

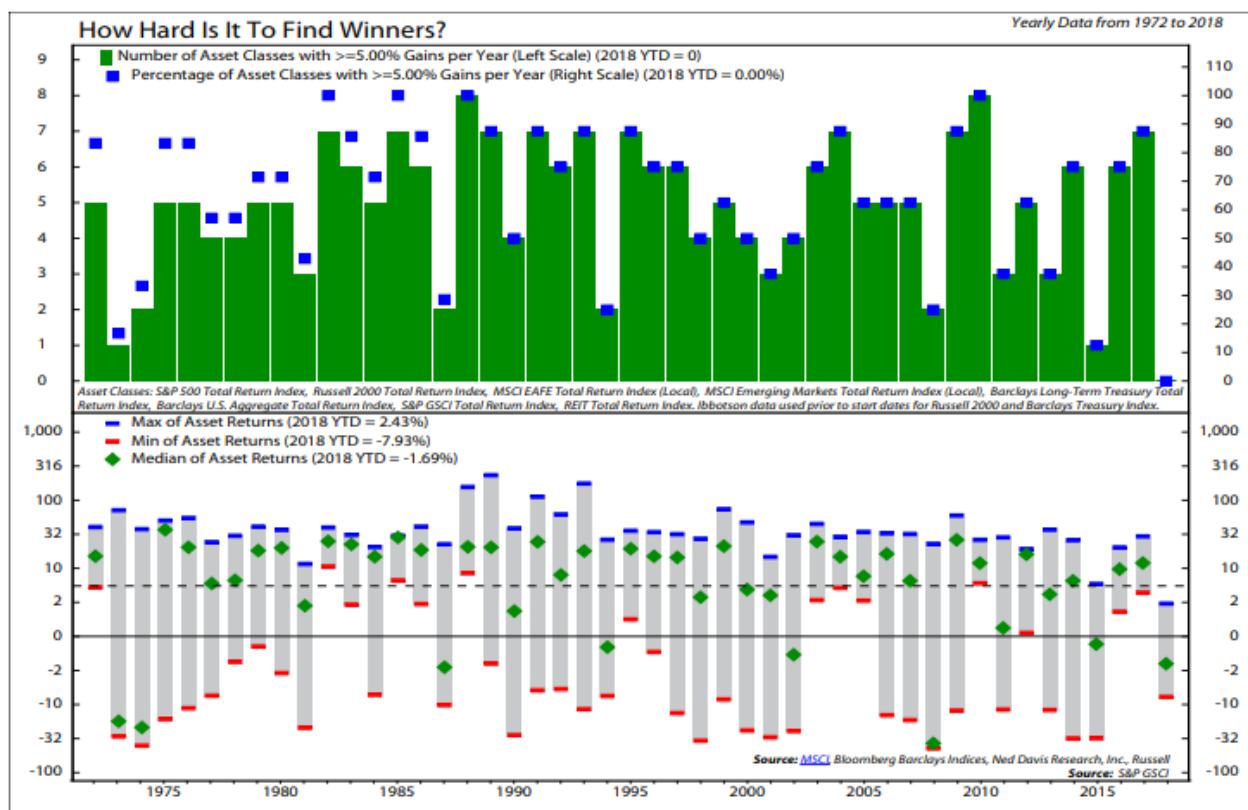
SHINNECOCK PARTNERS

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Fine Art & Wine: The Golden Girls of 2018

