

Hedge Fund ALERT

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Family Office Pitches Art-Loan Fund

A family office that has earned steady profits writing loans to buyers of fine art is opening the strategy to outside investors.

The Los Angeles operation, **Shinnecock Partners**, began investing May 1 through a commingled vehicle dubbed Art Lending Fund. It targets annual returns of 8.5-9.5% by originating short-term loans secured by paintings whose values typically exceed \$1 million. The fund will employ leverage of up to 1.5 times equity capital.

Shinnecock, whose investment portfolio is overseen by managing partner **Alan Snyder**, seeded the fund with a small amount of its own money. In June, it expects to take in sizable slugs from two anchor investors.

The family office has been managing the art-lending strategy for more than five years. The loans have an average maturity of about one year, during which Shinnecock takes possession of the paintings and stores them in secure locations. Borrowers include collectors who need time to liquidate assets to fund an art purchase; existing owners looking for cheaper financing; and dealers who buy art on spec with an eye toward selling the pieces to collectors.

Shinnecock's fund is positioned to capitalize on a booming art market. Worldwide art sales totaled \$67.4 billion in 2018, up 6% from 2017, according to a report from **UBS** and **Art Basel**. In 2017, outstanding loans secured by art totaled \$20 billion, up 13.3% from 2016, according to a report commissioned by **Deloitte**.

Shinnecock is charging limited partners a management fee equal to 1% of assets annually and 10% of profits. Investors are subject to a one-year lockup. The minimum investment is \$100,000.

Snyder, who has had a long career in finance, founded Shinnecock in 1998. He is managing the art-lending fund with help from principal **Joel Parish**.



They are relying on an advisory board with deep experience in art valuation, sales and financing. The board includes **Susan Ginsburg**, a faculty member at the **School of Visual Arts** in New York; **Amanda Langer**, of art-transportation specialist **Dietl International Services** of New York; and **Andrew Rose**, who runs **Art Finance Partners** of New York. ♦

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