



ALTURAS
REAL ESTATE FUND
www.alturas.com

Quarterly Report | 3rd Quarter 2017

CONTENTS

3	Letter from the Manager
4	Fundraising
5	Investment Overview
6	Fund Performance Summary
8	New Investments
	Adelmann Building
	12005 Meridian
	12000 Deep Canyon
10	Existing Portfolio
	Eagle Marketplace
	110 Main
	Westpark
	Alturas Homes*
	Mission Village
	Treasure Valley Crossing
	1444 Entertainment
	595 Washington
	Dutch Bros Caldwell
	12005 Meridian
	Siete Square



Cover Photo: Charlie Lansche
Inside Cover Photo: Rajesh Jyothiswaran

LETTER FROM THE MANAGER

Dear Investors,

We are pleased to report another great quarter for the Alturas Real Estate Fund, with strong returns and new acquisitions.

Net returns remained consistent with prior quarters, with average realized returns for the quarter at 14.88%. We recognized new leases at two projects, resulting in fair value markups of over \$1 million in the portfolio. These markups helped push the average total returns to 34.36% for the quarter, and average total returns since inception to 32.69%.

We had to walk away from an acquisition that was very close to the finish line because of material changes in the financials as we completed our due diligence. This is a key differentiator for us - the discipline to turn down good projects because they do not meet our strict standards. We would rather sit on investor capital than place it in the wrong projects.

Our network continues to grow, and we are seeing more deals than ever before. New markets are opening up to us. We remain cautious because of the market dynamics, but expect to continue finding projects that provide the risk-adjusted returns we desire.

Thank you for your patience and support as we navigate this market and find unique angles to identify, acquire and reposition properties. We are doing more work to sift through opportunities to find the right projects, but that is the reality for where we are in this market cycle.

Our strategy is working and will continue to be effective over the long-term.

Sincerely,



Blake Hansen, Chief Investment Officer
Alturas Management Group, LLC

All projections are hypothetical and predicated upon various assumptions that may or may not be identified as such. The future operating and financial performance information contained herein is for illustrative purposes and is not intended to portray any sort of targeted or anticipated returns. There can be no assurance that the Fund will achieve its investment objectives and actual performance may vary significantly.

ALTURAS REAL ESTATE FUND

Blake Hansen
Chief Investment Officer
blakehansen@alturas.com
(208) 921-5934

Key Numbers*

14.88%

Realized return - 3rd quarter

18.22%

Realized return - since inception

34.36%

Total return - 3rd quarter

32.69%

Total return - since inception

\$63.1 M

Assets under management (AUM)

\$19.4 M

Total capital raised

*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 capital for upcoming acquisitions

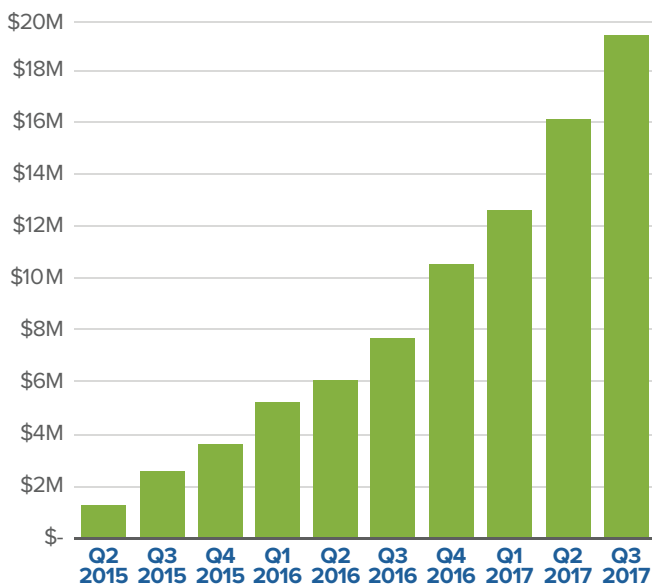
We have a pipeline of quality properties to add to our portfolio and plan to raise additional capital for upcoming acquisitions. These properties fit our diversified model and will allow us to continue providing excellent returns to investors.

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 the note program
- Refer your family and friends

If you have considered investing, but have not invested with us, now is a great time to learn more. We are constantly looking for qualified investors who appreciate our approach and want to partner with us for long-term success.

