



ALTURAS
REAL ESTATE FUND
www.alturas.com

Quarterly Report | 2nd Quarter 2018

ALTURAS

REAL ESTATE FUND

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Key Numbers*

16.83%

Realized return - 2nd quarter

17.51%

Realized return - since inception

17.17%

Total return - 2nd quarter

29.38%

Total return - since inception

\$1.04M

Net income - 2nd quarter

\$1.84M

Net income - YTD 2018

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

Cover Photo:
The Tules, signify the iconic landscape of the East Fork of the Owyhee River.
Photo by Mark Lisk

Inside Cover Photo:
North Fork Payette River Bridge near Smiths Ferry.
Photo by Brent Watkins

Dear Investors,

The Alturas Real Estate Fund has achieved another quarter of excellent results. The average net realized return for the second quarter was **16.83%** annualized. The average total return for the quarter, including unrealized gains, was **17.17%** annualized.

We are pleased with the diverse portfolio we have built. We are working diligently to maximize the value of each Fund asset and we look forward to many more quarters of continued success. Our contrarian investment strategy results in a cost basis which allows us to provide great value to our tenant partners. When coupled with our hands-on management style, this strategy enables our assets to perform at a high level.

One of our biggest challenges is meeting investor demand. Our top priority is the protection of your capital and making sure we are investing in quality projects that provide the long-term returns you have come to expect. When we do need additional capital, first and foremost we want to ensure that our existing investors have every opportunity to add to their investment.

Considering this significant investor demand, there are a couple of advantages you have as an existing investor that we want to make sure you are aware of:

- First, if you are looking at adding to your investment, consider reinvesting your dividend. As a growth investor, your dividends are automatically reinvested into the Fund, at the previous quarter's unit price.
- Second, consider making a note investment. Notes are deployed before equity and have a priority collateral position within the Fund. We are only raising a limited amount of notes, so please let us know if this is of interest to you.

While the exact timing of future acquisitions is difficult to project, we have several projects under contract to purchase, including two scheduled to close in August and many more in various stages of underwriting.

Thank you for your continued support and for investing with us!

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.

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Fundraising

High Investor Demand; Investor Strategies for Deploying Capital with Alturas

We currently have very high investor demand to place new money in the Fund. Having this capital allows us to purchase new investments for the portfolio, adding diversification and cash flow.

To ensure that you have the first opportunity to place additional capital into the Fund we suggest two strategies;

- Elect to reinvest your dividends. This ensures that your equity investment is increased automatically every quarter. Another advantage of the reinvestment option is the capital is invested at the previous quarter's unit price.
- Consider a note investment.

In addition to our equity offering, we are also raising up to \$3 million in notes from investors on 24-36 month terms bearing 6-8% interest. Here are some advantages of the note offering:

- Notes are placed at the front of the queue and deployed first, before all equity investors.
- Diversification by investing both equity and debt in the Fund.
- Priority collateral position ahead of equity investments. As summarized in the table below, currently only 3% of the Fund's capital is in the form of notes. Our conservative target is to have 10% of Fund capital in the form of notes.

	Total Capital Raised	Notes	Equity
Current	\$23.2M	\$0.6M (3%)	\$19.4M (97%)
Target		10%	90%

We only anticipate accepting a limited amount of note investments, so please let us know soon if you are interested.

As a general reminder, new money is first placed in a subscription account, earning no interest, until it is deployed in the Fund. All equity investments are deployed into the Fund on a first-in, first-out basis. The investment must be in the account in order for you to be placed in the queue.

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 equity 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 part of 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 strict underwriting criteria including a margin of safety, with a focus on cash flows.

