

# QUARTERLY REPORT

## 2nd Quarter 2021

Dear Investors,

The Fund continued its strong performance in 2021 with excellent returns and significant AUM growth in the second quarter. We sold one asset this quarter and while a smaller asset, the gain was substantial as it increased realized returns to 27.85%. Realized returns excluding the sale (from operations) were also strong at 19.62%.

In addition, we were able to add several diverse assets to the portfolio ranging from projects we have been working on for years (the dark Walgreens next to Eagle Marketplace), to two large Class A office buildings in Denver's Tech Center submarket, to our second acquisition in the growing Spokane market, to a small mixed-use development project in the Boise market that will allow us to further our partnership with Alturas Homes and give the Fund additional exposure to the booming residential market. For additional information on these acquisitions please see the New Acquisitions section below.

From the beginning, we set out to create an investment vehicle that allowed us to buy when there were opportunities to acquire good assets with good long-term cash flow potential at favorable prices. The market conditions over the last several months have presented us with these additional opportunities that meet our long-term underwriting criteria. While the investment market begins to heat back up and asset prices are on the rise, we are confident that because of our relationships and partnerships, additional opportunities will come our way as we continue to build this diversified, cash flow focused portfolio.

One final note: the 2020 tax return was completed in the quarter. The Fund was able to take advantage of favorable tax opportunities which resulted in no taxable income. Meaning that despite excellent pre-tax returns, on average our investors paid no income tax for years (the dark Walgreens is different, consult your tax advisor). In fact the Fund generated a tax benefit so the after-tax return was actually higher than the before-tax return. For additional details, see the tax section below.

Thank you again for your continued support and partnership, as your investment objectives change please continue to update the investor survey by following the link below.

Investor Survey

*Travis Barney*  
Travis Barney, Chief Executive Officer  
Alturas Capital Partners, LLC

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

*"From the beginning, we set out to create an investment vehicle that allowed us to buy when there were opportunities to acquire assets with good long-term cash flow potential. The market conditions over the last several months have presented us with these additional opportunities that meet our long-term underwriting criteria."*

## Key Numbers

27.85%

Average realized return 2nd quarter

18.82%

Average realized return since inception

26.37%

Average total return 2nd quarter

26.91%

Average total return since inception

\$4.41M

2nd quarter 2021 Realized net income

Qtd. returns are average annualized investor returns. Individual investor returns may vary based on the unit price at the time of investment. Distributions of income include realized gains and losses and include reinvested gains and losses. All returns are calculated on a net basis. All returns have been realized to the quarter ended in 2021 and are calculated on a net basis.

Photo: Stanford Building - Denver, Colorado

## Realized Return



### Realized Return by Month (Annualized)



Month	2015	2016	2017	2018	2019	2020	2021
January	13.37%	9.45%	12.90%	37.34%	14.30%	15.71%	
February	17.84%	15.17%	16.30%	13.86%	17.91%	23.95%	
March	14.84%	17.33%	15.91%	13.23%	13.93%	24.73%	
April	13.08%	16.08%	17.47%	14.28%	16.29%	44.05%	
May	13.64%	14.69%	11.39%	16.22%	13.20%	29.50%	17.70%
June	13.64%	14.70%	29.02%	16.81%	25.08%	34.30%	22.14%
July	13.62%	97.15%	13.89%	16.21%	15.17%	12.96%	17.26%
August	11.79%	13.99%	16.21%	69.40%	13.14%	16.84%	
September	23.57%	15.93%	14.53%	15.43%	15.13%	17.38%	
October	14.90%	14.34%	15.16%	13.30%	14.86%	14.76%	
November	15.15%	13.34%	13.90%	15.91%	15.82%	25.56%	
December	15.04%	16.32%	13.18%	12.72%	12.87%	15.85%	
<b>Annual</b>	<b>15.34%</b>	<b>21.69%</b>	<b>15.41%</b>	<b>19.86%</b>	<b>16.83%</b>	<b>19.46%</b>	<b>24.63%</b>
<b>Since Inception*</b>	<b>15.34%</b>	<b>19.33%</b>	<b>17.82%</b>	<b>18.39%</b>	<b>18.05%</b>	<b>18.30%</b>	<b>18.82%</b>

## Unit Price (Since Inception)

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



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## Additional Fund Metrics



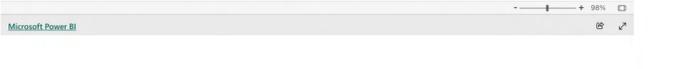
\*Distributions since inception include Q2 2021 distributions paid on 7/30/2021

Photo: Alturas Building - Denver, Colorado

## New Acquisitions

As discussed over the last several quarters, the economic headwinds in the past year have created some buying opportunities. While there is still uncertainty in the marketplace and there will be additional bumps in the road, we are excited to have added six quality assets to the portfolio and we are confident that over the long-term they will continue to provide cash flow to the Fund and its investors.

