



The New Renaissance

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It may be time to step back a bit from the hyperbolic, passionate news cycle and the preponderance of decision-making based on trending social media comments. This is not the kind of leadership we advocate and may not even be considered leadership. We favor values-based, longer-term perspectives on policy making, investing, and relationships. Recently, we introduced the concept of Ahimsa, an ancient discipline of consciously reducing suffering. We aspire to that goal generally as well as specifically with the example of favoring plant-based diets to reduce animal suffering, together with tolerance for people who do not agree with us on this or any matter. One cannot subscribe to reducing suffering on the one hand and abuse people who do not agree with you on the other. This is an example of a carefully considered, longer-term decision made after sober contemplation.

There is another concept that may be appropriate to discuss in the context of steadiness and process: 'nishtha.' We define nishtha here as unshakeable resolve, faith, and steady application of a process to set appropriate goals and solve problems.

Nishtha – Resolute Determination

Nishtha is an ancient way of acting that results in deep commitment: a commitment in partnerships and resolute determination in goals and investments that bear steady fruit. It is relatively easy to create things as well as destroy them. To maintain them is where the vast bulk of effort is required, and this requires nishtha. Whether is it a human life, a family, friendships, an investment strategy, or a country, the maintenance of these things is where the work lies, while their destruction can be rapid and tragic. Our view of nishtha is the recognition that when a decision is taken after deliberation, one remains committed to the path even in the face of the inevitable challenges one faces maintaining that path. Again, choosing values-based actions and staying true to that path or goal is where the most work is. These decisions should not be taken lightly.

A New Renaissance

Some six hundred years ago, the world began to emerge from the Middle Ages and into the light of the Renaissance. The Dark Age was characterized by pandemics, population decline, feudalism, and



general absence of organized scientific and philosophical thought. The Renaissance, on the other hand, reintroduced philosophy, art, and science, and led to the birth of liberty and capitalism. People were inspired to contemplate larger philosophical issues and embark on long-term projects, such as voyages of discovery, dramatic construction projects, inspired artwork, and other actions that emerged out of that contemplation. Faith in process and commitment to seeing a well thought-out process through: we consider this a form of nishtha and something we believe merits reflection and application today.

An Epoch of Low Interest Rates

Here at US Capital Global we have set off on a path that we have maintained and developed for about 20 years now. We have an expertise and commitment to private enterprise investing and making regular and steady returns on both our own and our clients' investments, whether it is growth equity, venture debt, or credit for accretive growth. We have seen commercial interest rates have been low for quite a long time, and recent Federal Reserve forward policy pronouncements indicate they may be near zero through 2022. Corresponding with these low interest rates has been a contraction in risk-taking by commercial banks and institutional lenders. On first examination, the lower rates appear favorable for business and the economy, but on more careful contemplation one will see the ability and willingness of lenders to make loans is reduced and our opinion is there is a net contraction in actual business lending.

As a consequence of current institutional and deposit low interest rates, people have lost appreciation of the value of compounding of interest. If interest rates are near zero, as they have been for some time, compounding is not very interesting. Private credit interest rates, however, are generally much higher than deposit rates and commercial bank rates, and the corresponding value of compounding goes up exponentially. It is important to take a closer look at private credit and the return on investment available with compounding when interest rates increase.

For example, with an interest rate at 1.5% it takes almost 47 years to double your principal. We have become accustomed to low commercial interest rates that make compounding irrelevant, but it is important to point out that there are higher interest rate options, such as for asset-backed credit, that make compounding interest a more compelling investment option. For example, principal doubles after 7 years at a compounding interest rate of 10% and doubles in 9 years at an interest rate of 8%. These higher interest rates are not uncommon for business or real-estate asset-backed private credit.



Resolute Determination in Goals and Investments that Bear Steady Fruit

The absence of attractive commercial interest rates and lack of general knowledge of private investment options with higher rate options has driven investors to be overweight on volatile securities. Steady, higher interest rates and compounding can be an important factor in investment decisions that can align with long-term investment strategies and reduce exposure of one's portfolio to public market volatility. The goal here is to point out that there are higher interest rate options in private credit and private credit funds, and that a suitable allocation to this asset class can help build a balanced investment portfolio. US Capital Global provides private credit directly and participates with institutional lenders to provide credit to businesses. Our credit facilities have traditionally endeavored to meet the needs of business borrowers, institutional lenders, and our clients' desire for an appropriate return on investment. An investment advisor knowledgeable in both private credit funds and liquid strategies is invaluable to help create a suitable portfolio of investments for individual investors.

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