Total Capital Raised to Date (by Quarter)



Fundraising Metrics

\$19.4M

Total capital raised to date

\$2.8M

Distributions paid to date

48

Investors in the Fund

71%

Of investors have added to their initial investment

\$404K

Average investment amount per investor

\$4.0M

Expected capital to be raised in Q4 & Q1 2018

Realized Return by Month (Annualized)

	2015	2016	2017
January	N/A	13.37%	9.45%
February	N/A	17.84%	15.17%
March	N/A	14.84%	17.33%
April	N/A	13.08%	16.08%
May	13.64%	14.69%	11.39%
June	13.64%	14.70%	29.02%
July	13.62%	97.15%	13.89%
August	11.79%	13.49%	16.21%
September	23.57%	15.93%	14.53%
October	14.90%	14.34%	
November	15.15%	13.34%	
December	15.04%	16.32%	
Net Return Since Inception			18.22%

INVESTMENT OVERVIEW

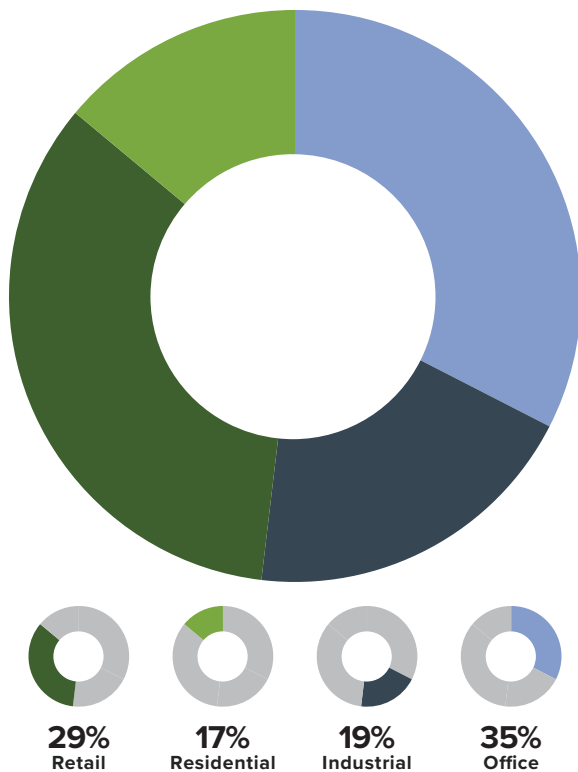
Fund Description

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 meets strict underwriting criteria including margin of safety, with a focus on 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 (Current)
Minimum investment:	\$100,000
Investor eligibility:	Accredited investors only
Security:	Priority position before equity investors

FUND PERFORMANCE SUMMARY

As of September 30, 2017

Sold Investments

Investment	Date of Investment	Date of Liquidation	Property Type	MSA	Size
1. Legends Townhomes	Dec-15	Jul-16	Multi-family	Kansas City, MO	18 Units
2. 1124 Caldwell Blvd	Oct-15	Jun-17	Retail	Boise, ID	2,646

Current Investments

1. Eagle Marketplace	Sep-15		Retail	Boise, ID	60,024
2. 110 Main	Oct-15		Office	Boise, ID	6,230
3. Westpark	Feb-16		Industrial	Boise, ID	117,510
4. Alturas Homes*	Jun-15		Single Family	Boise, ID	54 Units
5. Mission Village	Sep-16		Retail	Wenatchee, WA	32,271
6. Treasure Valley Crossing	Sep-16		Retail	Boise, ID	21,000
7. 1444 Entertainment	Dec-16		Office	Boise, ID	78,573
8. 595 Washington	Dec-16		Industrial	Twin Falls, ID	11,195
9. Dutch Bros Caldwell	Apr-17		Retail	Boise, ID	874
10. 12005 Meridian	Apr-17		Retail	Seattle, WA	7,274
11. Siete Square	Jun-17		Office	Phoenix, AZ	57,933
12. Adelman Building	Jul-17		Retail	Boise, ID	14,704
13. 1550 Tech Lane	Aug-17		Industrial	Boise, ID	105,759
14. 12000 Deep Canyon*	Sep-17		Single Family	Boise, ID	1 Unit
Total					513,347 SF

Acquisition Pipeline

Investment	Est. Date of Investment	Property Type	MSA	Size	Status
2509 Broadway	Dec-17	Retail	Boise, ID	31,334	Under Contract
745 Moana Lane	Feb-18	Office	Reno, NV	58,245	PSA Negotiation
Sunset Corner	Mar-18	Retail	St. George, UT	135,241	LOI
Dutch Bros Federal Heights	Apr-18	Retail	Denver, CO	874	Under Contract
Parkway Plaza	Jan-18	Retail	Idaho Falls, ID	75,300	Underwriting
US Bank Centre	Mar-18	Office	Reno, NV	106,463	Underwriting
Total				407,457 SF	

*Subordinated notes.



