



ALTURAS
REAL ESTATE FUND
www.alturascapital.com

Quarterly Report | 1st Quarter 2020

Key Numbers*

15.32%

Realized return - 1st Quarter 2020

17.91%

Realized return - since inception

14.97%

Total return - 1st Quarter 2020

26.87%

Total return - since inception

\$1.06M

1st quarter 2020 distributable 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 net income includes realized gains and losses and excludes unrealized gains and losses recorded during the period.

Q1 Manager Call



Wednesday
May 13, 2020



12:1 PM MDT
11 AM -12 PM PDT

Cover Photo:
Garden Framed by Twisted Juniper Trees
at the Garden of the Gods
Colorado Springs, Colorado
photo by John Hoffman

Inside Cover Photo:
Sunrise on Shoshone Falls
Twin Falls, Idaho
photo by Michael Whitworth

Dear Investors,

It was another great quarter for the Alturas Real Estate Fund. The end of Q1 and the start of the Q2 have been very eventful. We feel gratitude for our amazing team that works tirelessly to support our investors, tenants and properties. We have collected about 90% of our April rent so far. These April collections were no small task, and we expect to continue collecting more April rent in May. Our team is up to the challenges ahead and this gives us a competitive advantage. Below are a few key updates:

- We marked down our retail assets on April 1st by approximately \$1 million but had significant new leases commence which resulted in incremental markups leading to a small net markdown for the entire portfolio.
- We are current on our debt payments and we plan to pay our Q1 distribution to equity investors during Q2.
- We have a backlog of additional new leases that will be commencing in Q2 that will help offset some of the collection challenges we are having at our retail properties.
- We have two assets under contract to sell in Q2 that are still moving forward toward closing.
- We have temporarily pushed our new acquisitions back, and we will be opportunistic when it makes sense to buy assets to add to the portfolio.

We are especially grateful to have a diversified fund model that was structured to withstand economic downturns with low leverage and a focus on cash flows. We also have a stable portfolio of assets across different geographies, asset classes, and diverse tenant industries .

We continue to take a conservative approach to managing and growing the portfolio. It has always been one asset/lease at a time for us, and today that mantra is extended to taking a one day at a time approach in the current environment. We continue to focus on relationships – with our tenants, our broker partners, and our investors. We continue to be contrarian and opportunistic.

As noted above, we ended up marking our retail portfolio down on April 1st by about \$1 million dollars. We conducted a thorough tenant-by-tenant and property-by-property analysis. We removed income related to tenants who indicated they would likely not be opening back up (two), added or increased collection reserves to account for longer term impacts to our tenants and their ability to pay rent, and made assessments on the long-term intrinsic value of each property. We will make additional adjustments in subsequent quarters as there are changes to our conservative assumptions.

On the positive side, we entered the year with a backlog of new leases, lease renewals, lease bumps, and two sales contracts on Fund assets. As these leases commence, some of the challenges of retail rent collections will be offset.

For us, new leases in the portfolio are just as important as new acquisitions. Although there is a cost for signing new leases including lease commissions and tenant improvement costs, the value of our properties is derived from the rental income they generate. The more rent we collect, the more valuable the asset. We will be raising some additional money this quarter to pay for these costs.

Overall, the portfolio is in great shape. We have strong cash flows, strong cash reserves, strong rent collections, and a solid base of assets with low leverage that will help us weather this economic storm.

Thank you again for your partnership. We will continue to work diligently to generate the risk adjusted returns the Alturas Real Estate Fund has generated for going on five years. If you have any questions, please do not hesitate to reach out.

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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Financial information herein related to the quarter ended March 31, 2020 and quarter and annual periods in 2019 are unaudited as of the date of this report.

