

January 18, 2017

Enclosed is your 4Q16 Investor Report and my quarterly narrative.

Fake News or Real News?: The Russians are coming!! Always consider the source...Really, a bromance between Putin and Trump? As I've said many times over the years, it's all about perspective. Considering the election results, many of those around us are overwhelmed or gripped with outright fear of what the future holds. What's Trump's impact on interest rates, property values, trade wars, real wars, government spending, China, global debt and ethnic pogroms?? According to the "Oracle of Omaha", "the most important quality for an investor today is temperament, not intellect. Independent thinking and having confidence in what you believe is much more important than being the smartest person in the market." Buffet may know a bit about perspective and patience and pretty good at reading the tea leaves.

The Taming of Trump: In a recent article by Dr. Doom, Nouriel Roubini, the brilliant and bearish Jewish-Iranian born economist and professor at NYU's Stern School of Business, and a source I have cited over the years, says it's hard to forecast our "Trumpian" future. Roubini, who withstood massive criticism of predicting the global recession and the "time bomb" credit crisis in the US in 2006, describes Trump simply as a savvy marketer. "If Trump sticks to what got him elected, expect a global market meltdown. But there is good reason to expect him to do just the opposite. A radical Trump would increase the US budget deficit, reduce income taxes on corporations and wealthy individuals, encourage companies to repatriate foreign profits, increase military and public-sector spending and reduce government revenue by \$9 trillion over a decade". Bill Gross, former mutual bond investment guru at PIMCO, believes that the equity markets will undoubtedly favor Trump's proposals to loosen fiscal policy, deregulate business and cut taxes. Sounds like a thumbs up from Gross. Nonetheless, most of us at DJM are keeping our heads on straight, managing the portfolio, protecting your investment and in the hunt for new opportunities. If the past is any indication of future events, with fear comes opportunity. Clearly many are scared to death of Trump and see some sort of Orwellian "Animal Farm" dystopian mess over the next four years. I'm not one of them, and will continue to "create wealth through real estate"-broken record...I know.

The Orange Swan with SUSHI MAKI: There's no doubt that many aspects of Trump's agenda are pretty murky. However, Trump does have good taste in real estate, women and parties. In November 2013, Trump was in Moscow attending his Miss Universe contest. Trumps entourage landed late at the most exclusive event of them all; a two-hour dinner at Nobu, partying with over a dozen of Russia's top businessmen, including Herman Gref, the chief executive officer of Sberbank, Russia's biggest bank. Gref, who was Putin's economy minister from 2000 to 2007, hosted the party with Aras Agalarov, the founder of Crocus Group, one of the country's largest real-estate companies. No surprise. Nobu- Moscow opened in the spring of 2009 on the top floor of Crocus's luxury retail building in downtown Moscow.

Not sure how Newport Beach compares to Moscow, or how DJM compares to Crocus, but, as many of you know, Nobu is our major tenant at Lido Marina Village. According to their website, Nobuyuki Matsuhisa – known to the world simply as “Nobu” – is the acclaimed chef and proprietor of Nobu restaurants located across five continents. Hollywood film producer Meir Teper, in conjunction with Robert De Niro, convinced Chef Matsuhisa to open the first Nobu restaurant in Beverly Hills in January 1987. Since the start of their partnership, they have opened 27 restaurants around the world. One of the most impressive aspects of Nobu’s success is their decisiveness. Lindsay Parton, president of DJM and head of development, and Meir Teper came to terms on Nobu’s lease at Lido in less than two weeks. Shockingly quick for our industry. Eighteen months and many millions later, DJM is completing their buildout, and hope to celebrate a gala grand opening 1Q17; Should we invite Trump?? How about Putin? They both might be a bit busy dating. Duck Breast with Wasabi Salsa anyone?

Be Careful What You Wish For: Someone said that the reward for a job well done is more work! Or, greater expectations. It certainly beats the alternative of failure and disappointment. Through 2016, DJM portfolio-wide returns, including all loser and winners, represents an 18.8% IRR with a 1.6x multiple. Additionally, due to the success of the \$100 million DJM Net Lease Fund I, founded on 18 consecutive monthly distributions, averaging 9.04% annual returns, we are launching Fund II. It is a \$400 million initiative, identical in “asset aggregation” strategy to Fund I. Equity will be raised primarily from institutional investors, private family offices and sovereign wealth funds. We intend to reserve a portion of equity investment for our current DJM investors. More information to follow. And, as always, we continue to actively pursue new multi-tenant investments. Stay tune!

Never Stop Laughing !: Visit our website; not that DJM is full of clowns, but I do emphasize the need for a certain lightness and humor as a way of processing the noise of an increasingly complex world full of real and imagined challenges. One of my dearest friends and cancer survivor is essentially laughing his way through life, clearly liberated from events beyond his control because his priorities are elegantly simple. As many of you can appreciate, DJM has succeeded at building a culture of success and perspective. Nonetheless, at the end of the day, most of us are mere faces in the crowd, concentrating on the task at hand and the relationships that have meaning. It is in this context that I want to thank all of the DJM team for a very successful 2016, and reflect on the individuality each of you bring every day that builds trusting relationships, professional and personal development, and a smile.

Take care and Happy New Year...

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By: 

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