee negotiations
  - Liquidity must match that of the underlying manager allocations (e.g. lockup period, notification requirements, audit holdback, cash income distribution options)
- **Expense assumptions based on modest scale with delegated management**
  - Operational expenses and fees of 2% per annum

Meeting the Challenge

- Compelling yield
- Protection from rising rates
- Dramatic downside cushion
- Relative liquidity
- Low correlation/portfolio complement
- Cash income
- Widespread diversification by:
  - Sector
  - Position
- Low leverage
- One stop shopping

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Model Portfolio Track Record

Performance and Risk Analysis, May 2017 – April 2018

(Pro forma based on actual results from underlying managers)

	Portfolio	S&P 500	BIG*
Compound Annual Growth Rate (CAGR)	9.1%	12.2%	(0.3%)
Sharpe Ratio @ 0%	17.6	1.4	(0.1)
Annualized Standard Deviation	0.5%	8.6%	2.4%
Max. Drawdown †	0.0%	(6.5%)	(2.3%)
Skew	0.3	(0.3)	(0.3)
Kurtosis	(1.2)	1.1	(1.2)

CAGR	Portfolio	S&P 500	BIG*
2018 YTD	3.1%	(1.0%)	(2.2%)
2017	9.3%	18.3%	3.1%
2016	8.5%	9.5%	2.7%
2015	9.0%	(0.7%)	0.5%
2014	7.6%	11.4%	5.9%
2013	8.9%	29.6%	(2.0%)
2012	8.9%	13.4%	4.2%

*Citigroup U.S. Broad Investment Grade Bond Index

†In past 10 years, S&P 500 maximum drawdown was (52.6%) and BIG was (5.0%)

Summary of Allocation Statistics*

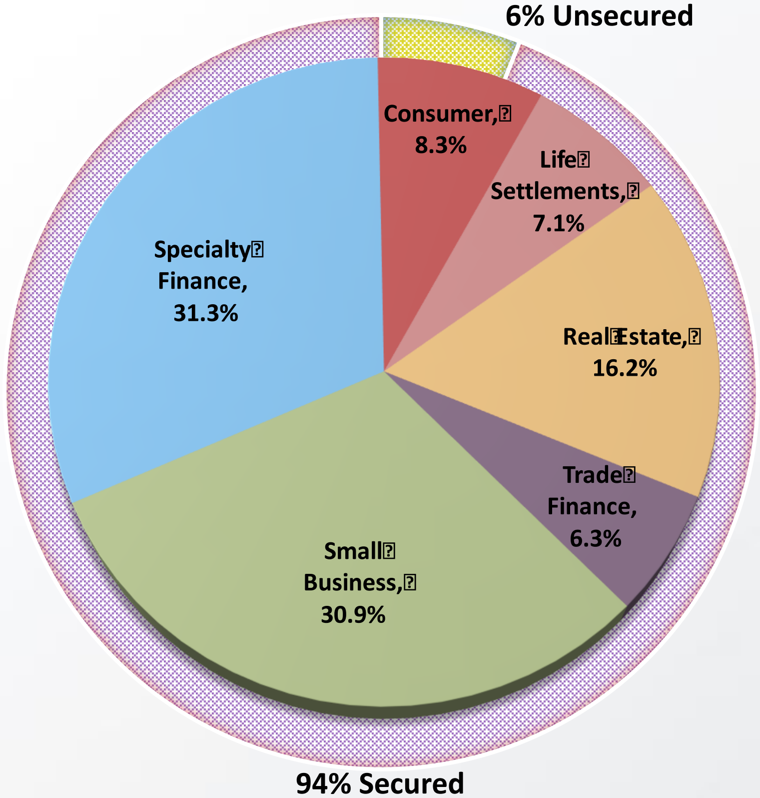
#	Allocation Description	Allocation (%)	Experience (Years)	Firm AUM ($MM)	Est. Capacity ($MM)	Current Leverage (%)	Projected Leverage (%)	Net Yield Less Fees & Expenses (%)	Current Write-offs (%)	Average Loan-to-Value (%)	Average Duration (Months)
1	Multi-Strategy Lender - Marketplace	6.3	5.6	750	1,000	0.0	0.0	15.0	4.9	65.0	11.0
2	Real Estate Lender - Residential	6.3	9.3	200	500	17.0	30.0	10.1	0.0	53.7	36.0
3	Life Settlements	6.3	8.0	1,900	2,500	0.0	0.0	12.0	0.0	30.0	33.0
4	Multi-Strategy Lender	6.3	7.5	550	750	18.0	25.0	11.0	2.0	55.0	27.0
5	Multi-Strategy Lender	6.3	11.8	750	1,000	0.0	0.0	11.0	1.0	55.5	9.2
6	Real Estate Lender - Commercial	6.3	3.3	250	500	0.0	0.0	9.0	0.0	70.0	20.6
7	Student Lender - Marketplace	6.3	6.7	1,500	2,000	0.0	0.0	12.0	1.0	N/A	24.0
8	Business Lender - Film Finance	6.3	3.3	80	350	0.0	0.0	12.0	0.0	70.0	12.0
9	Trade Finance	6.3	7.5	750	1,000	0.0	0.0	9.0	0.0	75.0	6.0