Summary of Debt Offering

Return range:	6-8% interest rate, paid quarterly
Investment type:	Secured notes
Debt offering cap:	\$3 million
Minimum investment:	\$100,000
Investor eligibility:	Accredited investors only
Security:	Priority position before equity

Summary of Equity Offering

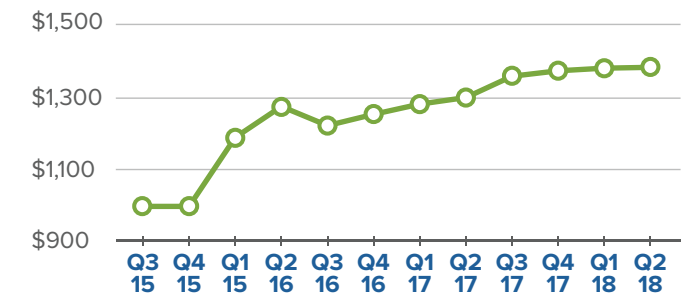
Preferred return:	8% paid quarterly
Profit split:	70% to investors, 30% to manager after preferred return
Fees:	Asset management fee: 1.5%, no acquisition or disposition fees
Minimum investment:	\$100,000
Investor eligibility:	Accredited investors only
Targeted returns:	9-14%

Investment Overview

Other Fund Metrics

\$23.2M Total capital raised to date	\$4.97M Distributions paid to date
60+ Investors in the Fund	\$1,389.45 Unit price as of 7/1/18
\$82.4M Assets under management (AUM)	678,271 SF Total portfolio square footage

Unit Price (Since Inception)



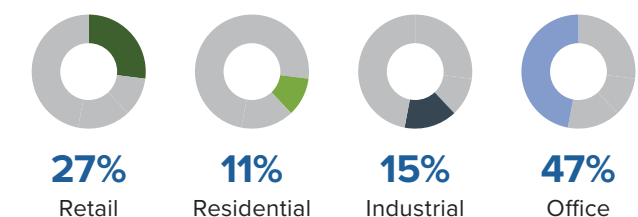
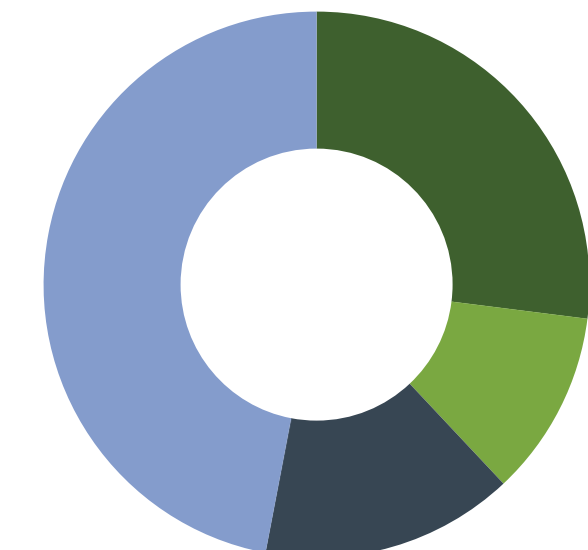
	2015	2016	2017	2018
Q1	N/A	\$1,188.86	\$1,280.86	\$1,388.41
Q2	N/A	\$1,274.41	\$1,299.39	\$1,389.45
Q3	\$1,000.00	\$1,218.00	\$1,356.38	
Q4	\$1,000.00	\$1,254.26	\$1,369.28	

Realized Return by Month (Annualized)

	2015	2016	2017	2018
January	N/A	13.37%	9.45%	12.90%
February	N/A	17.84%	15.17%	16.30%
March	N/A	14.84%	17.33%	15.91%
April	N/A	13.08%	16.08%	17.47%
May	13.64%	14.69%	11.39%	16.22%
June	13.64%	14.70%	29.02%	16.81%
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%	15.16%	
November	15.15%	13.34%	13.90%	
December	15.04%	16.32%	13.18%	

Average Net Realized Return Since Inception 17.51%

Investment Allocation Overview



Fund Performance Summary

As of June 30th, 2018

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
2. 1124 Caldwell Blvd	Oct-15	Jun-17	Retail	Boise, ID	2,646	Sold	N/A	844,338	1,050,000	N/A	Value Add
3. 12000 Deep Canyon*	Sep-17	Sep-17	Single Family	Boise, ID	1 Unit	Sold	N/A	605,000	605,000	N/A	Residential Value Add

