STRATEGIC HOLDINGS

Investor News

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Estimated income Fund I Equity:

Month / Year	February 2017	March 2017
Estimated Value of Fund	$113,527,000	$113,000,000
Third Party Debt	$51,260,000	$51,730,000
Estimated Total Equity of	$62,267,000	$61,270,000
Members Invested Capital (1A, 1B, 1C 1D)	$59,600,000	60,100,000

"As of March 31, 2017 our fund is estimated to be valued at $113,000,000

Call Investor Relations to RSVP for an Education Event:

Lunch and Learn
April 20th - Corp. Office
4550 E. Thousand Oaks Blvd. Ste. 200 Westlake Village, CA 91362
Seminar
April 29th - Palos Verdes
(at Terranea Resort)

Dear Investors,

On 3-28-2017, we received a consolidated audit for Strategic Diversified Real Estate Holdings, LLC and affiliates. In our opinion, it reflects the continued improvement of our multifamily portfolio and reinforces the veracity of our business model.

We intend to release the audit with a cover letter from our CFO in the very near future. The draft audit reflects consolidated net income before income taxes of $538,432. This number is AFTER deducting depreciation and amortization. This is a $7,286,757 improvement over 2015. This positive net income turnaround is in addition to potential wealth building from increased Net Operating Income at each property level of the properties that we have fully repositioned and refinanced with mid 4% fixed rate mortgages.

Currently, we are valuing the stabilized properties utilizing the appraisals obtained at the time of refinancing. Many of these stabilized properties have had substantial increases in Net Operating Income which increased AFTER the appraisals were performed. If we were to mark-up the values in these stabilized assets based upon the increased Net Operating Income, we believe that the values would increase by a minimum of $7 million more than what is currently reflected in the Estimated Value of Fund.

Most of our permanent debt is fixed for an average of 8 years. We believe that the numbers will continue to improve over time as a result of prudent management and hopefully an improving economy in the geographic locations of our properties.

In the past, we acquired severely distressed Multi-Family projects at what we believed to be substantially discounted prices. Highly distressed properties typically produce substantial negative income until they are repositioned to 90%+ occupancy and refinanced with low-cost Fannie Mae or Freddie Mac permanent low-cost financing.

Although potentially highly profitable, severely distressed multifamily properties require a tremendous amount of equity and human resources to turn them around over a 2-3 year period. Now that we have what we believe to be a robust Multi Family portfolio, we will continue to focus our efforts on increasing efficiencies and evolving the business model in our ongoing efforts to maximize (and balance) Net Operating Income and future potential wealth building until a Liquidity Event, which we anticipate to be sometime between 2022 and 2025 depending upon investor sentiment and the overall economy.

As we mentioned in the previous newsletter, we are under contract to close on the acquisition of Brookstone Village, which is a 154 unit apartment building in Atlanta Georgia that is currently 98.7% occupied. The contract purchase price of Brookstone Village is $13,340,000 and the lender ordered appraisal came in at $13,800,000. We expect to lock in a 10 year fixed rate loan at 4.4% with Freddie Mac and close May 2017. We intend to value-add improve the property and raise rents over time in anticipation of potentially achieving a 7.5%+ capitalization rate. We believe that a potential capitalization rate of 7.5%+, with a 310 basis point spread over the anticipated underlying 4.4% fixed rate mortgage, should provide significant Adjusted Net Profits on a regular basis while maintaining potential appreciation of the asset over the life of the Fund. We believe that acquiring value-add properties in the potential path of growth like the Atlanta market is a long-term sustainable model over the remaining life of the Fund.

Strategic Holdings recently contracted to buy Brookstone Terrace in an off-market transaction from the same seller as Brookstone Village. The new purchase is a 135-unit complex, built in 1968, and is currently 95.0% occupied. The property was acquired as a value-add opportunity via unit upgrades and exterior renovations. Once the upgrades and exterior renovations are complete, we anticipate the average rent premium to be $174 over the existing average rents. The annual rent growth in the submarket is also forecasted to be 2017, 5.8%, 2018, 3.9%, 2019 3.1%. 2020, 2.8%, and 2021, 2.2%. The renovation budget is $1.6 million dollars that will cover unit upgrades, roofing, driveways, and landscaping. The unit upgrades will include black appliances, faux wood flooring, resurfaced cabinets, and fixtures. The property's purchase price was $11,500,000 or $84,444/unit. The going-in capitalization rate was 6.54% with an acquisition proforma cap rate of 7.55%. We anticipate locking in a 10 year fixed rate loan which is currently priced at 4.40% fixed for 10 years. We anticipate that the dynamics surrounding this property will drive demand, increase Net Operating Income, and potential increase wealth building.

Both of the properties are located in close proximity to several new mixed-use developments. The developments include 1) The Assembly, 2) Nexus, 3) Children's Healthcare of Atlanta, 4) Peachtree Crossing/Whole Foods, 5) Marta Gold Line, 6) The Blee on Peachtree, and 7) Parkview on Peachtree. We anticipate that these developments will transform the whole area into a thriving live, work, play, and transit oriented hub. Most are to be completed by year end 2017. The population as of 2016 within a 5 mile radius was 306,100 and is forecasted to grow to 325,538 by 2021, a 6.35% increase. Both of our new acquisitions are scheduled to close at the end of May 2017.

In order to continue to acquire new properties between June and October 2017 (before final cash-out refinances on the remaining to be stabilized distressed properties previously acquired, which is anticipated 4th quarter of 2017) and maintain adequate contingency reserves, the Fund will need to raise more equity over the next 60 days. We will be offering a 2 Point Bonus for the first year on any new investments (non IRA/Retirement) into Series 1-A. In addition, we would like to cultivate a small group of investors who would be interested in 90 day swing loans to help us bridge the timing gap between equity requirements and new equity investments. We are attempting to cost effectively manage these gaps to maximize short-term and long-term profitability of the Fund. The bridge investments would hold a priority over the 1-A investors, with an expected-yield of 10%, and include a one-time fee to investors. We want to continue buying what we deem to be value-add stabilized properties in which we anticipate a 300+ basis point spread between the anticipated fixed rate financing (currently 4.5%) and the proforma capitalization rate of 7.5%+. Please call Patty for details at 805-764-5128.

2 Point Bonus Rules

- New Funds invested into Series 1-A—8.5%will receive a 2 % bonus for the first year (paid out monthly).
- Limited to new investments made between April 1 and May 31, 2017
- Maximum of $5,000,000 eligible for this program.
- IRA/Retirement/ERISA investments not eligible for bonus

90 Day Swing Loans

1% bonus to investors plus 10% annualized return.

If you have questions, feel free to contact Patty Franklin at 805-764-5128