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I cover investment in energy and infrastructure.

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Grexit, a Puerto Rico Default and Cash under the Mattress

While experts note that a pending Grexit may not be a financial apocalypse, and contextualize a Puerto Rico default by reference to precedent-setting Detroit, there is no question that these two previously unthinkable events should lead to a basic rethink about what constitutes a "safe" long-term investment.

Greece was never the financially strongest country in the European Union, nor was Puerto Rico ever the most highly prized American municipal credit, but a direct Eurozone sovereign obligation and a tax-exempt muni bond of a major issuer were, not so very long ago, both thought to be solid investments, worthy of retirement portfolios, appropriate for widows and orphans. Essentially "risk-free." Not anymore.

What these twin "black swan" events illustrate is that the unexpected can and does occur. One need not fall into the trap of black swan theory hindsight and overanalyze this, but rather simply understand that "stuff" happens, even if it is not expected, even reasonably.

That's why we have life vests and fire extinguishers on boats. Just watch the Robert Redford film *All is Lost* to see how even a prudent and seasoned sailor can be overcome by unexpected events. So how do portfolio managers, large or small, not end up in an "all is lost" situation following one or more black swan events? The key continues to be the watchword of the prudent investor standard: diversification. And not just diversification, but diversification including a variety of asset classes that are more likely to survive financial black swans. This certainly means investments into real assets.

Real assets are not always high flying performers, although they sometimes can be. But assets with underlying real world value, such as energy transmission and storage facilities, civil infrastructure and core real estate, will more likely weather a financial storm of most kinds and come out in the end still having asset value regardless of what the next “new normal” might be.

Michael Clark, owner of Fife's Guest House Resort and Roadhouse, pets his dog Princess, while looking over a pile of flood-damaged mattresses stacked in front of the lodge at his resort in Guerneville, Calif., Friday, Jan. 13, 2006. When he bought the property four years ago, Clark knew it had flooded in 1997, 1995 and 1986. He paid more than $13,000 a year to insure the property from floods, but insurance adjusters have told him the damage will exceed his $500,000 replacement limit. (AP Photo/Eric Risberg)

In future posts, I will explore a bit more what real asset investing can look like for both individual and institutional investors. In the meantime, keep a weather eye on the horizon.