

Alturas Real Estate Fund

Quarterly Report | 1st Quarter 2017

ALTURAS
REAL ESTATE FUND
www.alturas.com



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LETTER FROM THE MANAGER

Dear Investors,

Thank you for your investment in the Alturas Real Estate Fund! 2017 is off to a great start.

Net returns to investors remain strong with average realized returns for the quarter at **13.94%** and average total returns were **23.55%**. Since the Fund commenced in 2015, average realized returns for investors have been **18.61%** and average total returns are **32.93%**.

We signed additional leases across the portfolio and we have tenant improvement projects ongoing at several properties to prepare for these new tenants. We expect many of these new leases to commence in the second quarter, which will add even more cash flow to the portfolio.

We had a very wet and snowy winter in the Pacific Northwest and Intermountain West. January snow removal costs across the portfolio were much higher than anticipated. We were still able to achieve strong returns even with these unusual expenses.

We started the quarter with over **\$10 million** raised, and brought in another **\$2 million** during the quarter. We expect to raise **\$4 million** during the second quarter. Thank you to all of our investors who are adding to your investment or referring your friends to the Fund. We truly appreciate your support.

Thank you again for investing with us!

Sincerely,

Blake Hansen, Chief Investment Officer
Alturas Management Group, LLC

ALTURAS REAL ESTATE FUND

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Chief Investment Officer
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Key Numbers*

13.94%
Realized return - 1st quarter

18.61%
Realized return - since inception

32.93%
Total return - since inception

\$46.7 M
Assets under management (AUM)

\$12.1 M
Total capital raised

\$18.5 M
Total fund equity

*Stated returns are average investor returns. Individual investor returns may vary based on the unit pricing at the time of investment.



FUNDRAISING

We are raising \$4 million for upcoming acquisitions

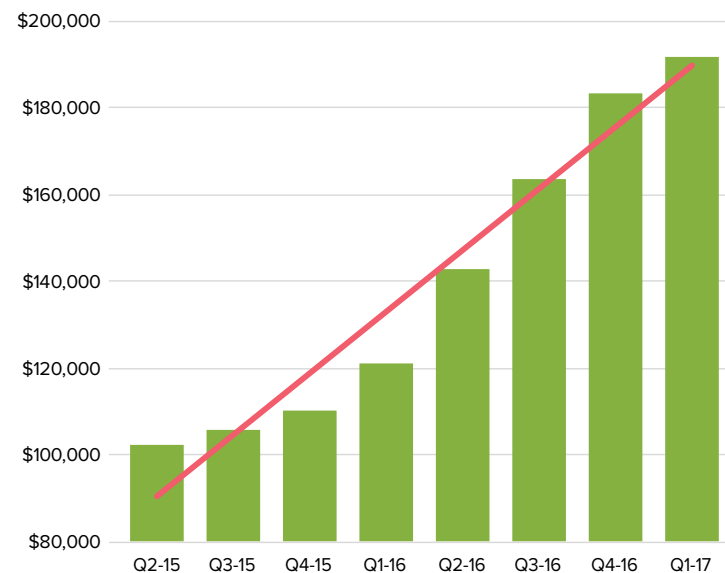
We have built a pipeline of quality properties to add to the Fund and will be raising money during the next few quarters for new acquisitions. These properties fit with our diversified model and will allow us to continue providing excellent returns to our investors.

Consider these ways to help us fund these new acquisitions:

- Add to your existing investment
- Reinvest your quarterly dividend
- Invest through your self-directed IRA (Traditional or Roth)
- Invest in our 8% note program
- Refer your family and friends

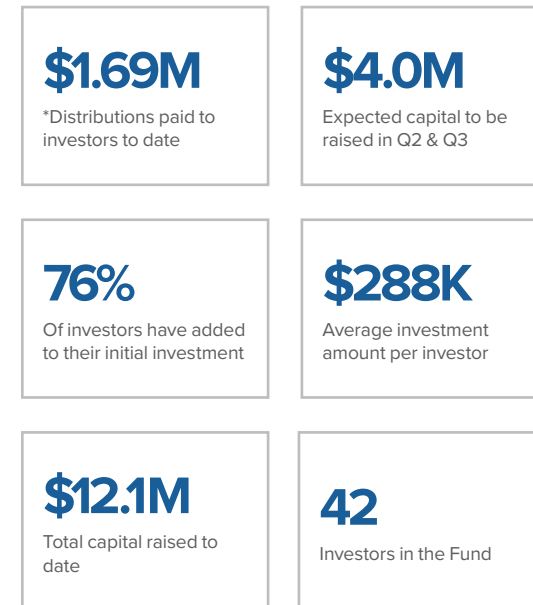
If you have considered this opportunity, but have not yet invested, now is a great time to make your first investment. We are constantly looking for a few more qualified investors who appreciate our approach and want to partner with us.

