

# QUARTERLY REPORT

3rd Quarter 2020

Dear Investors,

It was another great quarter for the Alturas Real Estate Fund with strong realized returns generated from operations of 17.16%. While there is still uncertainty in the broader market, overall our asset base seems to be stabilizing. There are still some tenants who have not yet come back to their offices and a few who are considering subleasing space, however, collections across the portfolio are very near pre-pandemic levels and leasing activity has noticeably increased. Further, market-wide asset values have remained remarkably stable with cap rates mostly unchanged, particularly in our markets.

Transaction volumes are down significantly, however, we are seeing an increase in our deal flow. There will likely be opportunities to acquire assets, especially as we near year-end and then as we progress into 2021. We do not anticipate widespread distress and seller capitulation; however, we do anticipate opportunities to acquire good long-term assets. We are fortunate to have built a strong network of market experts that are helping us to identify and execute on these opportunities. These relationships and our reputation built over years have allowed us to become a buyer of choice when an owner does decide they want to sell.

We have always prided ourselves in being conservative, contrarian, and partnership focused. We are confident that this approach over the long run will create great opportunities for our investors. We are likely entering a period where we can achieve additional growth together because of the discipline we and our investor partners have established. If you have not done so already and if you are interested in participating in upcoming fund raises, please click on the link below and complete the survey.

[Investment Survey](#)

Thank you for your continued support and partnership.

Sincerely,

*“We are likely entering a period where we can achieve additional growth together because of the discipline we and our investor partners have established.”*

**Travis Barney, Chief Credit Officer**  
Alturas Capital Partners, LLC

**Blake Hansen, Chief Investment Officer**  
Alturas Capital Partners, LLC

## Key Numbers

**17.16%**  
Average realized return 3rd quarter

**18.28%**  
Average realized return since inception

**18.33%**  
Average total return 3rd quarter

**26.79%**  
Average total return since inception

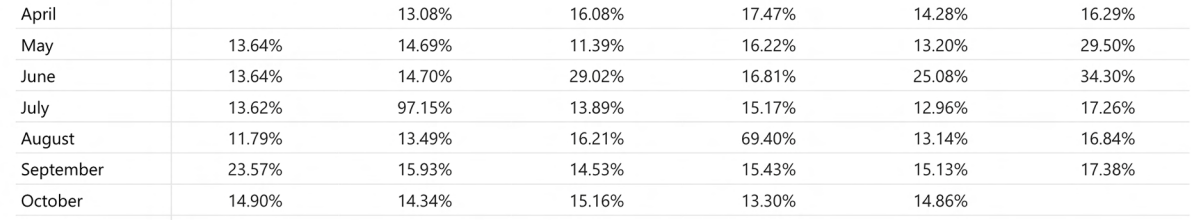
**\$1.63M**  
Distributable realized net income

Stated returns are average annualized investor returns. Individual investor returns may vary based on the unit group(s) at the time of investment. Distributable realized net income and net income per unit are based on the fund's financial statements and are not guaranteed.

## Realized Return

Realized Return from Operations | Realized Gains | Realized Return (With Gains) | Year: All

### Realized Return by Month (Annualized)



Month	2015	2016	2017	2018	2019	2020
January		13.37%	9.45%	12.90%	37.34%	14.30%
February		17.84%	15.17%	16.30%	13.86%	17.91%
March		14.84%	17.33%	15.91%	13.23%	13.93%
April		13.08%	16.08%	17.47%	14.28%	16.29%
May	13.64%	14.69%	11.39%	16.22%	13.20%	29.50%
June	13.64%	14.70%	29.02%	16.81%	25.08%	34.30%
July	13.62%	97.15%	13.89%	15.17%	12.96%	17.26%
August	11.79%	13.49%	16.21%	69.40%	13.14%	16.84%
September	23.57%	15.93%	14.53%	15.43%	15.13%	17.38%
October	14.90%	14.34%	15.16%	13.30%	14.86%	
November	15.15%	13.34%	13.90%	15.91%	15.82%	
December	15.04%	16.32%	13.18%	12.72%	12.87%	
Annual	15.34%	21.69%	15.41%	19.86%	16.83%	19.73%
Since Inception*	15.34%	19.33%	17.82%	18.39%	18.05%	18.28%