By Michael Cervino

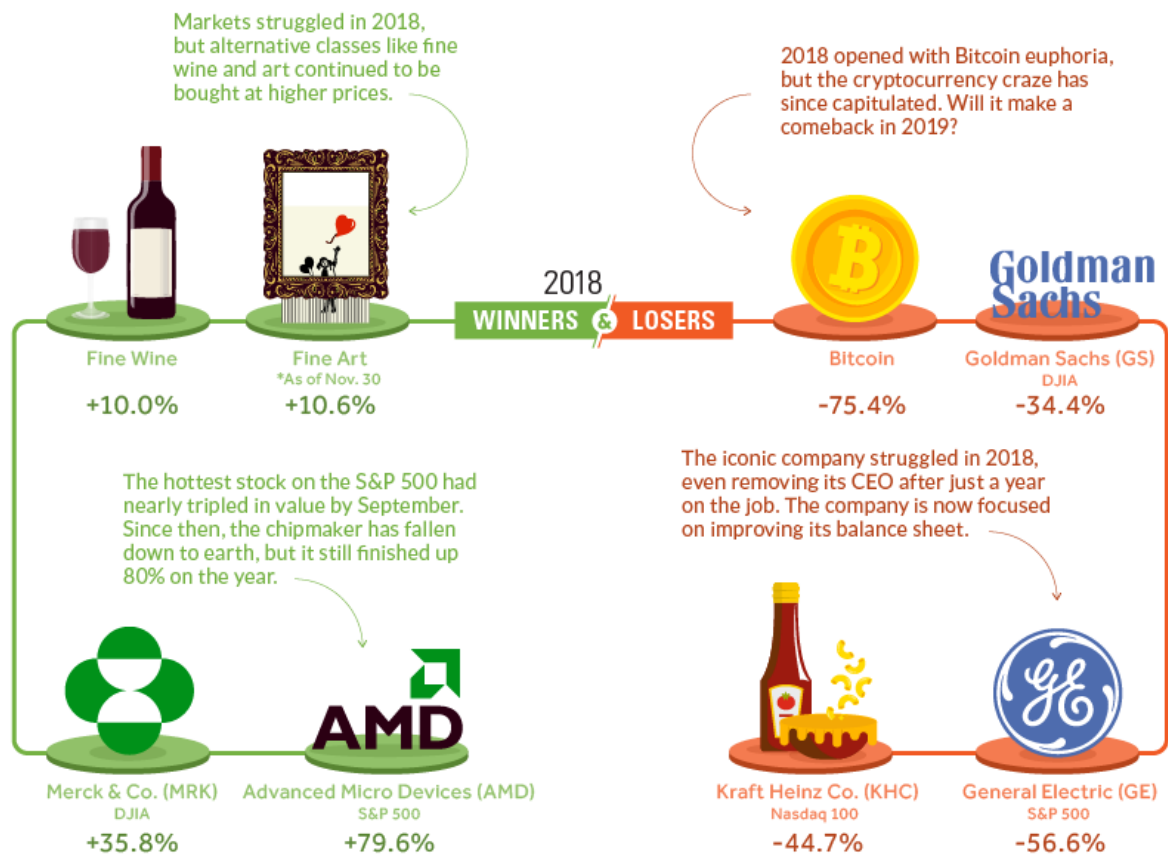
2018 was not kind to most investments. Of the eight major asset classes identified by Ned Davis Research in a recent report, none of them returned over 5% on the year. Typically, when one or several major asset classes are down, there are at least a few winners that are up over 5% (as shown in the graph below). But for the first time since 1972, that was not the case:



Source: Clissold, Ed and Nguyen, Thanh. "So This Is What Quantitative Tightening Looks Like." *Ned Davis Research Group*, 20 Nov. 2018.

But 2018 wasn't all doom and gloom. If you pull back the lens from the "major eight" asset classes to bring niche asset classes into view, you will see that some bucked the trend and posted

strong returns. Two of the strongest performers have been known to age gracefully: fine art and fine wine.



Source: Desjardins, Jeff. "How Every Asset Class, Currency, and Sector Performed in 2018." *Visual Capitalist*, 4 Jan. 2019, www.visualcapitalist.com/how-every-asset-class-currency-and-sector-performed-in-2018/.

We are certainly not advocating that you should liquidate your existing portfolio to fuel a spending spree on art and wine. We do recommend, however, that investors consider focusing a portion of their portfolios on alternative, niche assets that have historically exhibited low correlation to more traditional investments. Consider art-secured lending. We began lending against fine art through our alternative lending fund almost two years ago, and we maintain that fine art is a terrific asset to lend against (if not to buy outright). There are several qualities that make fine art uniquely attractive:

- Historically appreciating: 8% annual growth in the Sotheby's Mei Moses Art Index for the past 50+ years
- Easily transportable: (1) allows us to take physical possession of the art for the duration of the loan and (2) can be moved globally to take advantage of currency depreciation/appreciation
- Low correlation to equities: Sotheby's Mei Moses Art Index correlation to the S&P500 index is 0.29 (1980 – 2017)

Art-secured lending combines the above art-specific benefits with additional safeguards, such as low loan-to-value ratios and financial guarantees from the borrowers. Targeted for a March 1 launch date, Art Lending Fund LLC (“ALF”) is designed to generate competitive returns with short duration, and is a complement to any portfolio.

An introduction to our new fund and art-secured lending in general can be found at <http://www.shinnecock.com/>. If you would like more information on ALF or our experience with art-secured lending to date, please don’t hesitate to reach out.

Upcoming Events

See attached schedule of industry related events at which Shinnecock will be sharing more in-depth information and let us know if you’ll be attending so we can look for you!



Upcoming Events

Shinnecock will be in attendance and/or speaking at the following events. We'd be happy to have you join us!

Jan 30 – Feb 1 – Miami

Context Summits Miami 2019

Fontainebleau Hotel

4441 Collins Ave., Miami Beach, FL 33140

For information and registration: <https://contextsummits.com/miami/>