Summary of Allocation Statistics*

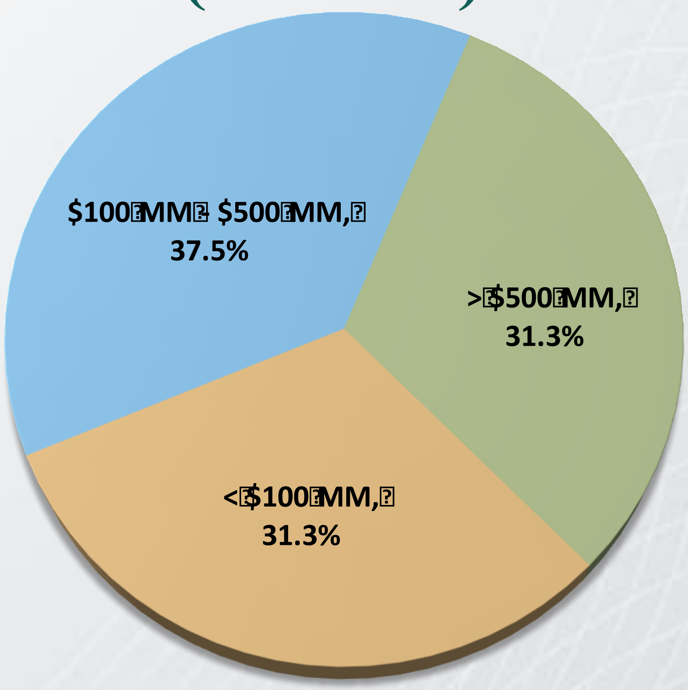
#	Allocation Description	Allocation (%)	Experience (Years)	Firm AUM ($MM)	Est. Capacity ($MM)	Current Leverage (%)	Projected Leverage (%)	Net Yield Less Fees & Expenses (%)	Current Write-offs (%)	Average Loan-to-Value (%)	Average Duration (Months)
10	Business Lender - Secured Specialty Finance	6.3	30.8	100	750	0.0	0.0	10.5	0.0	50.0	12.0
11	Business Lender - African	6.3	3.8	10	500	0.0	0.0	14.0	0.0	50.0	12.0
12	Business Lender - Litigation Finance	6.3	9.3	50	100	0.0	0.0	12.5	0.0	80.0	30.0
13	Business Lender - Small Public Co.	6.3	7.8	75	3	0.0	0.0	18.0	0.0	6.0	16.8
14	Business Lender - Small Public Co.	6.3	6.9	3,000	500	0.0	0.0	16.0	4.0	N/A	12.0
15	Business Lender - Small Public Co.	6.3	2.3	100	500	0.0	0.0	12.0	0.0	65.0	15.0
16	Secured Consumer Lender - Elective Medical	6.3	0.9	10	25	0.0	0.0	12.0	0.0	80.0	12.0
	Allocation-weighted Average	**100.0**	**7.4**	**629**	**749**	**2.2**	**3.4**	**12.3**	**0.8**	**50.3**	**18.0**
	Total			**10,065**	**11,978**		* See notes in Appendix for column heading descriptions				

Model Portfolio Allocations

Portfolio Balance



Domain Expert Assets Under Management ("AUM")



Weighted-Average AUM: $629 million
Total AUM: $10.1 billion
Estimated Capacity: Substantial

Shinnecock Partners
Established 1988

- **An alternative asset management firm**

  Multi-strategy fund – launched April 1989

  Futures fund – launched April 1993

  Private equity funds – launched June 2012 and November 2014

  Niche-based fund – launched August 2013

  Alternative lending fund – launched January 2016

- **Started as a "friends and family" private office and now its offerings are available to other investors**

› **Shinnecock Futures Fund named Best Managed Futures CTA Fund in North America by *World Finance* magazine in 2011**