## Additional Fund Metrics

**\$47.28M** Aggregate capital raised | **\$16.25M** Distributions since inception\* | **100+** Number of investors | **56.19%** Current reinvestment rate

**\$1,498.83** Unit price | **\$163.18M** Assets under management | **1.19M sqft** Total portfolio square footage | **95.61%** Portfolio occupancy rate

\*Distributions since inception includes Q3-2020 distributions paid on 10/31/2020.

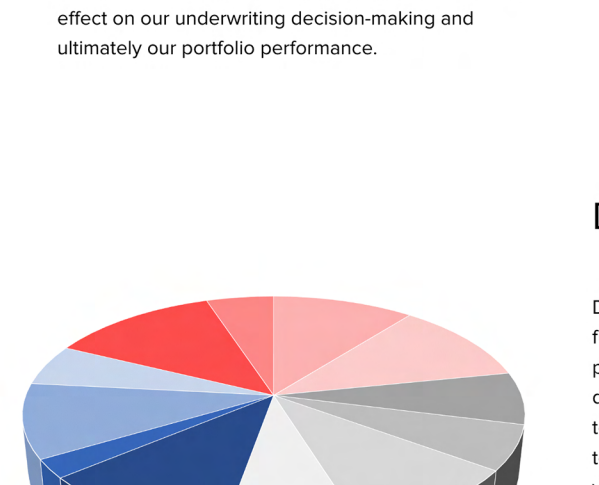
## Investment Philosophy

As we navigate a period of increased uncertainty, there will likely be resulting buying opportunities. Accordingly, we would like to reiterate our core values as they relate to our investment philosophy and strategy. We have strived to stay true to these principles since the inception of the Fund and we are confident that they will continue to create opportunities for all of us, possibly at an accelerated rate. We are contrarian investors that look forward to uncertainty and the ability to acquire good, long-term assets below their intrinsic value. Below are the critical aspects to our approach.

### Growth Markets

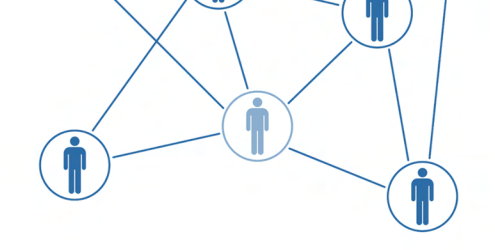
Not all markets and submarkets are the same. We have strategically chosen to invest in the growth markets of the Inland Northwest and Intermountain West. These markets have been remarkably resilient in the face of the current crisis and many of the demographic trends that were present before have been accelerated as exhibited by the large amounts of in-migration to these markets both in terms of people and businesses. This is partially illustrated by the chart to the right which shows the unemployment rate by state. Continued population growth and business growth will bode well for real estate assets in these markets.

Year over Year Employment Loss August 2019 - 2020\*



### Cash Flow

The value of any asset is directly tied to its ability to generate cash flow. We invest in assets that have the potential to generate outsized cash flows. When coupled with an appropriate use of leverage, this approach creates a margin of safety. With that margin of safety, even if cash flows decrease for a period of time due to unfavorable market conditions, the asset will still service its debt and provide a return. While we might choose to sell an asset occasionally, our focus remains on building a growing portfolio of assets that generates excellent ongoing returns from operations. This long-term focus has a grounding and stabilizing effect on our underwriting decision-making and ultimately our portfolio performance.

