

Private Credit Warning Signs. Private credit has emerged as the next best thing since sliced bread. It sounds so good in theory: let's dis-intermediate the banks by making loans to small companies, often with low profits and challenging industry dynamics. And, the best part is: let's pay independent people to mark the loans once a quarter. This has worked beautifully over the past few years, but cracks are emerging. The WSJ reported in May that even the top ranked lenders (called first lien) continue to get less money back when companies go bankrupt, with less junior capital to absorb the pain. And, there is now something called synthetic PIK interest, which is servicing debt with more debt! Say what? It is hard to imagine a less well equipped group to actually run a company than a private lender forced to take over through foreclosure. All the while, banks, who compete with private lenders, continue to pump billions more into an already saturated market. Last month, Jamie Dimon warned of emerging danger - "There could be hell to pay"- as retail clients pile into the still white-hot asset class. It may be too early to call it a bubble, but it sure feels like one to us.



The Trouble with Video Games. As the father of one teenage daughter and another two in their early 20s, I worry a lot about the quality of the dating pool. A number of recent articles seem to point to an increase in Internet gaming disorder, with boys leading the way in addictive behavior. While video games have some positive features, I worry that too much time in an alternative universe is not good for young minds or souls. As one male gaming addict puts it: "you level up in the game in all different types of skills, you fight powerful creatures, and you have great brotherhood in that. That is what you truly desire, the video games give you a fake version of it. Why would you try to work yourself, and find all of these things in real life, when you can have an easier, more comfortable, and instant way of achieving that?" As a father of daughters, I don't find that at all comforting.

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INVESTMENT & CONSULTING UPDATE

Real Estate

- Evaluating apartments in Austin, TX, Medical office condos in Southern, CA and a student housing project at UC Berkeley.

Public Securities

- Invested in a galvanizing and metal coatings business, a manufacturer of connectors, integrated connectors modules, and cable assemblies, and a mini conglomerate that manufactures products for customers in the consumer products, packaging, aerospace and industrial end markets.

Funds, Private Equity and Venture Capital

- Invested in a fund specializing in financial institutions and fintech.
- Evaluating a provider of office demolition services
- Evaluating two highly specialized injection molding businesses
- Evaluating providing seed capital to fund specializing in lower middle market buyouts
- Evaluating a GP-level investment in a secondaries firm

Consulting

- Continuing to work with a large family business contemplating a sale and establishing a family office.