Scalable & Credible Organization

- Experienced – 28 years in business
- Have found, compared, and evaluated thousands of money managers
- Industry shaping skill set in financial services innovation
- 160 money manager variables quantitatively evaluated
- Detailed soft characteristic analysis
- Deep-rooted manager/strategy diligence - both upon investment and as investor
- "Best of breed" service providers
- Substantial skin-in-the-game
- Team depth

Shinnecock Value Add

Manager Selection

Identify the best and the brightest

- 65,000 potential universe
- Due diligence - 363 questions
- Quantitative evaluation of 160 variables
- Third party investigation

Portfolio Construction

Balanced allocation

- Analytics:
  - Efficient frontier
  - Omega
  - Delta
- Stress testing

Ongoing Management

Manage portfolio through time and events

- Normative behavior
- Assets under management tracking
- Peer group comparison

Administration: reporting, portfolio and investor accounting, one K-1

Alan Snyder – Founder, CIO, Largest Investor

43 years of experience in finance and investments

Alan Snyder founded Shinnecock Partners in 1988 and serves as its Managing Partner. Alan spent 14 years at Dean Witter (now Morgan Stanley) and finished his career there as an Executive Vice President, Board Member and Executive Committee Member. He formulated the launch of the Discover Card as member of a three-person management team. Subsequently, he restructured First Executive/Executive Life, a $20 billion life holding company including $1.5 billion alternatives portfolio, as President and Chief Operating Officer. He was later appointed as Executive-in-Charge by the California State Insurance Commissioner. He has served as a special advisor to Goldman Sachs and Kelso Partners.

He founded and was Chairman, President and CEO of Answer Financial, which became the largest independent seller of auto and home insurance in the U.S. Answer was sold to Esurance, who sought its technology and third-party distribution and was more recently purchased by Allstate.

Harvard Business School (Baker Scholar, MBA) and Georgetown University (Wall Street Journal Scholar, BSBA). Chairman of the Western Los Angeles County Council of the Boys Scouts of America.

Multi-Manager Fund Advantages

- **Disciplined and replicable process for selection and monitoring of managers**
- **Immediate diversification**
  - Avoids problem of meeting multiple manager minimum requirements
  - Reduces manager-level risk
  - Less volatility
- **Utilize scale to efficiently apply larger allocations to an asset class without "timing" concerns of any one manager**
- **Simplified tax and accounting (single manager versus many separate managers)**

Emerging Manager Benefits

- **Smaller/younger funds beat larger/older funds (1995 - 2014) ***
  - Smaller funds consistently outperformed midsize and larger
    - Small and large funds compounded money at 9.0% and 7.32% respectively
  - Larger funds trailed smaller ones during periods of financial stress
    - Young funds in the tenth percentile of assets lost just 0.48% per month to the bigger funds' 1.28% monthly shortfall in the '08/'09 financial crisis
- **Fund selection/due diligence is key****
  - Small funds led when looking at the top 25% of best performers
  - Larger funds in bottom quartile outperformed smaller by more than 10%

*City University Center for Asset Management Research Study, 2015
**PerTrac Study, 2012; Imperial College London Study, 2012

Third-Party Article Titles and Dates Published

- Goldman Sachs, “The Future of Finance”: March 2015
- Financial Stability Board, “Global Shadow Banking Monitoring Report 2015”: November 2015
- Morgan Stanley, “Global Marketplace Lending”: May 2015
- Harvard Business School, “The State of Small Business Lending”: July 2014
- McKinsey, “The Fight for the Customer: McKinsey Global Banking Annual Review 2015”
- Towers Watson, “Alternative Credit Perspectives”: September 2015
- Credit Suisse, “Online Finance Trends”: November 2015
- Moody’s, “2016 Global Outlook”: December 2015
- Wall Street Journal, “The Uberization of Finance”: November 2015
- Conning, “Life Settlements: Growing Unmet Need, Increasing Opportunity”: 2014

Glossary

Strategy Definitions

"Consumer" loans are generally unsecured loans to consumers, often made through an online lending platform, and typically used for debt consolidation and refinancing. This strategy may also include secured lending (e.g., tax lien loans) and non-performing (delinquent) consumer debt that is purchased in pools for a substantial discount off face value.

"Business" loans are typically senior-secured small business loans made by alternative lending institutions. Sub-categories may include, without limitation, PIPEs (Private Investment in Public Equities), equipment leasing (secured by the leased equipment), receivables finance (secured by inventory) and medical receivables (loans advanced for medical care related to personal injury settlements).

"Real Estate" loans are made by private lenders, secured by the underlying property. The borrower benefits from an easier application and approval process, faster closing and availability of loan types and amounts that may not be offered by traditional banks. Lenders benefit from relatively high interest rates, a short loan term and a relatively low loan-to-value ratio.