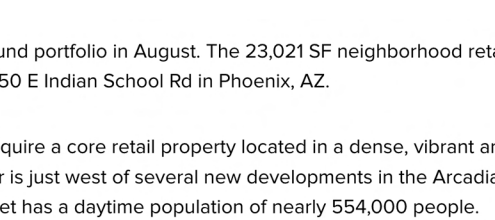


### Diversification

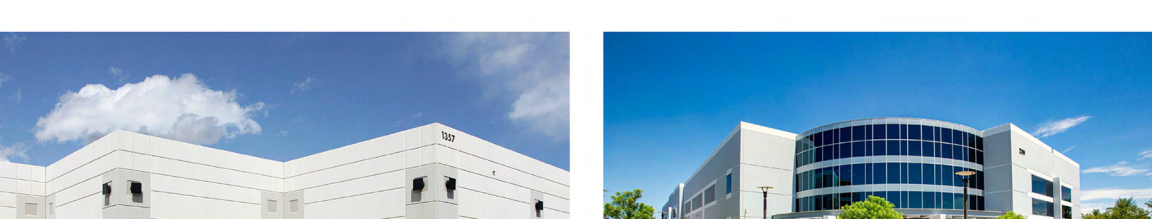
Diversification is at the core of our strategy and is fundamentally why we operate a fund versus other potential investment vehicles. The fund model allows us to diversify our portfolio across markets, property types, and tenant industry. The open-ended structure also allows us to diversify across time. Our assets are from different vintages allowing us to dollar cost average across market cycles and the portfolio inherently gains strength and stability as it ages. We acquire assets when it is most advantageous while retaining and improving our existing properties and consequently the cash flow that they generate.

### Partnerships

We have worked diligently over the course of several years to create alignment with broker and tenant partners in our target markets. These relationships provide us with market knowledge, expertise and focused effort which in turn allows us to identify the best opportunities and manage our assets to their utmost potential. An aligned, motivated and knowledgeable team will consistently produce results that outperform the market over the long-term. We make investment decisions with more confidence knowing that we are aligned with the right partners in our markets.



### New Acquisitions



#### Shops at 38th

Phoenix, AZ | Retail | 23,021 sqft

The Shops at 38th Street was added to the Alturas Real Estate Fund portfolio in August. The 23,021 SF neighborhood retail center is 100% occupied and is situated on 1.67 acres at 3720-3750 E Indian School Rd in Phoenix, AZ.

The Shops at 38th Street represented a unique opportunity to acquire a core retail property located in a dense, vibrant and rapidly improving area of Phoenix. This highly sought-after center is just west of several new developments in the Arcadia neighborhood. The 5-mile radius around The Shops at 38th Street has a daytime population of nearly 554,000 people.

While the property performs well as-is, several of the lease rates are currently below market and there are future redevelopment possibilities which present additional upside.

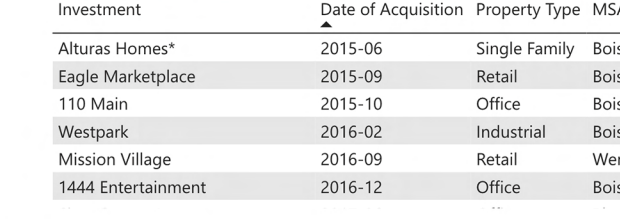
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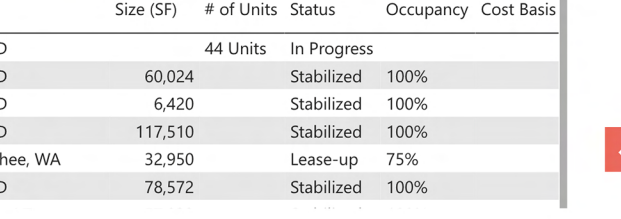
Key tenants include: BoSa Donuts, The Whining Pig, Crumbl Cookies, Team 44 Fitness and Club Pilates.