Status	Occupancy	Cost Basis	Fair Market Value/Sold Price	Fund Investment	Risk Profile
Sold	N/A	\$1,250,000	\$2,020,000	N/A	Core Plus
Sold	N/A	\$844,338	\$1,050,000	N/A	Reposition
Lease-up	86%	5,187,781	7,232,018	1,258,644	Value Add
Lease-up	0%	1,059,101	1,059,101	189,558	Value Add
Stabilized	100%	6,414,001	6,675,733	844,277	Tenant-in-Tow
In Progress	N/A	2,331,611	2,331,611	2,331,611	Residential New Construction
Lease-up	65%	4,369,811	4,369,811	1,146,000	Value Add
Stabilized	100%	3,771,119	4,273,901	1,094,000	Core Plus
Stabilized	98%	12,351,216	12,891,999	2,858,563	Value Add
Stabilized	100%	723,579	795,454	154,174	Tenant-in-Tow
Stabilized	100%	1,238,324	1,238,324	328,874	Build-to-Suit
Under Construction	55%	2,208,971	2,208,971	1,604,260	Build-to-Suit
Stabilized	96%	8,154,637	8,154,637	1,755,814	Core Plus
Stabilized	100%	2,169,497	2,169,497	567,459	Core Plus
Stabilized	100%	6,035,204	6,035,204	2,083,499	Value Add
In Progress	N/A	605,000	605,000	605,000	Residential Value Add
	92%	\$56,619,851	\$60,041,260	\$16,821,733	

Estimated Occupancy at Acquisition	Contracted Purchase Price	Estimated Fund Investment	Risk Profile
100%	3,400,000	1,640,000	Tenant-in-Tow
87%	9,100,000	2,767,500	Value Add
63%	10,000,000	3,350,000	Value Add
100%	1,000,000	300,000	Build-to-Suit
77%	4,500,000	1,550,000	Value Add
58%	12,500,000	3,750,000	Value Add
71%	\$40,500,000	\$13,357,500	



NEW INVESTMENTS



Adelman Building

Boise, ID

Property Type: Retail
Size: 14,704 SF
Cost Basis: \$2,169,497

In July, the Fund acquired its first investment in downtown Boise, a 14,704 square foot two-story retail building. Commonly known as the Adelman Building, it is an iconic structure located in the heart of downtown Boise directly across from Boise City Hall and a block away from the steps of the Idaho State Capitol. The current tenants include: Boise Fry Company, Dharma Sushi, Press & Pony, Space Bar, and Capital City Event Center.

The opportunity to purchase this building was presented to us by a key partner of ours who brokered several of the leases in the building. The asset has upside as those tenants are doing very well at this location and their current rents are below market. Further, as downtown Boise continues to grow with several recent additions of office, residential and hospitality projects, those new projects will bring increased business and foot traffic to the tenants of this building. The building was previously owned by an out-of-state investment group. It was last remodeled in 2015 and continued investments are expected under the Fund's ownership.



1550 Tech Lane

Meridian, ID

Property Type: Industrial
Size: 105,759 SF
Cost Basis: \$6,035,204

1550 Tech Lane is a multi-use industrial/office building in Meridian, Idaho. The 105,759 square foot two-story building is centrally located in the Treasure Valley with convenient access to I-84 and excellent visibility from the freeway. Originally constructed in 2000, the building was formerly the corporate headquarters of an electronics manufacturer. As such, the building was constructed with high-end features including a clear height not normally found in the market.

Of the total square footage, roughly 24,000 square feet is office space that is 100% occupied on long-term leases. The manufacturing tenant was purchased by another electronics company and has now vacated the building although they are still obligated to pay the remaining ~18 months on their lease. With industrial vacancy rates currently around 3% in the market, we believe that this gives us ample time to find a replacement tenant and in fact, a lease is currently being negotiated with a prospective tenant to backfill much of the vacated space.

