

# QUARTERLY REPORT

2nd Quarter 2023

"We will likely raise additional capital in conjunction with planned acquisitions in the coming months. Please complete either the note or equity surveys, depending on your preference."

Dear Investors,

It was another consistent quarter for the Fund. Realized returns were 12.27% and total returns were 12.55%. We continue to be pleased with these returns, especially on a relative basis. The realized returns for the quarter included a gain from the sale of the Emerald office building. While the gain on sale was excellent on a percentage basis, it had a minimal impact on this quarter's realized returns as it is a very small asset. The market for smaller net leased assets remains relatively strong, which bodes well for the development projects we have recently completed or will be completing soon. We may elect to sell these assets if the right conditions are present. These sales enhance the ongoing returns the portfolio generates.

The total return was slightly higher than the realized return from operations, as the fair values were effectively flat. There was good news (completed developments and commenced leases) and some offsetting items (delinquent rents and capital improvements). The net result was slightly positive. Like always, we skew towards the conservative end of the range of reasonable long-term values.

Our tax partners were able to finalize the 2022 tax returns and we were once again able to shield nearly all of the Fund's income in 2022. We will continue to take advantage of favorable policies as permitted by the current tax code, optimizing the Fund's tax efficiency and benefiting our partners. Please see the tax section in the report for additional information.

Regarding new acquisitions, the White Mountain retail project continues to move forward and, if all goes well, will close in the third quarter. We also have two additional build-to-suit projects under contract. We have noticed a shift in the market over the last couple of weeks. Sellers are realizing if they need to sell by year-end, they need to start making decisions. As such, we have been awarded several potential projects recently. While we are still in various stages of due diligence, we are encouraged by the deal flow and are preparing for upcoming opportunities. We encourage you to prepare as well as you can take advantage of future opportunities with us.

We will likely raise additional capital in conjunction with planned acquisitions and property improvements in the coming months. Please complete either the note or equity surveys, depending on your preference. Completing the surveys ensures that you will be notified the next time an opportunity arises.

Thank you again for your partnership. We are looking forward to continued success with you, our partner!

*T. Barney*  
Tavis Barney, Chief Executive Officer  
Alturas Capital Partners, LLC

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

## Debt Offering

Click the button to learn more about our debt offering.

Learn More

## Equity Offering

Click the button to learn more about our equity offering.

Learn More



## Key Numbers

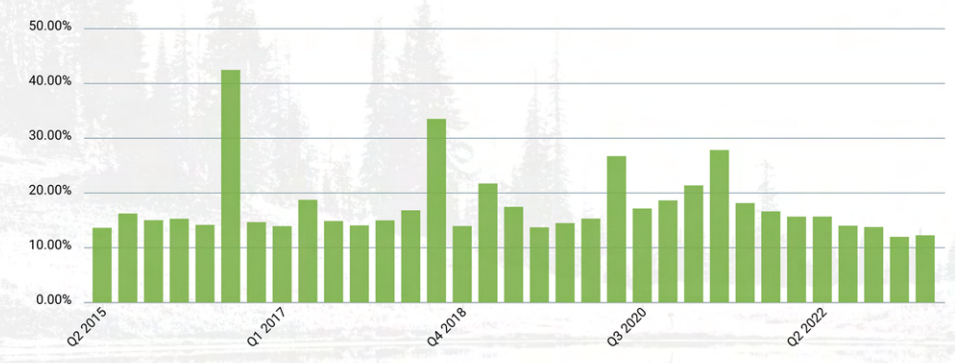
<b>12.27%</b> Average realized return 2nd quarter 2023	<b>17.82%</b> Average realized return since inception	<b>12.55%</b> Average total return 2nd quarter 2023	<b>24.91%</b> Average total return since inception	<b>\$5.18M</b> Realized net income 2nd quarter 2023
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\*Stated returns are average annualized investor returns. Individual investor returns may vary based on the unit pricing at the time of investment. Realized net income includes realized gains and losses and excludes unrealized gains and losses recorded during the period. Financial information herein related to the quarters ended in 2023 are unaudited as of the date of this report.

Photo: 1550 Tech Lane - Boise, ID

## Realized Returns

Details



Type	2015	2016	2017	2018	2019	2020	2021	2022	2023
Annual	15.34%	21.69%	15.41%	19.86%	16.83%	19.46%	20.99%	14.79%	12.13%
Since Inception*	15.34%	19.33%	17.82%	18.39%	18.05%	18.30%	18.71%	18.19%	17.82%

\*Average annualized return since inception as of respective year/period end.

## Unit Price

Details



## Additional Fund Metrics

<b>\$162.08M</b> Aggregate capital raised	<b>\$52.70M</b> Investor distributions since inception**
<b>250+</b> Number of investors	<b>58.57%</b> Current reinvestment rate
<b>\$1,661.54</b> Unit price	<b>\$554.19M</b> Assets under management
<b>3.36M SF</b> Total portfolio square footage	<b>85.54%</b> Portfolio occupancy rate

\*\*Distributions since inception includes Q2-2023 distributions paid on 07/31/2023.  
Photo: Bringer - Boise, ID



## Disposition

**7733 Emerald**

Boise, ID | Office | 4,424 SF

We recently completed the sale of 7733 W. Emerald, located in Boise, Idaho. Acquired in April 2019, the single-tenant building was 4,424 square feet. At acquisition, the lease rate was under-market and only had 3 years of term remaining. After a few years of operating at the asset, the team was able to negotiate a 5-year extension at market rent. By executing our value-add strategy, we were able to maximize the property's value, resulting in an excellent gain upon its sale. This successful disposition exemplifies the value of our broker-partner relationships, showcasing our collective expertise in navigating and transacting despite a challenging real estate market to deliver a favorable outcome.