It is important to be a contrarian investor, but not emotionally, but it is also difficult to execute against headwinds. We are very grateful for the strength of the Fund and the commitment and trust of our investors. None of this would have been possible without the foundation we have built together over six plus years.



**Walgreens**  
Eagle, ID | Retail | 13,770 sqft  
Adjacent to Eagle Marketplace, we have been attempting to acquire this property for years and recently the owner finally decided they had many years left on the lease and the property provides a good return for us. We have several prospects for long-term tenants and we are excited to improve the property, adding value to Eagle Marketplace at the same time.

**5709 Sunset**  
Spokane, WA | Office | 140,000 sqft  
This office acquisition came to us through our primary broker-partner in the Spokane region. While the project provides a high in-place return, we are already working with our broker-partner to further improve the rent roll through leasing. We are bullish on the Spokane market which has positive demographic trends that have only accelerated recently, and effectively no new office development.

**1680 Westland**  
Boise, ID | Retail | 3,900 sqft  
This, drive-through property came to us off market. The rent is undermarket and we are already in discussions to increase the rent with the existing tenant. Drive-through properties are in very high demand and their popularity has been heightened by the pandemic. Once the lease is renewed the property will provide excellent cash flow and could be an asset we sell due to the very high demand for single-tenant net-leased property.



**6455 Yosemite**  
Denver, CO | Office | 199,000 sqft  
This was a portfolio purchase from a motivated East Coast based seller. This Class A building is located in the Denver Tech Center submarket with excellent I-25 access and visibility. The property totals 202,158 SF and is approximately 80% leased with good in-place cash flow and upside through leasing. The Denver market continues to grow and perform well and these properties create management synergies with our other Colorado assets.

**Stanford Place I**  
Denver, CO | Office | 274,000 sqft  
Part of the same portfolio purchase that brought us 6455 Yosemite, this Class A building totals 273,963 SF and is approximately 80% leased with a diverse rent roll and a wide range of tenant industries represented. Also part of the large Denver Tech Center submarket which provides a premier suburban office setting with parking, amenities and excellent access and visibility.

**Settlers Square**  
Meridian, ID | Mixed-Use | 60 lots  
Settlers Square is a mixed-use development planned in partnership with Alturas Homes totaling nine acres and located in one of the fastest growing cities in the country, Meridian, Idaho. The Fund's very first investment was in Alturas Homes and it has been a great partnership for many years. We are excited to once again grow this partnership and create an excellent townhome community with some commercial frontage.

## Acquisitions Pipeline



**Dutch Bros.**  
Various, TX  
Retail  
2 locations

**Brightstar**  
Boise Metro Area, ID  
Senior Living  
2 locations

**North Caldwell**  
Caldwell, ID  
Single Family  
498 lots

## Dispositions



**Excel Fabrication**  
Twin Falls, ID | Industrial | 23,000 sqft

The Alturas Real Estate Fund successfully took another asset full-cycle with the disposition of 297 Wycoff, an industrial building located in Twin Falls, ID. The property is occupied by a long-term net-lease tenant, Excel Fabrication but at the time of acquisition, the tenant was in the process of being purchased by a private equity fund which produced some uncertainty in the marketplace around the real estate. This enabled us to purchase the property at a discount and now, just over 12 months later, the property was sold to an out-of-market 1031 exchange buyer on April 2, 2021.

This project is another example of the power of tenant and broker partnerships and the value that can be brought when working with these groups in a collaborative way.

## Portfolio at a Glance

While new leasing activity seemed to hit a bit of a "summer lull" in the portfolio, renewal activity has remained very strong. As of the end of Q2, extensions/renewals have been signed with 19 tenants which represents 129,054 SF and approximately \$21 million in annual rent revenue. While new leases are certainly being negotiated, renewed leases are equally important. 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