The asset was purchased at an acquisition price of roughly \$60/SF, nearly half the cost to construct a new, equivalent building. As the Boise area continues to grow and construction costs rise, the property will continue to be well positioned competitively.



12000 Deep Canyon

Star, ID

Property Type: Single Family
Size: 8,069 SF
Cost Basis: \$605,000

12000 Deep Canyon is a 8,069 SF single family residential home acquired by the Fund for \$605,000 through a foreclosure auction in late August. The property was brought to the Fund by a long-standing real estate partner of Alturas, who had insider-information about the asset and who gained access to walk-through the property before the sale.

The home was built in 2007 and is in great condition. It has six bedrooms, five bathrooms and two kitchens. The home is located in a desirable suburb of Boise, Idaho, is valued above \$950,000, and requires minimal repairs to re-sell.

The Fund sold the asset to the real estate partner in the deal for \$605,000, but agreed to a 30% interest bearing subordinated note payable to the Fund. The note is expected to be short-term, and the Fund will continue to charge interest until the loan is paid back in full.

EXISTING PORTFOLIO



Siete Square

Phoenix, Arizona

In June, the Fund acquired a 96% occupied 57,933 square foot two-story office property in Phoenix, Arizona. The property, Siete Square I, lies within the Midtown submarket north of Phoenix's CBD. Through our partnership with local brokers, we were able to identify this value asset which is now providing excellent recurring cash flow to the Fund due to our attractive acquisition cap rate.



12005 Meridian

Puyallup, Washington

12005 Meridian is a development project in the Seattle metro area. The site was formerly the location of a thrift store but situated along the primary retail corridor in Puyallup, the real estate was severely underutilized. The Fund purchased the property in April. Construction is approximately 40% complete for the 7,274 square foot two-tenant retail building.



Dutch Bros Caldwell

Caldwell, Idaho

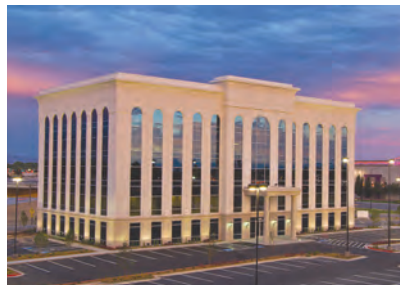
In April, the Fund started construction of a new 874 square foot Dutch Bros in Caldwell, Idaho. Dutch Bros is a popular drive-thru coffee chain headquartered in Grants Pass, Oregon known for its specialty coffee, teas & smoothies. Construction was completed in September and the tenant is now open for business.



595 Washington

Twin Falls, Idaho

595 Washington is a 11,195 square foot industrial building that is entirely leased to St. Luke's Regional Medical Center who 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.



1444 Entertainment

Boise, Idaho

Fourteen Forty-Four is an 83,000 square foot Class-A office building. Since acquisition, we have signed new leases that bring the total occupancy to 98%. An entire floor was leased to Clickbank and 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. Those tenants are all now in occupancy and paying rent.



Treasure Valley Crossing

Nampa, Idaho

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



Mission Village

Wenatchee, Washington

Mission Village is a 32,271 square foot retail center in eastern Washington. 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. Two additional leases were signed since last quarter and one further lease is in the final stages of negotiation which will bring the occupancy to 71%.



110 Main

Boise, Idaho

110 Main is a historic mansion located in downtown Boise that is being converted to a commercial building. The property is very well located, adjacent to the main campus of St. Luke's, the largest hospital system in Idaho. The renovations on the exterior and first floor are complete and the property is now being marketed to end users.



Alturas Homes

Boise, Idaho Metro

The Fund continues to make investments in residential real estate. As the Fund grows, this asset class will shrink as a percentage of the total portfolio. At this point in the cycle there is a pronounced lack of single-family home inventory in the market. Fund management is vigilant about any changes that may come and continues to focus on pre-sold homes in the most desirable communities in the area.



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 86% from 50% at the time of acquisition. Leasing activity remains strong and one additional lease has been signed since the last quarter. The asset continues to move closer to full stabilization.



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 I-84. The property was acquired from a motivated seller and signed a long-term lease with Patrick Industries, a publicly traded manufacturing company. The property continues to provide excellent cash flow to the Fund.

ALTURAS
REAL ESTATE FUND