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Investment Overview

Other Fund Metrics

\$42.99M
Aggregate capital raised
as of 3/31/20

\$12.96M
Distributions since inception*

100+
Number of investors

56%
Reinvestment Rate

\$1,472.61
Unit price as of 4/01/20

\$155.16M
Assets under management (AUM)

1,204,760
Total Portfolio
Square Footage

91.41%
Portfolio Occupancy

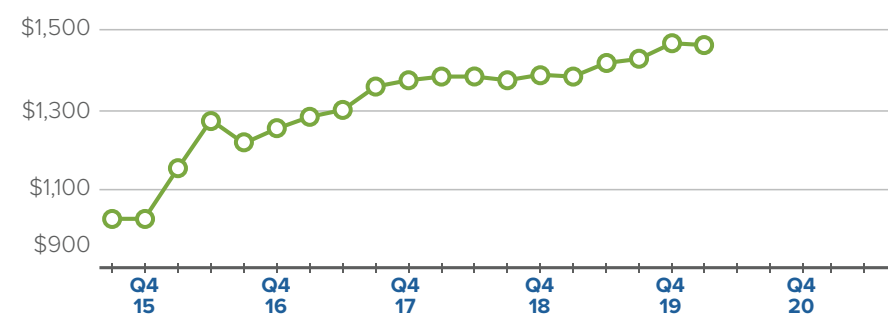
*Distributions Since Inception includes Q1-2020 distributions which we anticipate paying in Q2-2020.

Realized Return by Month (Annualized)

	2015	2016	2017	2018	2019	2020
January	N/A	13.37%	9.45%	12.90%	37.34%	14.30%
February	N/A	17.84%	15.17%	16.30%	13.86%	17.91%
March	N/A	14.84%	17.33%	15.91%	13.23%	13.93%
April	N/A	13.08%	16.08%	17.47%	14.28%	-
May	13.64%	14.69%	11.39%	16.22%	13.20%	-
June	13.64%	14.70%	29.02%	16.81%	25.08%	-
July	13.62%	97.15%	13.89%	15.17%	12.96%	-
August	11.79%	13.49%	16.21%	69.40%	13.14%	-
September	23.57%	15.93%	14.53%	15.43%	15.13%	-
October	14.90%	14.34%	15.16%	13.30%	14.86%	-
November	15.15%	13.34%	13.90%	15.91%	15.82%	-
December	15.04%	16.32%	13.18%	12.72%	12.87%	-
Annual	15.34%	21.69%	15.41%	19.86%	16.83%	15.32%
Since Inception*	15.34%	19.33%	17.82%	18.39%	18.05%	17.91%

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

Unit Price (Since Inception)



	2015	2016	2017	2018	2019	2020
Q1	N/A	\$1,188.86	\$1,280.86	\$1,388.41	\$1,394.00	\$1,472.61
Q2	N/A	\$1,274.41	\$1,299.39	\$1,389.45	\$1,425.74	-
Q3	\$1,000.00	\$1,218.00	\$1,356.38	\$1,370.75	\$1,438.49	-
Q4	\$1,000.00	\$1,254.26	\$1,369.28	\$1,393.51	\$1,473.70	-

Fund Structure & Acquisitions

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 (updated on 01/01/2019)
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

Q1 Acquisitions



Centennial Tech

Colorado Springs, Colorado

Property Type: Office
Size: 110,405 SF

As the largest acquisition to date, the Fund added the Centennial Tech Center in February. These two single-story office buildings are located at 4820 & 4920 Centennial Blvd, Colorado Springs, CO, 80919. This transaction expands our presence in Colorado Springs.

The deal was brought to us off-market by the broker who also helped us to acquire The Presidio. The building was initially 97% leased, with a Comcast call center occupying 66% of the space. A new lease was signed while the property was under contract bringing it to fully leased at closing. As a result of that existing occupancy, the property offers a strong in-place cash flow right out of the gate.



297 Wycoff

Twin Falls, Idaho

Property Type: Industrial
Size: 23,000 SF

The Fund added another industrial property located at 297 Wycoff Circle, Twin Falls, ID, 83301. The property is occupied by a long-term net-lease tenant, Excel Fabrication. Excel manufactures and installs process piping, air, mechanical, and utility lines as well as customized welding of sheet metal. The majority of its customers are located in Idaho and Utah. This deal was brought to us by one of our broker-partners and should produce a healthy, steady return for many years to come.

