

"When our team and partners are well-aligned, it is possible to navigate through changing markets and come out even stronger on the other side."

# QUARTERLY REPORT

3rd Quarter 2022

### Investor Survey

Click the survey button to indicate investment objectives and capital availability.

Survey

### Investor Events

Learn more about our upcoming events and sign up to attend.

Events

Dear Investors,

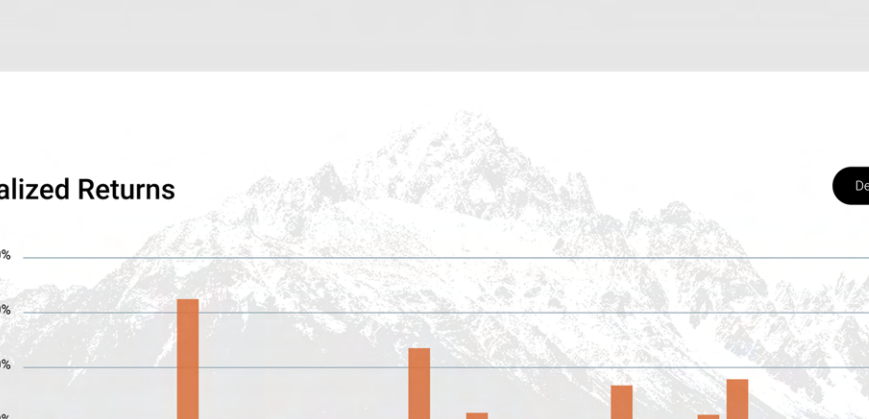
It is during times like these with so much macro-economic turmoil that we are reminded of the importance of staying true to fundamentals. These fundamentals include: all real estate is local, a low basis gives you options, cash flow is foundational, and most importantly, that people save problems. When our team and partners are well-aligned, it is possible to navigate through changing markets and come out even stronger on the other side. In collaboration with our broker partners, our team is actively underwriting projects that have the potential to add value to our portfolio. We are diligently monitoring changing market conditions and the opportunities they may present. Later in this report we go into more detail regarding our investment philosophy.

Due in large part to these principles, the Fund experienced another successful quarter with 14.02% realized returns and 20.20% total returns. Total returns were higher as there were more positive developments than negative at the properties this quarter. With our fair values we continue to focus on actual changes at the property level, while valuing what we believe to be the realistic long-term cap rates. Cap rates can fluctuate, and they have compressed to historically low levels over the past several years, but we have maintained reasonable long-term rates, and we will continue to do so as cap rates now begin to move in the other direction.

Related to the fair values, we have come to terms with a buyer for the Hawthorne (Altitude) property and the value has been marked up to the contract price. This is an excellent outcome for the Fund, which results in a small gain above our cost basis despite Altitude not renewing the lease. While the transaction is not complete, if the sale goes through, it will be a great outcome. With the Hawthorne space now seemingly solved, we will be net positive on leasing activity for the year when factoring in all of the known additions and subtractions.

Thank you again for your partnership. We are looking forward to continued sustainable growth with you, our valued investor partners.

*[Signatures]*  
 Frank Barnes, Chief Executive Officer  
 Alturas Capital Partners, LLC  
 Blair Harms, Chief Investment Officer  
 Alturas Capital Partners, LLC



## Key Numbers

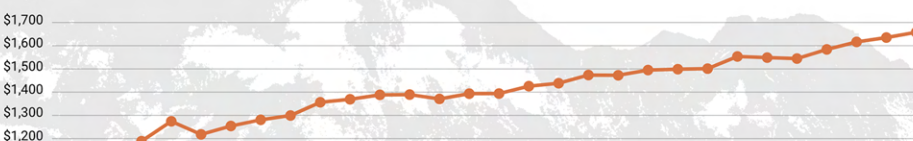


Stated returns are average annualized investor returns. Individual investor returns may vary based on the unit pricing at the time of investment. Realized net income includes realized gains and losses and excludes unrealized gains and losses recorded during the period. Financial information herein related to the quarters ended in 2022 are unaudited as of the date of this report.