Current Investments

1. Eagle Marketplace	Sep-15		Retail	Boise, ID	60,024	Stabilized	93%	5,392,728	7,871,550	1,338,644	Value Add
2. 110 Main	Oct-15		Office	Boise, ID	6,230	Lease-up	0%	1,139,946	1,139,946	209,558	Value Add
3. Westpark	Feb-16		Industrial	Boise, ID	117,510	Stabilized	100%	6,414,001	6,675,733	844,277	Tenant-in-Tow
4. Alturas Homes*	Jun-15		Single Family	Boise, ID	58 Units	In Progress	N/A	2,178,668	2,178,668	2,178,668	Residential New Construction
5. Mission Village	Sep-16		Retail	Wenatchee, WA	32,551	Lease-up	63%	4,511,259	4,511,259	1,146,000	Value Add
6. Treasure Valley Crossing	Sep-16		Retail	Boise, ID	21,000	Stabilized	100%	3,791,205	4,293,987	1,094,000	Core Plus
7. 1444 Entertainment	Dec-16		Office	Boise, ID	78,573	Stabilized	98%	12,755,532	13,296,315	3,510,618	Value Add
8. 595 Washington	Dec-16		Industrial	Twin Falls, ID	11,195	Stabilized	100%	723,579	795,454	174,174	Tenant-in-Tow
9. Dutch Bros Caldwell	Apr-17		Retail	Boise, ID	874	Stabilized	100%	1,404,796	1,692,900	344,376	Build-to-Suit
10. 12005 Meridian	Apr-17		Retail	Seattle, WA	7,388	Lease-up	55%	3,983,359	3,983,359	1,204,260	Build-to-Suit
11. Siete Square	Jun-17		Office	Phoenix, AZ	57,933	Stabilized	94%	8,462,800	8,462,800	1,786,709	Core Plus
12. Adelman Building	Jul-17		Retail	Boise, ID	14,704	Stabilized	100%	2,178,695	2,178,695	567,459	Core Plus
13. 1550 Tech Lane	Aug-17		Industrial	Boise, ID	105,759	Stabilized	100%	6,777,290	6,777,290	2,083,499	Value Add
14. Parkway Plaza	Feb-18		Retail	Idaho Falls, ID	75,300	Lease-up	77%	4,153,404	4,153,404	758,027	Value Add
15. The Ashby on Osborn	Mar-18		Office	Phoenix, AZ	89,230	Lease-up	71%	10,100,446	10,100,446	2,860,842	Value Add
Total					678,271 SF		89%	\$73,967,707	\$78,111,805	\$20,101,112	

Acquisition Pipeline

Investment	Est. Date of Investment	Property Type	MSA	Size	Status	Estimated Occupancy at Acquisition	Contracted Purchase Price	Estimated Fund Investment	Risk Profile
5804 Fairview	Aug-18	Retail	Boise, ID	22,500	Under Contract	100%	2,000,000	650,000	Tenant-in-Tow
Cottonwood Plaza	Aug-18	Office	Boise, ID	43,426	Under Contract	72%	4,300,000	1,150,000	Value Add
Dutch Bros Colorado Springs	Aug-18	Retail	Colorado Springs, CO	874	Under Contract	100%	1,400,000	300,000	Build-to-Suit
Chinden & Linder Development	Sep-18	Retail	Boise, ID	10,000	Under Contract	75%	3,200,000	700,000	Build-to-Suit
IGCP	Nov-18	Industrial/Flex	Spokane, WA	79,816	Under Contract	84%	6,900,000	2,000,000	Value Add
Total				156,616 SF		82%	\$17,800,000	\$4,800,000	

*Subordinated notes.

Alturas Real Estate Fund Shareholder Meeting



Save The Date

October 19th, 2018 in Eagle, ID
Please RSVP by September 21st at
<http://altur.as/rsvp>

A formal invitation via email will follow with complete details.

Special Room Rates for Investors at Hilton Garden Inn in Eagle.