### Acquisitions Pipeline



#### Garden Gateway

Colorado Springs, CO  
Office  
115,052 sqft



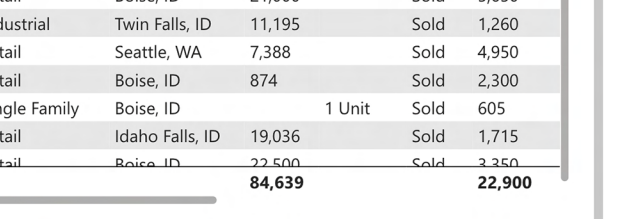
#### Airport Center

Chandler, AZ  
Flex Office  
94,545 sqft



#### Northcreek

Colorado Springs, CO  
Office  
325,208 sqft



#### IGC

Spokane, WA  
Flex Industrial  
74,000 sqft

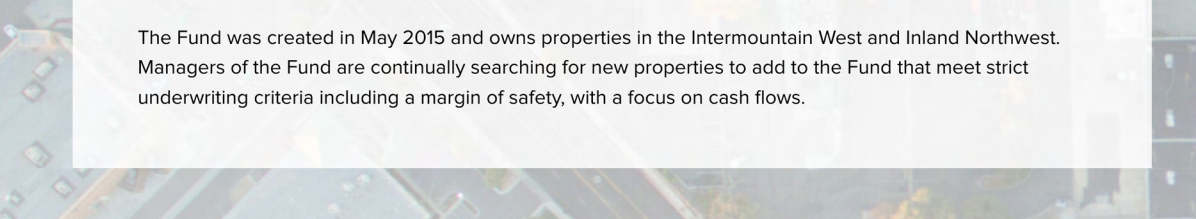
## Portfolio at a Glance

As of the end of the third quarter, portfolio occupancy had climbed to 96% thanks primarily to a large new lease that commenced at Siete Square II. This represents a broader commercial real estate market. While we have had some smaller tenants elect not to renew their leases as they have come up for maturity this summer, many others have renewed and extended their leases. Further good news will be realized early next year as new leases commence at Mission Village and The Ashby. As always, we continue to actively manage the portfolio to maximize the cash flow and realize the full potential of all our investments.

[View Portfolio](#)

### Current Investments

Property Type	MSA	Status	Investment Profile	# of Current Investments
All	All	All	All	25



Investment	Date of Acquisition	Property Type	MSA	Size (SF)	# of Units	Status	Occupancy	Cost Basis
Alturas Homes*	2015-06	Single Family	Boise, ID		44 Units	In Progress		
Eagle Marketplace	2015-09	Retail	Boise, ID	60,024		Stabilized	100%	
110 Main	2015-10	Office	Boise, ID	6,420		Stabilized	100%	
Westpark	2016-02	Industrial	Boise, ID	117,510		Stabilized	100%	
Mission Village	2016-09	Retail	Wenatchee, WA	32,950		Lease-up	75%	
1444 Entertainment	2016-12	Office	Boise, ID	78,572		Stabilized	100%	
<b>Total</b>								

### Sold Investments

Property Type	MSA	Investment Profile	# of Sold Investment
All	All	All	9

Investment	Date of Acquisition	Date of Disposition	Property Type	MSA	Size (SF)	# of Units	Status	Sold Price
1124 Caldwell Blvd	2015-10	2017-06	Retail	Boise, ID	2,646		Sold	1,050
Legends Townhomes	2015-12	2016-07	Multi-family	Kansas City, MO		18 Units	Sold	2,020
Treasure Valley Crossing	2016-09	2018-08	Retail	Boise, ID	21,000		Sold	5,650
595 Washington	2016-12	2019-06	Industrial	Twin Falls, ID	11,195		Sold	1,260
12005 Meridian	2017-04	2019-11	Retail	Seattle, WA	7,388		Sold	4,950
Dutch Bros Caldwell	2017-04	2019-01	Retail	Boise, ID	874		Sold	2,300
12000 Deep Canyon*	2017-09	2017-09	Single Family			1 Unit	Sold	605
Parkway Plaza Midbox (Partial Sale)	2018-02	2020-05	Retail	Idaho Falls, ID	19,036		Sold	1,715
15814 Fairview	2018-08	2020-06	Retail	Boise, ID	23,600		Sold	3,260
<b>Total</b>								

\* Subordinated notes

[Learn More About the Fund](#)