Photo: Orchard Plaza Lobby - Denver, CO

## Realized Returns

Details



Type	2015	2016	2017	2018	2019	2020	2021	2022
Annual	15.34%	21.69%	15.41%	19.86%	16.83%	19.46%	20.99%	15.13%
Since Inception*	15.34%	19.33%	17.82%	18.39%	18.05%	18.30%	18.71%	18.34%

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

## Unit Price

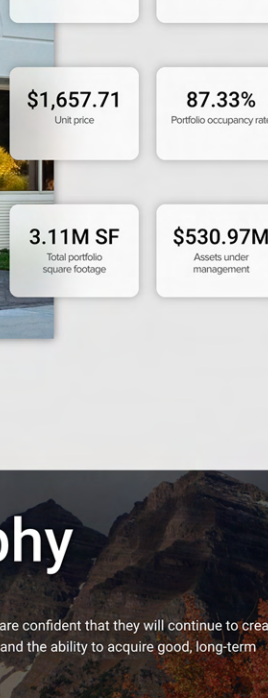
Details



Quarter	2015	2016	2017	2018	2019	2020	2021	2022
Q1	\$1,188.86	\$1,280.86	\$1,388.41	\$1,394.00	\$1,472.61	\$1,553.67	\$1,616.47	
Q2	\$1,000.00	\$1,274.41	\$1,299.39	\$1,389.45	\$1,425.74	\$1,495.09	\$1,548.83	\$1,635.09
Q3	\$1,000.00	\$1,218.00	\$1,356.38	\$1,370.75	\$1,438.49	\$1,498.83	\$1,544.69	\$1,657.71
Q4	\$1,000.00	\$1,254.26	\$1,369.28	\$1,393.51	\$1,473.70	\$1,501.21	\$1,584.06	



## Additional Fund Metrics



\*Distributions since inception includes Q3 2022 distributions paid on 10/31/2022.  
 Photo: Cottonwood Plaza - Boise, ID

## Investment Philosophy

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. 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
- Diversification
- Opportunistic
- Long-Term Perspective
- Cash Flow
- Partnerships

**Growth Markets**  
 We have strategically chosen to invest in the growth markets of the Inland Northwest and Intermountain West. These markets have been resilient, with continued population growth and business growth which bodes well for our real estate assets.

- Growth Markets
- Diversification
- Opportunistic
- Long-Term Perspective
- Cash Flow
- Partnerships

**Diversification**  
 Diversification is fundamentally why we operate a fund versus other potential investment vehicles. The fund model allows us to diversify our portfolio across geography, property types, tenant industry and time. We acquire assets when it is most advantageous while retaining and improving our existing properties and the cash flow they generate.

- Growth Markets
- Diversification
- Opportunistic
- Long-Term Perspective
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- Partnerships

**Opportunistic**  
 We anticipate market cycles and embrace the opportunities they create. Markets are inefficient and we take advantage of these inefficiencies to generate superior risk adjusted returns. The market and media create narratives that generally take us not true in every case. We strive to understand these generalizations and take advantage of the buying opportunities they create.

- Growth Markets
- Diversification
- Opportunistic
- Long-Term Perspective
- Cash Flow
- Partnerships

**Long-Term Perspective**  
 We make decisions as viewed through a long-term lens, expecting that market conditions will change. This enables us to be prepared. Long-term success requires strict adherence to conservative standards and a thorough analysis of each opportunity. We understand the difference between speculating and investing, and focus our efforts on making the right, long-term decisions.

- Growth Markets
- Diversification
- Opportunistic
- Long-Term Perspective
- Cash Flow
- Partnerships

**Cash Flow**  
 We invest in assets that have the potential to generate outsized cash flows. With the margin of safety this creates, even if cash flows decrease temporarily due to market conditions, the asset will still service its debt and provide a return. Ultimately, we focus on building a growing portfolio of assets that generates excellent ongoing returns from operations.