145 E. Riverside Drive
Eagle, Idaho 83616
Tel: +1-208-938-9600
Book online at
<http://altur.as/Hilton>

Tax Advantages of Investing in the Fund

Real estate investments can provide significant tax advantages and the recently passed Tax Cuts and Job Act (TCJA) offers additional tax savings for real estate investors. The Fund is positioned to capitalize on these tax advantages and pass along the benefit to its investors.

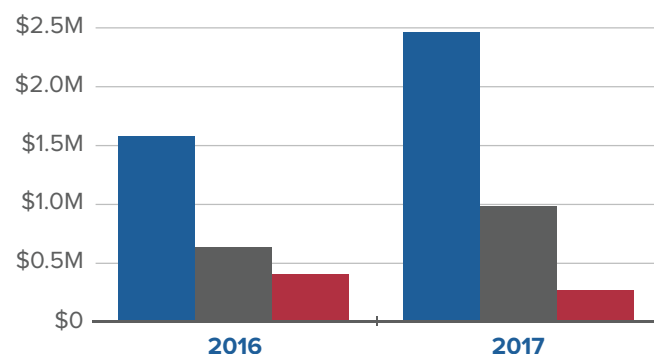
While there are many tax advantages to fee simple real estate investing, the depreciation deduction in particular had a notable impact on the Fund investors' tax liability in 2016 and 2017. Typically commercial property can be depreciated over 39 years. However, other components of real estate are allowed to be depreciated over a shorter period, such as 15, 7, or 5 years.

The tax treatment of depreciation allows a taxpayer to defer a portion of the income tax. For example, this deduction lowered the estimated taxes of the Fund from **\$620,894** to **\$275,329** in 2016.

The TCJA went into effect in the 2017 tax year and creates an opportunity for investors to enjoy 100% bonus depreciation on certain assets such as tenant improvements. The Fund was able to capitalize on this tax advantage in 2017 and lowered what would have been **\$982,540** in taxes to **\$181,288**, a 7.31% effective tax rate assuming our investors are in the highest tax bracket on average. The reduction in the effective tax rate in 2017 versus 2016 was largely due to the changes enacted by the TCJA.

As summarized to the right, investing in real estate can provide meaningful tax benefits. While not all years will be as advantageous as 2017, we anticipate that Fund investors will continue to enjoy significant tax advantages in the years to come. We hope that this simple illustration helps shed some light on the tax advantages of your investment in the Fund.

	2016	2017
Realized Distributed Income (GAAP Income)	\$1,567,913	\$2,481,162
Taxable Income w/ RE Advantages	\$695,276	\$457,798
Taxes (assuming highest tax bracket)	\$275,329	\$181,288
Effective Tax Rate on Realized Return (GAAP)	17.56%	7.31%
Taxes w/o RE Advantages	\$620,894	\$982,540
Typical Tax Rate w/o RE Advantages	39.60%	39.60%
Tax Savings	\$345,564	\$801,252
Pre Tax Return (Realized)	21.69%	15.41%
After Tax Return (Actual)	24.83%	18.58%



*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. Please consult with your tax, legal and accounting advisors.

Come to the shareholder meeting and enjoy the many activities that Boise has to offer.



Portfolio



The Ashby on Osborn
Phoenix, Arizona

In March, we purchased The Ashby on Osborn (formerly known as Country Club Manor), a 89,230 SF office building. We have already completed the renovation of one of the lobbies and we are in the process of renovating the other. We are also upgrading the signage and exterior of the property. There are several prospective tenants currently interested in leasing the vacant space in the project as leasing activity remains positive.



Parkway Plaza
Idaho Falls, Idaho

In February, we closed on Parkway Plaza, a 75,300 SF shopping center in Idaho Falls, Idaho. The center was lender-owned and liquidated by the same special-servicer from which the Fund has purchased other assets. Prior to close, Planet Fitness executed a lease for 41,711 SF to anchor the property for a 10-year term. We are currently upgrading the signage at the property and working with our local brokers to fill the vacancy.



1550 Tech Lane
Meridian, Idaho

1550 Tech Lane is a multi-use industrial/office building in Meridian, Idaho. The 105,759 SF two-story building is centrally located in the Treasure Valley with convenient access to I-84 and excellent visibility from the freeway. We were able to sign new long-term leases with two tenants which brings the project to stabilization. The tenant improvements were recently completed for those tenants and they are now in occupancy.