Portfolio at a Glance

Portfolio Overview*

As of the end of Q1, portfolio occupancy had climbed to 91% thanks to several new leases commencing at Mission Village, Parkway Plaza and 110 Main. Additionally, a new 5-year extension was agreed to at Westpark with Patrick Industries who occupies 92% of the building. Further good news will be realized in Q2 as new leases that were signed in Q1 commence at 1550 Tech Lane, Cottonwood Plaza, Siete Square II, Decker Lake and Centennial Tech. These new leases will push the occupancy across the portfolio up to 95%.

We are also under contract to sell two assets (5804 Fairview and a portion of Parkway Plaza) that will create gains and provide additional liquidity for the Fund. In both cases, the contracted sales price is above what we believe to be the long-term intrinsic value of the asset. As always, we continue to actively manage the portfolio to realize the full potential of all our investments.



297 Wycoff
Twin Falls, Idaho



Centennial Tech
Colorado Springs, Colorado



INAOF
Boise, Idaho



Sandcreek Plaza
Idaho Falls, Idaho



The Presidio
Colorado Springs, Colorado



7733 Emerald
Boise, Idaho



4200 Hawthorne
Pocatello, Idaho



Shops at Decker Lake
Salt Lake City, Utah



Siete Square II
Phoenix, Arizona



Eagle Island
Boise, Idaho



Cottonwood Plaza
Boise, Idaho



5804 Fairview
Boise, Idaho



Dutch Bros Colorado
Colorado Springs, Colorado



The Ashby on Osborn
Phoenix, Arizona



Parkway Plaza
Idaho Falls, Idaho



1550 Tech Lane
Boise, Idaho



Adelmann Building
Boise, Idaho



Siete Square I
Phoenix, Arizona



1444 Entertainment
Boise, Idaho



Mission Village
Wenatchee, Washington



Westpark
Boise, Idaho



110 Main
Boise, Idaho



Eagle Marketplace
Boise, Idaho

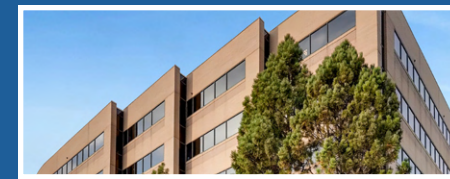


Alturas Homes
Boise, Idaho Metro

Acquisition Pipeline



Garden Gateway
Colorado Springs, Colorado



Orchard Pointe
Denver, Colorado



IGC
Spokane, Washington

Fund Asset Summary

As of 3/31/20

Sold Investments

Investment	Date of Acquisition	Date of Disposition	Property Type	MSA	Size	Status	Sold Price (\$'000)	Realized Gains/ (Losses) (\$'000)	Investment Profile
1. Legends Townhomes	Dec-15	Jul-16	Multi-family	Kansas City, MO	18 Units	Sold	2,020	765	Core Plus
2. 1124 Caldwell Blvd	Oct-15	Jun-17	Retail	Boise, ID	2,646	Sold	1,050	206	Value Add
3. 12000 Deep Canyon*	Sep-17	Sep-17	Single Family	Boise, ID	1 Unit	Sold	605	-	Residential Value Add
4. Treasure Valley Crossing	Sep-16	Aug-18	Retail	Boise, ID	21,000	Sold	5,650	1,440	Core Plus
5. 12005 Meridian	Apr-17	Nov-18	Retail	Seattle, WA	7,388	Sold	4,950	106	Build-to-Suit
6. Dutch Bros Caldwell	Apr-17	Jan-19	Retail	Boise, ID	874	Sold	2,300	751	Build-to-Suit
7. 595 Washington	Dec-16	Jun-19	Industrial	Twin Falls, ID	11,195	Sold	1,260	443	Tenant-in-Tow
Total					43,103 SF		\$ 17,835	\$3,268	