## Current Investments



Investment	Date of Acquisition	Property Type	MSA	Size (SF)	# of Units	Status	Occupancy
Alturas Homes*	2015-06	Single Family	Boise, ID		43 Units	In Progress	2
Eagle Marketplace	2015-09	Retail	Boise, ID	73,697		Stabilized	100%
110 Main	2015-10	Office	Boise, ID	6,420		Stabilized	100%
Westpark	2016-02	Industrial	Boise, ID	117,510		Stabilized	100%
1444 Entertainment	2016-09	Retail	Wenatchee, WA	32,987		Lease-up	82%
1444 Entertainment	2016-12	Office	Boise, ID	78,573		Stabilized	100%
Siete Square I	2017-06	Office	Phoenix, AZ	57,933		Stabilized	100%
Adelmann Building	2017-07	Retail	Boise, ID	15,436		Stabilized	100%
1550 Tech Lane	2017-08	Flex	Boise, ID	105,438		Stabilized	100%
Parkway Plaza	2018-02	Retail	Idaho Falls, ID	56,264		Lease-up	80%
The Ashby on Osborn	2018-03	Office	Phoenix, AZ	89,167		Lease-up	73%
Cottonwood Plaza	2018-09	Office	Boise, ID	43,142		Lease-up	72%
Eagle Island	2018-10	Retail	Boise, ID	10,204		Stabilized	100%
Siete Square II	2018-12	Office	Phoenix, AZ	53,936		Stabilized	100%
Shops at Decker Lake	2019-03	Retail	Salt Lake City, UT	52,387		Lease-up	89%
4200 Hawthorne	2019-04	Office	Portland, OR	78,225		Stabilized	100%
7733 Emerald	2019-04	Office	Boise, ID	4,424		Stabilized	100%
The Sandresido	2019-07	Office	Colorado Springs, CO	81,222		Stabilized	100%
Sandresido Plaza	2019-08	Retail	Idaho Falls, ID	35,903		Stabilized	90%
Idaho Natural and Organic Foods (INAOF)	2019-11	Industrial	Boise, ID	30,478		Stabilized	100%
Centennial Tech	2020-02	Flex	Colorado Springs, CO	110,405		Stabilized	100%
Shops at 38th	2020-08	Retail	Phoenix, AZ	23,021		Stabilized	100%
Airport Center	2020-12	Flex	Phoenix, AZ	94,545		Stabilized	100%
IGG	2020-12	Flex	Spokane, WA	75,786		Lease-up	87%
North Creek	2021-01	Office	Colorado Springs, CO	326,552		Lease-up	74%
Garden Gateway	2021-02	Flex	Colorado Springs, CO	115,052		Stabilized	92%

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## Sold Investments



Investment	Date of Acquisition	Date of Disposition	Property Type	MSA	Size (SF)	# of Units	Status	Sold
1124 Caldwell Blvd	2015-10	2017-06	Retail	Boise, ID	2,646		Sold	1,050
Legends Townhomes	2015-12	2016-07	Multi-family	Kansas City, MO		18 Units	Sold	2,020
Treasure Valley Crossing	2016-09	2018-08	Retail	Towin, ID	21,000		Sold	5,650
595 Washington	2016-12	2019-06	Industrial	Boise, ID	11,195		Sold	1,260
12005 Meridian	2017-04	2018-11	Retail	Seattle, WA	7,388		Sold	2,900
Dutch Bros Caldwell	2017-04	2019-01	Retail	Boise, ID	874		Sold	4,350
12000 Deep Canyon*	2017-09	2017-09	Single Family	Boise, ID		1 Unit	Sold	605
Parkway Plaza Midbox (Partial Sale)	2018-02	2020-05	Retail	Idaho Falls, ID	19,036		Sold	1,715
5804 Fairview*	2018-08	2020-06	Retail	Boise, ID	22,500		Sold	3,350
Dutch Bros Colorado Springs	2018-08	2020-11	Retail	Colorado Springs, CO	824		Sold	2,300
2206 Whitley	2019-08	2021-03	Office	Boise, ID	16,000		Sold	2,300

\* Subordinated notes

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## Tax Update

	2016	2017	2018	2019	2020
<b>Estimated Average Before Tax Returns*</b>	21.69%	15.41%	19.86%	16.83%	19.46%
<b>Estimated Average After-Tax Return**</b>	18.30%	14.46%	16.43%	17.46%	22.64%

2020 income tax returns for the Fund and all of its properties have been filed and K-1s were distributed in April 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 depreciation deductions the Fund generates each year, in 2020 the Fund utilized cost-segregation studies on a small number of the Fund assets to accelerate depreciation and took advantage of additional bonus depreciation that became available as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These strategies created significant incremental tax savings resulting in higher average estimated after-tax returns than before-tax returns as shown in the table above.

Every investor's situation is different, but this means on average our investors paid no tax on the significant returns generated in 2020.

\*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.

## 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 \$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 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% investors, 30% 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:	24-60 month secured notes
Minimum investment:	\$250,000
Investor eligibility:	Accredited investors only
Security:	Priority position before equity investors

Learn More About the Fund

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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