Growth of \$100,000 Since Inception of Fund (Total Return)*



*The returns on the graph titled "Growth of \$100,000 Since Inception of the Fund (Total Return)" assumes that a hypothetical investor invested \$100,000 when the Alturas Real Estate Fund began in May of 2015. It also assumes that the investor reinvested their distribution into the Fund each quarter.

Fundraising Metrics



Realized Return by Month (Annualized)

	2015	2016	2017
Jan.	N/A	13.37%	9.45%
Feb.	N/A	17.84%	15.17%
Mar.	N/A	14.84%	17.33%
Apr.	N/A	13.08%	
May	13.64%	14.69%	
June	13.64%	14.70%	
July	13.62%	97.15%	
Aug.	11.79%	13.49%	
Sept.	23.57%	15.93%	
Oct.	14.90%	14.34%	
Nov.	15.15%	13.34%	
Dec.	15.04%	16.32%	
Net Return Since Inception			18.61%

INVESTMENT OVERVIEW

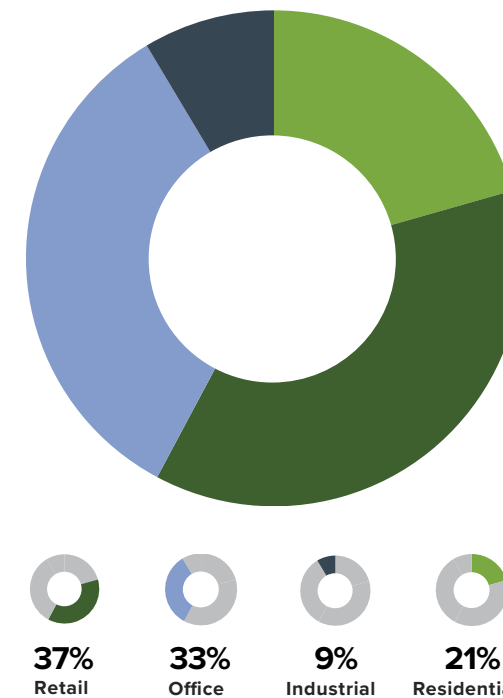
Fund Description

The Alturas Real Estate Fund, LLC was formed by Alturas Capital to provide high net worth individuals and accredited investors access to professionally managed real estate investments.

The Fund is a \$100 million offering, created to make value-add commercial and residential real estate investments. The Fund targets middle-market properties frequently ignored by larger funds. These properties can be profitable as a diverse portfolio that protects the investor's downside risk.

The Fund was created in May 2015 and owns properties primarily in the Intermountain West and Pacific Northwest. Managers of the Fund are continually searching for new properties to add to the Fund, that meet a strict underwriting criteria including margin of safety and cash flows.

Investment Allocation Overview



Summary of Equity Offering

Preferred return:	8% paid quarterly
Profit split:	70% to investors, 30% to manager after preferred return
Fees:	Asset management fee: 1.5%, no acquisition or disposition fees
Minimum investment:	\$100,000
Investor eligibility:	Accredited investors only
Targeted returns:	9-14%

Summary of Debt Offering

Return range:	6-8% interest rate, paid quarterly
Investment type:	Secured notes
Debt offering cap:	\$1 million total
Minimum investment:	\$100,000
Investor eligibility:	Accredited investors only
Security:	Priority position before equity investors

FUND PERFORMANCE SUMMARY

As of March 31, 2017

Sold Investments

Investment	Date of Investment	Date of Liquidation	Property Type	MSA	Size	Status	Occupancy	Cost Basis	Fair Market Value/Sold Price	Fund Investment	Risk Profile
1. Legends Townhomes	Dec-15	Jul-16	Multi-family	Kansas City, MO	18 Units	Sold	N/A	\$1,250,000	\$2,020,000	N/A	Core Plus

