



To Our Investors:

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Insights from Tiger 21 Conference:

Dear Investor: I recently attended my second annual Tiger 21 conference where some of the biggest names in the investment world shared insights alongside 379 private investors of Tiger 21 (whose collective worth is over \$40 billion). I wanted to share some valuable takeaways from the headliner speakers with you:

Thomas J. Barrack, Executive Chairman of Colony Capital, Inc. (the third largest private real estate equity fund in the world), arguably one of the country's greatest real estate investors spoke on current real estate trends:

- Barrack compared real estate to a slow moving train with large, long cycle moves
- He reminded the audience that real estate is forgiving, but debt is not
- The most important aspect of any project is free cash flow and understanding how to change the use of property to create more cash flow
- He went on to say that the best class A building sitting on Market St. and Main St. in a large city with a AAA tenant has only one way to go - down. It cannot get better so therefore, it can only get worse
- Barrack also held that credit today is still fairly tight with conservative LTVs, and that supply and demand are roughly in balance. Thus he did not believe that we are in a "bubble" real estate market
- When asked what advice he would give a young professional he said, "Be able to elegantly withstand pain, work harder, learn more and be prepared and ready to take risks when the right deal comes along"

David Bonderman, Founding Partner of TPG Capital (one of the largest private equity firms in the world), listed by Forbes 400 as one of the 170 wealthiest Americans spoke about today's economy:

- Last summer he was telling people to "sell everything that was not nailed down, and if it was nailed down, rent it"
- Bonderman sees a bubble in the "unicorn" (a.k.a. \$1 billion private tech companies) and supposes that only a few, like Uber, will make it
- He sees only a soft U.S. economy and reasons that we will avoid a recession, although we are not yet at the bottom
- When markets are in flux (like they are today), deals do not transpire because sellers get stuck recalling old pricing and buyers become apprehensive. He believes that prices will have to stabilize before deals "get done"
- The current investment opportunities he likes are low cost airlines, troubled banks in emerging markets and India in general
- Bonderman stated that the private equity market overall has been the best long-term asset class because the lack of liquidity demands better returns
- When asked to give his secret to success in private equity he said, "Don't get it wrong too often," though he also stated that it's okay to "miss once in a while; if you never make a mistake then you are not taking enough risk"

Interestingly, both Barrack and Bonderman spoke separately of their respect for Donald Trump. Each alleged that Trump is a very smart, shrewd businessman and a master at fueling reality television (which is all the public sees). One stated that if you sat down with Trump for 10 minutes one-on-one, you would leave the conversation thinking he was your new best friend.

The last major speaker was **Mike Milken**, the Chairman of the Milken Institute, the inventor of the junk bond and the chief guru on Wall Street in the 1980s. He led the audience through some of the biggest social and technological changes in recent history and trends forecast for the future. A couple of key points:

- According to Milken, Sub-Saharan Africa is the only continent projected to have a growing population over the next 50 years. The average age in this area today is 19 years and over the last 50 years the life expectancy has increased by 75% from 42 years up to 76 years. 85% of the population now have cell phones used for calls, purchases and banking - up from 2% of the population 15 years ago
 - Separately, I (Mark) met with one of the largest private equity firms in Africa and am trying to compile an investor group to meet their \$5.0 million minimum. The company's track record has been 24% IRR, but it is a 10-year hold

- Milken infers that technology is changing everything quickly, even agriculture. In the 1800s, 98% of the U.S. population worked in agriculture versus 40% in the 1900s and only 2% as of 2000. The cost of farming has dropped 90% since 1800. The good news, according to him, is that when the world adopts his technology there will be plenty of food; the bad news is that many people will have to find other kinds of work
- In the 1970s big computers cost \$1.0 million per megabyte yet today the cost per megabyte is a penny - that's one billionth of the cost! There are 8 billion mobile devices and 1.5 billion of them (20% of the world) use Facebook every day. With the shared economy, nanotechnology, 3D printers, DNA mapping, etc., there will be winner and losers
- Lastly, he states that immigration is changing our country. In the 1960s, 85% of the immigrants coming to the U.S. were from Europe. Today, 85% of immigrants are from Asia or Latin America and 60% of wealthy Chinese want to live in the U.S. Half of all scientists and engineers working in the Silicon Valley are foreign born. None of the top 10 surnames of recent home buyers in California are Western. Milken believes these happenings will change voting, social trends, retail and even our children's history books

I came away from this conference very encouraged about the future of our country, excited about upcoming technological advances, and confident that Optivest's current defensive investment posture will allow us to participate in the next wave of good investments.

Until next time,

Mark Van Mourick

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