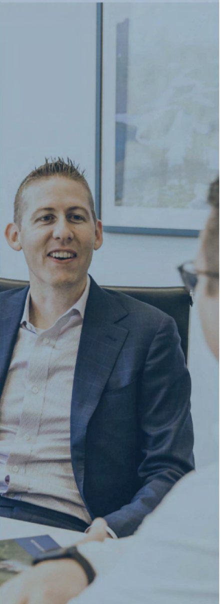
QUARTERLY REPORT

2nd Quarter 2020



Dear Investors,

Despite all of the uncertainty in the broader economy, it was another great quarter for the Alturas Real Estate Fund. Our team has worked earnestly to collect rents and due to that diligence and creativity, and the steadfastness of our tenant partners, collections across the portfolio were 98% for the quarter. Even after impairing all uncollected rent, realized returns from operations were 15.23%. In addition, we sold two retail assets in 5804 Fairview and a portion of Parkway Plaza to further increase realized returns to 26.73%. We have only lost one retail tenant to-date due to the pandemic and we are fortunate in that we have already leased the space to a new tenant at a higher rate.

We remain in close contact with our tenants as we monitor their financial health and the possible long-term implications of this crisis. It is too early to draw any definitive conclusions, but there are reasons for cautious optimism. What we do know is that over the long-term our core values of cash flow, low cost basis, the best information and aligned partners will generate the risk adjusted returns we all expect.

The audit and tax return for the Fund were also completed this quarter. The audit was once again clean with no issues. Additionally the CARES Act provided for some supplemental tax savings above the normal favorable tax treatment the Fund enjoys, we cover the tax benefits later in this report.

We will continue to diligently manage the Fund and its assets while looking for additional investment opportunities. These are times for caution and prudence, but times such as these likely will create buying opportunities as well. We recently sent out a survey to gauge investor interest, if you have not already, please complete the survey by clicking the button below, if you have any interest in an additional investment. We appreciate your participation and feedback, it is very helpful.

Investment Survey

We can't thank you enough for your continued support.

Sincerely,

Blake Hansen, Chief Investment Officer
Alturas Capital Partners, LLC

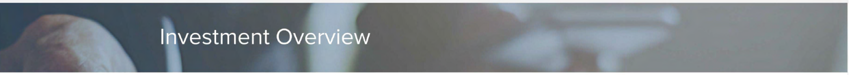
Travis Barney, Chief Credit Officer
Alturas Capital Partners, LLC

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 Capital Partners, LLC and its affiliates do not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. Financial information herein related to quarterly periods in 2020 are unaudited as of the date of this report.

Key Numbers

26.73%	18.34%	33.99%	27.21%	$2.56M
Realized return 2nd quarter 2020	Realized return since inception	Total return 2nd quarter 2020	Total return since inception	Distributable realized net income

**Stated returns are average annualized investor returns. Individual investor returns may vary based on the unit pricing at the time of investment. Distributable realized net income includes realized gains and losses and excludes unrealized gains and losses recorded during the period.*



Investment Overview

Realized Return

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

Additional Fund Metrics

$45.16M	$14.93M	100+	54.64%
Aggregate capital raised	Distributions since inception*	Number of investors	Current reinvestment rate
$1,495.09	**$156.96M**	**1.16M sqft**	**94.49%**
Unit price	Assets under management	Total portfolio square footage	Portfolio occupancy rate

**Distributions since inception includes Q2-2020 distributions paid on 07/31/2020.*

Unit Price (Since Inception)

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Fund Structure

Fund Description

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

The Fund is a $100 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 that protects the investor's downside risk.

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.

Summary of Equity Offering

Preferred return:	8% paid quarterly
Profit split:	70% to investors, 30% to manager after preferred return
Fees:	1.5% asset management fee
Minimum investment:	$250,000
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
Minimum investment:	$100,000
Investor eligibility:	Accredited investors only
Security:	Priority position before equity investors

Learn More About the Fund

Portfolio at a Glance

As of the end of Q2, portfolio occupancy had climbed to 94% thanks to several new leases commencing at Westpark, 1550 Tech Lane, Decker Lake and Cottonwood Plaza. Further good news will be realized in Q3 as new leases that were signed in Q1 and Q2 commence at Siete Square II, Mission Village, The Presidio and Centennial Tech. These new leases will push the occupancy across the portfolio above 95%.

Also in Q2, we were able to successfully negotiate reductions to the interest rates of seven of our existing property loans. On average, the interest rates on those loans were reduced from 4.72% to 3.60%. This represents a savings of approximately $256,000 in annual interest expense. 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

Asset Sales

WALLAROO'S
FURNITURE AND MATTRESSES

5804 Fairview

Boise, ID

We sold 5804 Fairview in June to an out-of-state 1031 buyer for a significant gain. Interest in single tenant net leased assets remains strong and while the property provided good ongoing returns, this was an opportunity to realize the value we had created in the asset and take advantage of the 1031 exchange extension this summer as the buyer felt pressure to aggressively identify assets in advance of the deadline.

planet fitness
judgement free zone

Parkway Plaza

Idaho Falls, ID

In May we sold a portion of Parkway Plaza to a user (Ashley Furniture). We were able to sell approximately 30% of the shopping center (GLA – excluding future pad sites) for nearly 50% of our original purchase price. All while filling a vacancy in the center that will add value to our remaining shop space and pad sites.