"Trade Finance" primarily involves financing transactions between importers and exporters of goods. Trade Finance helps settle the conflicting needs of the importer (supply risk) and exporter (payment risk). Loans are very short-term in nature and secured by the assets being delivered.

"Life Settlements" is the sale of a life insurance policy by the original owner to a third party for more than the cash surrender value but less than the face value. The third party becomes responsible for the payment of premiums, and receives the death benefit upon the passing of the insured.

Sub-Manager Statistic Definitions

"Duration" is the weighted-average time until principal repayment. Consideration is given to amortization of principal, interest received and any prepayments.

"Loan-to-Value" (LTV) is the ratio of a loan amount to the value of the underlying asset or collateral securing the loan. For example, a $250,000 mortgage loan secured by a property valued at $500,000 would have a loan-to-value of 50%.

"Annual Return before Write-offs less Sub-Manager Expenses" is the allocation-weighted compound annual growth rate of the Initial Sub-Managers after fees and expenses but before incentive fees and deductions for loan write-offs.

Glossary (cont.)

"Current Annual Write-offs" is the allocation-weighted average of Initial Sub-Manager current loan default rates, net of recoveries.

"Excess Annual Return for Principal Break-even Protection" is the theoretical allocation-weighted average amount of excess positive return over current write-offs (net of recoveries) available to cover additional write-offs (net of recoveries). This is an aggregate calculation and does not account for any variation between Initial Sub-Managers, i.e., assumes that each Initial Sub-Manager would experience an equal rate of return, write-offs and recoveries.

"Current Leverage" is the manager-reported leverage at the fund or vehicle level as of the date of this presentation. It does not include leverage of the underlying assets, if any.

"Projected Leverage" is the manager-reported leverage at the fund or vehicle level expected by the sub-manager upon acquisition of financing beyond its current available leverage. It does not include leverage of the underlying assets, if any.

Performance Statistic Definitions and Notes

"Compound Annual Growth Rate" (CAGR) is the annual return that an investment would have realized over the specified period had the investment grown at a consistent interest rate for the duration of such period.

"Max. Drawdown" means the largest peak-to-valley decline experienced by the specified strategy, i.e., the greatest cumulative percentage decline in month-end net asset value due to losses sustained in any period in which the initial month-end value is not equaled or exceeded by a subsequent month-end net asset value.

"Standard Deviation" is a measure of how dispersed returns are from their average (a lower number indicates less volatility). Annualized Standard Deviation is calculated by multiplying the monthly Standard Deviation by the square root of 12.

"Sharpe Ratio" is a measure of the return earned in excess of the risk-free rate, relative to the risk. The Sharpe Ratio is calculated as the average annual return minus the risk-free rate, divided by the annualized standard deviation of returns. The higher the value of this indicator, the greater the quality of the returns on a risk/reward basis. This presentation presents sharpe ratios using a risk-free rate of 0%.

Glossary (cont.)

"Skew" (Skewness) measures the symmetry of a return distribution around its average. A skew of zero would indicate a perfectly symmetrical distribution, such as the standard bell curve. Positive skew is more favorable because it indicates the greater likelihood of positive returns.

"Kurtosis" is the measure of the width of the peak of a return distribution as compared to a normal distribution (which has a kurtosis of 3). Positive excess kurtosis (above 3) indicates thicker "tails" and a more peaked distribution whereas negative excess kurtosis (below 3) indicates flatter "tails" and a flatter peak. When comparing the kurtosis of two return distributions, higher kurtosis is considered more favorable as it indicates less variability of returns from the average.

Index Definitions

We provide various indices as proxies for certain sectors of the broader markets. An unmanaged index does not represent the return available from any particular investment as there is no consideration of the costs that would be incurred to achieve the results, e.g. transaction fees, bid/ask spreads, administrative and management expenses, etc.

The Standard & Poor's 500 (S&P 500) is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices.

The Citigroup U.S. Broad Investment Grade Bond Index (BIG) measures the value of the broad U.S. investment-grade bond market, including Treasury, government agency, corporate and mortgage-backed securities. All bonds in the index must be rated at least BBB- or Baa3, have a maturity of at least one year, and a total value outstanding of at least $200 million.

Investor Definitions

"Accredited Investors" are generally individuals with a net worth in excess of $1 MM (including assets held with spouse but excluding the positive value of the underlying primary residence), or $200K annual income ($300K with spouse) in each of the past two years and expected in the current year.

"Qualified Clients" are generally individuals with a net worth in excess of $2 MM (including assets held with spouse but excluding the positive value of the underlying primary residence).