Adelmann Building
Boise, Idaho

In July of 2017, the Fund acquired its first investment in downtown Boise, the Adelmann Building, a 14,704 SF two-story retail building. The asset is fully leased but has upside as the existing tenants are doing very well at this location and their current rents are below market. We are working with the city of Boise to improve the streetscape around the building including adding awnings to provide additional patio space for our tenants.



1444 Entertainment
Boise, Idaho

Fourteen Forty-Four is an ~80,000 SF Class-A office building. Since acquisition, new leases have been signed that bring the total occupancy to 98%. An entire floor was leased to Clickbank and Truckstop.com significantly expanded their footprint in the building. Those tenants are all now in occupancy and paying rent. We have also recently completed renovations to the lobby and landscaping around the building to further enhance the value of the asset.



Treasure Valley Crossing
Nampa, Idaho

Treasure Valley Crossing is a 21,000 SF retail property, located in the main retail shopping area of Nampa, Idaho. Nearby retailers include Costco, Target, McDonald's 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 generate excellent returns for the Fund.



Mission Village
Wenatchee, Washington

Mission Village is a 32,271 SF retail center in eastern Washington. The Fund purchased the property with significant vacancy and has been working with our local broker partners to attract additional tenants. We have signed several new leases since acquisition and the occupancy is currently at 63%. While the property performs adequately at current occupancy levels, there is additional leasing interest and we hope to have the property fully stabilized later this year.



Alturas Homes
Boise, Idaho Metro

The Fund continues to make investments in residential real estate. As the Fund grows, this asset class continues to 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 remains vigilant about any changes to the market and continues to focus on homes located in the most desirable communities in the area.



Siete Square
Phoenix, Arizona

In June of 2017, the Fund acquired a 57,933 SF two-story office property in Phoenix, Arizona. The property, Siete Square I, lies within the Midtown submarket north of Phoenix's CBD. We recently completed a renovation of the lobby and common areas at the building. Since then, we have had one existing tenant renew and another agreed to expand into additional space at the building. This asset continues to provide excellent recurring cash flow to the Fund due to our attractive acquisition cap rate.



12005 Meridian
Puyallup, Washington

12005 Meridian is a build-to-suit 7,274 SF retail building in the Seattle metro area. The site was formerly the location of a thrift store. Situated along the primary retail corridor in Puyallup, the property was severely underutilized. Construction of the building was completed in the spring and the primary tenant (City MD) is now open for business. An interested buyer recently made an offer to purchase the building and we are currently negotiating the terms of the purchase and sale agreement.



Dutch Bros Caldwell
Caldwell, Idaho

In September of last year, the Fund completed construction on a new 874 SF 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. The tenant has now been in occupancy and successfully operating for nearly one year.



595 Washington
Twin Falls, Idaho

595 Washington is an 11,195 SF 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 parcel includes additional land and we have explored expansion options with St. Luke's and other users as several tenants have inquired about the property.



Westpark
Boise, Idaho

Westpark is a 117,510 SF industrial and office property located in Boise, Idaho. The property consists of two buildings and has excellent access to I-84. The property is leased to Patrick Industries, a publicly traded manufacturing company with strong financial performance and prospects. The asset provides consistently strong recurring cash flow to the Fund.



110 Main
Boise, Idaho

110 Main is a historic mansion well located in downtown Boise that has been converted to a commercial building. The property is currently being marketed for rent or sale and has received considerable activity and interest but limited offers. However, we are currently working with a tenant who is interested in leasing the entire building with an option to purchase.



Eagle Marketplace
Eagle, Idaho

Eagle Marketplace is a 60,024 SF retail center located at the intersection of two key arterial roads. This project continues to outperform our initial underwriting. As of August, occupancy is now up to 96% from 50% at the time of acquisition. Leasing activity remains strong and remarkably, only two suites remain to be leased before the project reaches 100% occupancy.

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