Current Investments

Investment	Date of Acquisition	Property Type	MSA	Size	Status	Occupancy	Cost Basis (\$'000)	Fair Market Value (\$'000)	Fund Investment (\$'000)	Investment Profile
1. Alturas Homes*	Jun-15	Single Family	Boise, ID	45 Units	In Progress	N/A	1,738	1,738	1,738	Residential New Construction
2. Eagle Marketplace	Sep-15	Retail	Boise, ID	60,024	Stabilized	100%	5,498	8,935	1,399	Value Add
3. 110 Main	Oct-15	Office	Boise, ID	6,420	Stabilized	100%	1,508	1,508	342	Value Add
4. Westpark	Feb-16	Industrial	Boise, ID	117,510	Stabilized	92%	6,542	6,803	844	Tenant-in-Tow
5. Mission Village	Sep-16	Retail	Wenatchee, WA	32,950	Lease-up	75%	4,960	4,684	1,154	Value Add
6. 1444 Entertainment	Dec-16	Office	Boise, ID	78,572	Stabilized	100%	13,070	13,611	2,859	Value Add
7. Siete Square I	Jun-17	Office	Phoenix, AZ	57,933	Stabilized	98%	8,880	9,145	1,787	Core Plus
8. Adelman Building	Jul-17	Retail	Boise, ID	15,419	Stabilized	100%	2,210	2,143	567	Core Plus
9. 1550 Tech Lane	Aug-17	Retail	Boise, ID	108,544	Lease-up	88%	7,841	8,602	2,153	Value Add
10. Parkway Plaza	Feb-18	Retail	Idaho Falls, ID	75,300	Lease-up	87%	4,407	5,095	999	Value Add
11. The Ashby on Osborn	Mar-18	Office	Phoenix, AZ	89,167	Lease-up	75%	12,368	12,368	3,551	Value Add
12. 5804 Fairview	Aug-18	Retail	Boise, ID	22,500	Stabilized	100%	2,372	2,848	543	Tenant-in-Tow
13. Dutch Bros Colorado Springs	Aug-18	Retail	Colorado Springs, CO	824	Stabilized	100%	1,435	1,828	543	Build-to-Suit
14. Cottonwood Plaza	Sep-18	Office	Boise, ID	43,426	Lease-up	72%	4,490	4,490	883	Value Add
15. Eagle Island (Chinden & Linder)	Oct-18	Retail	Boise, ID	10,191	Stabilized	100%	3,047	3,047	714	Build-to-Suit
16. Siete Square II	Dec-18	Office	Phoenix, AZ	53,936	Lease-up	79%	6,165	6,165	1,332	Core Plus
17. Shops at Decker Lake	Mar-19	Retail	Salt Lake City, UT	52,387	Lease-up	79%	7,438	7,019	2,020	Value Add
18. 4200 Hawthorne (Allstate)	Apr-19	Office	Pocatello, ID	78,225	Stabilized	100%	11,619	11,619	1,493	Core Plus
19. 7733 Emerald	Apr-19	Office	Boise, ID	4,424	Stabilized	100%	559	559	110	Core Plus
20. The Presidio	Jul-19	Office	Colorado Springs, CO	81,222	Stabilized	97%	12,910	13,746	3,298	Core Plus
21. 2206 Whitley	Aug-19	Office	Boise, ID	16,000	Stabilized	100%	1,826	1,826	622	Tenant-in-Tow
22. Sandcreek Plaza	Aug-19	Retail	Idaho Falls, ID	35,903	Stabilized	100%	3,403	3,239	1,011	Value Add
23. Idaho Natural and Organic Foods	Nov-19	Industrial	Boise, ID	30,478	Stabilized	100%	1,424	1,424	323	Tenant-in-Tow
24. Centennial Tech	Feb-20	Office	Colorado Springs, CO	110,405	Stabilized	97%	15,280	15,280	3,831	Core Plus
25. 297 Wycoff (Excel Fabrication)	Feb-20	Industrial	Twin Falls, ID	23,000	Stabilized	100%	2,032	2,032	764	Tenant-in-Tow
Total				1,204,760		91.41%	\$143,022	\$ 149,754	\$34,880	

*Subordinated notes.

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