Current Investments

2. Eagle Marketplace	Sep-15		Retail	Boise, ID	58,624 SF	Lease-up	84%	\$5,210,677	\$6,333,084	\$1,258,644	Value Add
3. 110 Main	Oct-15		Office	Boise, ID	6,230 SF	Lease-up	0%	\$850,406	\$850,406	\$151,158	Reposition
4. 1124 Caldwell	Oct-15		Retail	Boise, ID	2,646 SF	Fully Occupied	100%	\$772,645	\$895,632	\$175,166	Reposition
5. Westpark	Feb-16		Industrial	Boise, ID	117,510 SF	Fully Occupied	100%	\$6,414,001	\$6,675,733	\$844,277	Tenant-in-Tow
6. Alturas Homes	Jun-15		Single Family	Boise, ID	43 Properties	In Progress	N/A	\$2,320,291	\$2,320,291	\$2,320,291	Residential
7. Mission Village	Sep-16		Retail	Wenatchee, WA	32,271 SF	Lease-up	56%	\$4,299,201	\$4,299,201	\$1,146,000	Value Add
8. Treasure Valley Crossing	Sep-16		Retail	Boise, ID	21,000 SF	Fully Occupied	100%	\$3,771,118	\$4,175,129	\$1,094,000	Core Plus
9. 1444 Entertainment	Dec-16		Office	Boise, ID	78,573 SF	In Progress	93%	\$11,283,786	\$11,283,786	\$3,239,186	Value Add
10. 595 Washington	Dec-16		Industrial	Twin Falls, ID	11,195 SF	Fully Occupied	100%	\$719,275	\$791,151	\$174,173	Tenant-in-Tow
Total					328,049 SF		89%	\$35,641,400	\$37,624,413	\$10,402,895	

Acquisition Pipeline

Investment	Est. Date of Investment	Property Type	MSA	Size	Status	Estimated Occupancy at Acquisition	Contracted Purchase Price	Estimated Fund Investment	Risk Profile
1. 12005 Meridian	Apr-17	Retail	Seattle, WA	7,274 SF	Under Contract	100%	\$4,635,000	\$1,210,000	Build-to-Suit
2. Dutch Bros	Apr-17	Retail	Boise, ID	874 SF	Under Contract	100%	\$1,315,000	\$330,185	Build-to-Suit
3. Siete Square	May-17	Office	Phoenix, AZ	57,933 SF	Under Contract	96%	\$7,950,000	\$2,200,000	Core Plus
4. Adelman Building	Jun-17	Retail	Boise, ID	14,704 SF	Under Contract	100%	\$2,150,000	\$650,000	Core Plus
Total				80,785 SF		97%	\$16,050,000	\$4,390,185	



EXISTING PORTFOLIO



1444 ENTERTAINMENT

Boise, Idaho

Fourteen Forty-Four is a 83,000 square foot Class-A office property in Boise, Idaho. Since acquisition, we have signed new leases that bring the total occupancy to 93%. We leased an entire floor to Clickbank, and another technology company, Truckstop.com significantly expanded their footprint in the building. We also signed a lease with CBC Advisors, a regional commercial real estate firm based in Salt Lake City.



595 WASHINGTON

Twin Falls, Idaho

595 Washington is a 11,195 square foot industrial building that is leased to St. Luke's Regional Medical Center. St. Luke's is the largest hospital system in the region. The property was purchased vacant with the tenant-in-tow. The hospital uses 595 Washington as a facility to store excess medical equipment, records and other miscellaneous items.



MISSION VILLAGE

Wenatchee, Washington

Mission Village is a 32,271 square foot retail center. Notable tenants include Jimmy Johns, H&R Block, and T-Mobile. We purchased the property with vacancy, and have been working with our local partners, the most prominent retail brokers in the area, to attract additional tenants. At the time of this report, two additional leases are in the final stages of negotiation.



EAGLE MARKETPLACE

Eagle, Idaho

Eagle Marketplace is a 58,624 square foot retail center located at the intersection of two key arterial roads. This project continues to outperform our initial underwriting. Occupancy is now up to 84%, from 50% at the time of acquisition. Leasing activity remains strong and we anticipate signing additional leases in 2017 while bringing the asset to full stabilization.



ALTURAS HOMES

Boise, Idaho Metro

We continue to make investments in residential real estate. We like the single-family market at this point in the cycle as there is a pronounced lack of inventory in the market. We remain vigilant about any changes that may come, and continue to focus on pre-sold homes in the most desirable communities in the area.



110 MAIN

Boise, Idaho

110 Main is a historic mansion located in downtown Boise that we are converting to an office use. The property is very well located, adjacent to the main campus of the largest hospital system in Idaho. The renovations on the exterior and first floor are completed, and the property is now being marketed to end users.



TREASURE VALLEY CROSSING

Nampa, Idaho

Treasure Valley Crossing is a 21,000 square foot retail property, located in the main retail shopping destination of Nampa, Idaho. Nearby retailers include Costco, Target, McDonalds and Panera. The building is 100% occupied, and we have long-term leases with the two tenants: Paul Mitchell the School and Stevens-Henager College. We purchased this asset for a discount from a very motivated seller.



WESTPARK

Boise, Idaho

Westpark is a 117,510 square foot industrial and office property located in Boise, Idaho. The property consists of two buildings and has excellent access to the interstate. We bought the property from a motivated seller, and signed a long-term lease with Patrick Industries, a publicly traded manufacturing company. The property provides excellent cash flow to the Fund.