## Acquisition Pipeline

**White Mountain**

Rock Springs, WY  
Retail  
336,870 SF

**Take 5**

Idaho Falls, ID  
Retail (Build-to-Suit)  
1,400 SF

**Mountain West Motors**

Twin Falls, ID  
Retail (Build-to-Suit)  
4,840 SF



## Portfolio at a Glance

Portfolio occupancy increased this quarter as several of the leases commenced that were referenced in last quarter's report. Forecasting to the end of the year, net absorption will be positive as the Fund expects to gain approximately \$600,000 in new annual rental revenue while losing roughly \$360,000, resulting in a net increase of \$240,000. This trend reflects the leasing activity observed in the portfolio over the past 12-18 months. Certainly, we have experienced some "churn," but overall, the portfolio is becoming more occupied and net operating income is increasing. As always, we continue to actively manage the portfolio to maximize cash flow and realize the full potential of all our investments.

## Current Investments

Details

**46**  
Total properties

**3.36M**  
Total portfolio SF

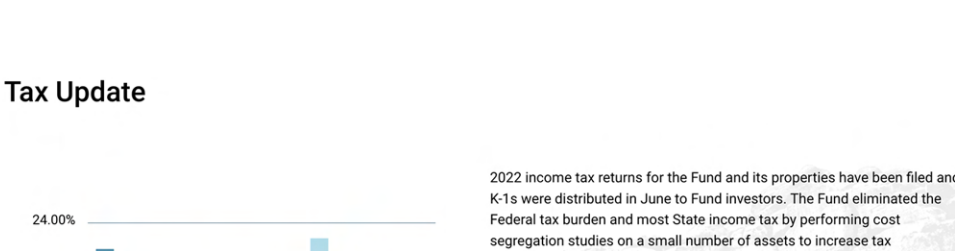
**85.54%**  
Occupancy rate

**512,003**  
Cost basis (\$'000)

**State**

**Property type**

## Tax Update



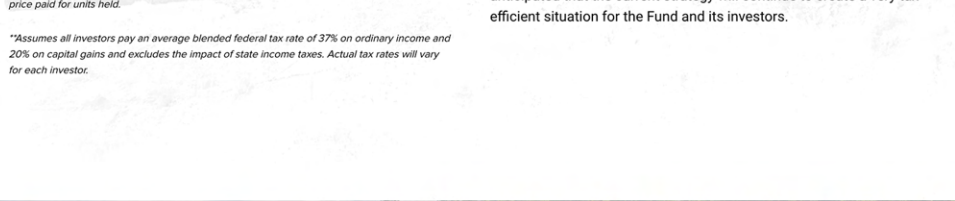
\*Returns are average annual returns. Actual returns for each investor will vary based on the unit price paid for units held.

\*\*Assumes all investors pay an average blended federal tax rate of 37% on ordinary income and 20% on capital gains and excludes the impact of state income taxes. Actual tax rates will vary for each investor.

2022 income tax returns for the Fund and its properties have been filed and K-1s were distributed in June to Fund investors. The Fund eliminated the Federal tax burden and most State income tax by performing cost segregation studies on a small number of assets to increase tax depreciation expense.

The Fund encountered and will continue to be impacted by tax law changes. In 2022 to continue to expense interest fully, the Fund elected to use an alternative depreciation system. This adjustment slows down the pace of depreciation on several Fund assets, potentially leading to a reduced annual depreciation deduction in the future before accounting for the Fund's cost segregation strategy. In the 2022 tax year, the Fund successfully capitalized on bonus depreciation, utilizing 100% of the available depreciation. However, starting in 2023, the allowable bonus depreciation will decrease by 20% each year until it is eliminated in 2027.

Additionally, while the Fund has historically pursued a cost segregation strategy to generate enough current year depreciation to reduce taxable income substantially, the Fund is mindful of the tax capital accounts of investors and will assess this strategy annually. The Fund may slow the pace of our cost segregation studies which could cause taxable income to approximate book income in future years, however at this time it is anticipated that the current strategy will continue to create a very tax efficient situation for the Fund and its investors.



## Fund Description

The Alturas Real Estate Fund, LLC was formed by Alturas Capital Partners to provide accredited investors access to professionally managed real estate investments. The Fund is a \$500 million equity offering created to make commercial and residential real estate investments. It targets middle-market properties frequently ignored by larger funds. These properties can be profitable as a diverse portfolio.

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

Photo: Smith's Ferry, ID

Summary of Debt Offering		Summary of Equity Offering	
Interest rate	6-8% paid quarterly	Targeted returns	9-14%
Investment type	Secured notes	Preferred return	8% paid quarterly
Security	Subordinate to property debt; senior to equity	Profit split	70% investors, 30% manager after preferred return
Term	24-60 months	Fees	1.5% asset management fee
Minimum investment	\$100,000	Minimum investment	\$250,000
Investor eligibility	Accredited investors	Investor eligibility	Accredited investors
Short-Term alternative	6-12 month revolving line of credit	Lockup period	24 months

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 articulated returns. There can be no assurance that the Fund will achieve its investment objectives and actual performance may vary significantly.

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