Acquisitions Pipeline

Shops at 38th

Phoenix, AZ
Retail
23,021 sqft

Garden Gateway

Colorado Springs, CO
Office
115,052 sqft

IGC

Spokane, WA
Flex Industrial
74,000 sqft

Fund Asset Summary

Current Investments

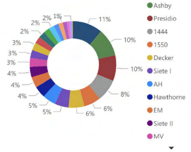
Property Type	MSA	Status	Investment Profile	24
All	All	All	All	# of Current Investme...

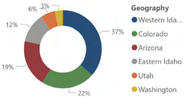
Current Investments by Property

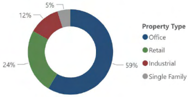
Property
● Centennial

Current Investments by Geography

Current Investments by Property Type







Current Investments

Investment	Date of Acquisition	Property Type	MSA	Size (SF)	# of Units	Status	Occupancy
Alturas Homes*	2015-06	Single Family	Boise, ID		45 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%
Siete Square I	2017-06	Office	Phoenix, AZ	57,933		Stabilized	98%
Adelmann Building	2017-07	Retail	Boise, ID	15,419		Stabilized	100%
1550 Tech Lane	2017-08	Industrial	Boise, ID	108,081		Stabilized	100%
Parkway Plaza	2018-02	Retail	Idaho Falls, ID	56,264		Lease-up	83%
The Ashby on Osborn	2018-03	Office	Phoenix, AZ	89,167		Lease-up	75%
Dutch Bros Colorado Springs	2018-08	Retail	Colorado Springs, CO	824		Stabilized	100%
Cottonwood Plaza	2018-09	Office	Boise, ID	43,142		Stabilized	100%
Eagle Island (Chinden & Linder)	2018-10	Retail	Boise, ID	10,204		Stabilized	100%
Siete Square II	2018-12	Office	Phoenix, AZ	53,936		Lease-up	79%
Shops at Decker Lake	2019-03	Retail	Salt Lake City, UT	52,387		Lease-up	89%
4200 Hawthorne	2019-04	Office	Pocatello, ID	78,225		Stabilized	100%
7733 Emerald	2019-04	Office	Boise, ID	4,424		Stabilized	100%
The Presidio	2019-07	Office	Colorado Springs, CO	81,222		Stabilized	97%
2206 Whitley	2019-08	Office	Boise, ID	16,000		Stabilized	100%
Sandcreek Plaza	2019-08	Retail	Idaho Falls, ID	35,903		Stabilized	100%
Idaho Natural and Organic Foods	2019-11	Industrial	Boise, ID	30,478		Stabilized	100%
Centennial Tech	2020-02	Office	Colorado Springs, CO	110,405		Stabilized	97%
297 Wycoff (Excel Fabrication)	2020-02	Industrial	Twin Falls, ID	23,000		Stabilized	100%
Total				**1,162,490**			**95%**

Sold Investments

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Tax Update

Estimated Tax Rates

Overview

2019 income tax returns for the Fund and all of its properties have been filed and K-1s were distributed in May to Fund investors.

The Fund is generally able to provide excellent after-tax returns to investors for a number of reasons. Income generation and/or asset appreciation of course produce the returns, but optimizing the tax character of those returns to maximize after-tax returns is also an important aspect of the Fund's management. Fortunately, there are a number of tax advantages available to Fund investors which helps to maximize after-tax returns.

In addition to the recurring tax benefits the fund generates each year, for the 2019 tax year, the fund took advantage of additional bonus depreciation that became available as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This additional bonus depreciation created significant incremental tax savings which is discussed further below.

Structure of the Fund

The Fund is set up as a limited liability company. As such, income produced is not taxed at the Fund level, but instead passes through to investors to be taxed at the individual investor level.

Real Estate Tax Advantages

There are advantages available because the Fund invests in and operates real estate. These advantages include:

- **Depreciation:** As an owner and operator of real estate investments, the Fund is permitted to depreciate much of the cost basis of its eligible property for tax purposes. Typically, commercial property can be depreciated over 39 years. However, other components of properties can be depreciated over shorter periods of time, and additional bonus depreciation deductions are permitted in certain circumstances. The Fund takes advantage of depreciation whenever the benefits are likely to pass through to our investors.

- **Bonus Depreciation (CARES Act)**: The additional bonus depreciation made available through the CARES Act enabled the fund to deduct over $3.3 million of additional depreciation in 2019. We estimate that this additional depreciation reduced average tax rates for investors from approximately 20% to a tax benefit of approximately 5% for the 2019 tax year.

- **Long-term Capital Gains:** From time-to-time, the Fund will sell assets. In general, the Fund looks to generate long-term capital gains income from the sale of these properties which is taxed at a lower tax rate than ordinary operating income.

Small Business Tax Deductions

The 2017 Tax Cuts and Jobs Act introduced a new deduction for owners of small businesses. The Fund qualifies as an eligible small business under the Act, therefore, Fund investors may be eligible for additional deductions up to 20% of the ordinary income (excluding interest income and capital gains) generated by the Fund. There are limitations to the availability of this deduction that may apply at the individual investor level. Normally taxable individual Fund investors should be able to take full advantage of the small business deduction unless they are limited by other factors arising from outside investments reported on their individual returns. In 2019, this deduction will not be available because the Fund generated a taxable loss as a result of the bonus depreciation deductions discussed above.

ALTURAS
REAL ESTATE FUND

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