1124 CALDWELL

Nampa, Idaho

1124 Caldwell is a 2,600 square foot single-tenant retail property. All renovations and tenant improvements are now complete, and the new tenant is now occupying the property and paying rent. We have listed the property for sale. In the meantime, we are very happy with the great cash flows this investment generates.

NEWS & INFORMATION

Manager Call – Wednesday, May 17, 2017 at 9 am PST / 10 am MST

We will be holding our quarterly Manager Call with investors on Wednesday, May 17, 2017, at 9 am PST / 10 am MST. Fund managers will discuss current investments and upcoming projects. In addition, the call will cover topics relating to the overall investment strategy of the Fund, market conditions, economic indicators and other relevant information about the Fund and real estate investing.

Join us here: <https://altur.as/2piTISQ>

The call is open to all current investors in the Fund. If you have any questions about the Fund that you want us to cover during the call, please send those questions to us in advance.

We look forward to having you on the call.

New / Prospective Investor Call – Wednesday, May 17, 2017 at 10 am PST / 11 am MST

We will be holding our quarterly New / Prospective Investor Call on Wednesday, May 17, 2017 at 10 am PST / 11 am MST. This is for new and potential investors who want to learn more about the Alturas Real Estate Fund. This call will cover the overall structure of the Alturas Real Estate Fund, our approach, targeted returns, acquisition strategy, investment philosophy and more.

The call is open to all current investors and any potential investors who may be considering an investment in real estate or a real estate fund. We encourage you to invite a friend or family member to join the call to learn more about our offering.

We look forward to having you on the call with us. If you have any questions you would like us to address on the call, please send us your questions in advance.

Join us here: <https://altur.as/2q8Ddb0>

Raising Additional Capital

We are raising additional capital for upcoming investments. We have acquisitions scheduled throughout the quarter, with additional properties in the pipeline to purchase throughout the spring and summer. We are adding quality assets to the portfolio and achieving great returns for our investors.

All investment dollars are treated on a first-in, first-out basis. We are constantly raising capital, with expectations to deploy capital each quarter on quality investments.

Please contact us about investing in the Fund, or adding to your current investment.

8% Debt Investments in Fund

We are raising capital from investors through debt investment in the fund. These are notes to the Fund that bear an 8% interest rate, paid quarterly. These notes have priority position on fund assets before all equity investors.

If you are interested in placing new money in the fund, or want to invest additional amounts, this is a great way to achieve a very healthy return, with lower risk. Current equity investors can also convert all or a portion of their current investment to notes through this program.

Alturas Presents at SBRE Summit in Del Mar

We were received well by investors at the SBRE Investment Summit in Del Mar, coming away with millions of dollars in commitments from current and new investors.

One of the most important things we do at these conferences is to strengthen our relationship with Fairway America. We value the individual relationships we have with their team members and the growing community of SBRE entrepreneurs and investors we meet.

We especially enjoyed connecting with many of our current investors at the summit. Thank you for taking time to meet with us, and for introducing us to your friends at the conference.

We look forward to seeing many of you at next year's SBRE Summit to be held at The Breakers in Palm Beach, FL in March 2018.

BENEFITS OF REAL ESTATE



COLLATERALIZATION

Real estate is a tangible asset. When purchased at the right price, it has more stability than other competing investment opportunities.



INFLATION HEDGE

Real estate is proven to be an inflation hedge in comparison to other investments.



APPRECIATION

Real estate is a tangible asset which appreciates in value over the long term.



TAX BENEFITS

For tax purposes the government permits an investor to expense the cost of the purchase price as depreciation over the life of the asset.



INEFFICIENT MARKET

Real estate is purchased and sold in a marketplace that is inefficient. This creates opportunities to buy at undervalued prices.



LOCAL EXPERTISE

Real estate is local. We choose to own real estate in areas that we know, in desirable places in the path of growth.

About Alturas Capital

Alturas Capital is a leading real estate investment company based in Eagle, Idaho, with investments in commercial and residential real estate. Using a principled approach and conservative investment strategy, Alturas has experienced exceptional growth. Alturas manages a proprietary investment fund, the Alturas Real Estate Fund, LLC. This fund is focused on making real estate investments in the Intermountain and Pacific Northwest.

To learn more about Alturas Capital, visit www.alturas.com.

To speak with Managing Partner Blake Hansen, contact him at (208) 921-5934 or email blakehansen@alturas.com.

Alturas Capital and its related entities, are not a registered broker-dealer or investment advisor. None of the Alturas companies perform any activities of a broker or investment adviser, including but not limited to, soliciting investors, providing investment advice, negotiating securities transactions or the terms, conditions or provisions of any offering or recommending the purchase of securities. This document does not constitute an offer or solicitation to sell securities in any of the companies mentioned or any related or associated companies. This document does not constitute an offer or solicitation to sell securities. Investors must not rely on information provided in this document for investment decisions.

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