- Growth Markets
- Diversification
- Opportunistic
- Long-Term Perspective
- Cash Flow
- Partnerships

**Partnerships**  
 We strive to create alignment with broker, tenant, investor, and employee partners. Through these partnerships we are able to find and acquire the best assets, operate them at their highest potential, and maximize the returns through operations. We aim to create win-win opportunities and long lasting partnerships.

## Ground Breakings

We broke ground on our first Take 5 project in Ontario, OR and our first Brightstar project in Boise, ID during Q3. Once completed, these projects will add to the strength of the portfolio along with additional development projects that are expected to break ground in the coming months.


Alturas Capital Partners and Serrano Holdings broke ground on the Treasure Valley's first Take 5 location on September 1, 2022. With plans to develop multiple locations in the Treasure Valley, we are looking forward to the successful completion of this project and others in the pipeline. Take 5 is a national oil change franchise owned by Driven Brands.

Brightstar Boise, ID | Senior Living (Built-to-Suit) | 5,890 SF  
 Alturas Capital Partners and CMCore Holdings, owner of BrightStar Care of Boise, broke ground on a BrightStar Senior care facility in September of 2022. BrightStar is a national home care and medical staffing company. Once completed, the 12 bedroom facility will house memory care residents in a comfortable home setting.

## Additional Development Projects

Take 5 - Meridian, ID Retail	Brightstar - 1 Location, Boise, ID Residential	Star, ID Retail	Settlers Square, Meridian, ID Residential

## Disposition

**Take 5 - Ten Mile (Excess Land), Meridian, ID | Retail | 0.54 acres**

Earlier this year, we purchased a one-acre parcel in Meridian, ID with the intention of developing a Take 5 location for a total purchase price of \$950,000. Take 5 only needed effectively half of the parcel for their site so we sold 0.54 acres of the parcel for \$700,000 resulting in an \$85,000 gain for the Fund.

While it is a relatively small gain, we are happy to have sold the excess land at a significant premium to our purchase price which creates an attractive long-term basis in the land for the Take 5 project ensuring a sustainable rent for our tenant partner.

## Acquisitions Pipeline

Brightstar Boise, ID Senior Living (Built-to-Suit) 1 Location	40 Forty One Phoenix, AZ Office 415,209 SF	The Point Englewood, CO Office 190,134 SF

## Portfolio at a Glance

Portfolio occupancy increased slightly this quarter as leases that were signed in prior quarters are now starting to take effect. That should continue for the next few quarters as overall our net absorption will be positive when factoring in all of the known additions and subtractions. Additionally, the pending sale of 4200 Hawthorne will help to further "de-risk" the portfolio as we solve a large vacancy. There may be a few additional strategic dispositions in the future but by and large, the portfolio continues to perform well in terms of renewal and new leasing activity. On the expense side, we have been actively working through various capital improvement projects including LED lighting upgrades, HVAC system improvements, etc. to further enhance the profitability of the properties. As always, we continue to actively manage the portfolio to maximize cash flow and realize the full potential of all our investments.

Photo: Rocky Mountain National Park - CO

## Current Investments

Details



## Fund Description

Learn More

The Alturas Real Estate Fund, LLC was formed by Alturas 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: Snoqualmie River - WA

## Summary of Debt Offering

Interest rate	6-8% paid quarterly
Investment type	Secured notes
Security	Subordinate to property debt; senior to equity
Term	24-60 months
Minimum investment	\$250,000
Investor eligibility	Accredited investors
Short-Term alternative	6-12 month revolving line of credit

## Summary of Equity Offering

Targeted return	9-14%
Preferred return	8% paid quarterly
Profit split	70% investors, 30% manager after preferred return
Fees	1.5% asset management fee
Minimum investment	\$250,000
Investor eligibility	Accredited investors
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 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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