

### Estimated Gain on Held Assets: April

Asset Type	Total Investment	Estimated Market Value	Estimated Gain On Sale	Holding Period Return
Notes	\$8,878,000	\$13,432,000	\$4,554,000	56%
Real Estate	\$10,650,000	\$15,420,000	\$4,770,000	51%
<b>Total</b>	<b>\$19,528,000</b>	<b>\$28,852,000</b>	<b>\$9,324,000</b>	<b>54%</b>



#### *A Message from the CEO...*

I am excited to launch this monthly newsletter while celebrating a milestone. Your investments have enabled us to continue making more strategic acquisitions and our most recent purchase pushes the value of underlying assets over the \$30 million mark. We are so proud of this achievement and we are sure you are too!

In this newsletter, to keep our expanding investor base informed and to further create an open dialogue, we will share our investment goals and results, as well as industry trends and topics.

Our priorities for 2014 are simple. We will continue to acquire commercial real estate assets at approximately 60% of re-positioned value, thus enhancing cash flow and significant future appreciation. We see this strategy as a great alternative to bonds and stocks and the growing number of people who have invested with Strategic Holdings agree.

Anticipating that interest rates may rise sometime in the near future, many investors have expressed concern that in 2014 and beyond, they foresee a negative return in their bond portfolio and are thus exploring real estate as the way to achieve the stable income that they need to maintain their lifestyles. In addition, many investors have told us that they anticipate substantial potential for declining returns on their stocks and are looking to real estate as an alternative investment strategy.

With respect to stocks, last month a survey by the Investment Program Association (IPA) found that investors believe commercial real estate is a more attractive asset class than equities, with 83% of the 500 high net worth investors surveyed believing commercial real estate assets will post a better performance over the next five years than the equity market. The IPA survey aligns with our belief in real estate as an excellent investment vehicle for the coming years.

Since you have joined our company, we hope that you will share this newsletter with family, friends, and colleagues that might be interested.

Sincerely,

Barry Levenson, CEO

### Spotlight: Property

#### **23 Route 31 North, Pennington, New Jersey**

*A 29k square foot office complex*



This \$3.7 million note was acquired on October 10, 2013, in the amount of \$2,535,750 (32% discount off the current balance owed). At acquisition the subject property was 66% occupied with a local market occupancy rate of 87% as per CBRE. In March 2014, the property was conveyed to Strategic Holdings via Deed in Lieu of Foreclosure and we have taken over property management. The property is now 76% occupied due to marketing the vacant space at \$17.00/SF and accommodating minor tenant improvement requests. Additionally, we are in negotiations to lease 2,370 SF to an attorney scheduled to move in during April 2014. The additional leased space will bring the property up to 84% occupancy while generating \$31,425 per month in rental income (14.9% annualized yield). The long term strategy is to increase occupancy, hold for cash flow and position for maximum value which is currently estimated to be \$4.8 million (based on a 7.9% cap rate of \$377,100 net operating income).

Each month, we will highlight a topic to better explain our investing philosophy – our SPOTLIGHT of the month.

## Spotlight: Strategy

### Why the focus on Secondary Markets?

**We are very risk averse** – Strategic Holdings skipped over primary markets from the beginning, believing that property values in those markets are too high, making potential cash flow too low. There is a tremendous yield spread between primary and secondary cities that allows us to build in flexibility in our buys.

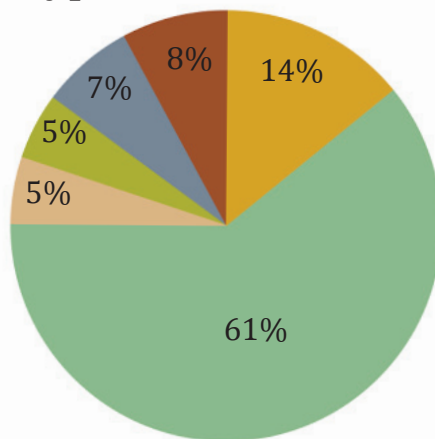
**We have more protection** – These assets have more attractive pricing, stronger cash flow, and less competition. This lack of competition is especially true when buying the notes on the properties.

**For instance** – Many of the properties we purchase have strong property/geographic fundamentals, but the original owners may have walked away from the asset because they could not charge high enough rents to pay down the mortgages assumed during the boom. Since Strategic Holdings may be buying the note for 50-60 cents on the dollar, we then have the financial cushion to invest in tenant improvements and manage the property correctly and efficiently to achieve 90-95% occupancy, within 90 days in most cases.

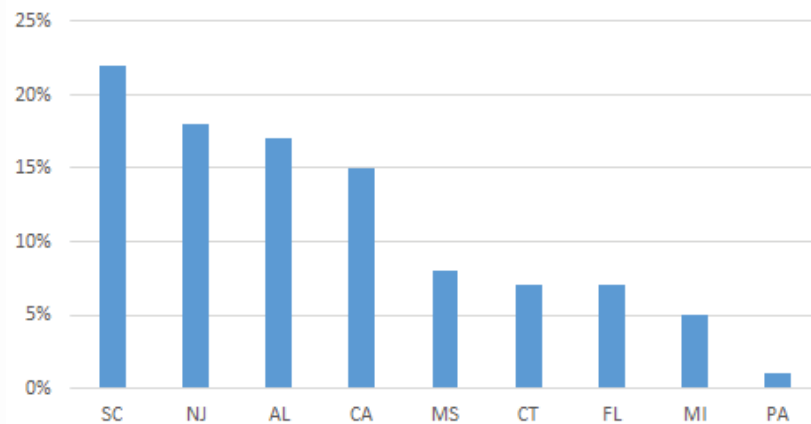
## Property Diversification

Unit Type

- Multi-family
- Office Space
- Retail
- Single Family
- Flex Space
- Industrial Space



Distribution by State



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in the next newsletter?

We welcome feedback!

Send a message to  
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## Key Financing Update

In an effort to take advantage of the low interest rate environment, we are in the final stages of refinancing Pine Ridge Apartments (112 units) and Williamsburg Townhomes (60 units).

Acquired in 2013 at a significant discount to market value, these two assets have been renovated and re-positioned and are currently both running in excess of 92% occupancy. The new loan will be a 7 year fixed rate facility at an interest rate of 4.25% and when completed, will increase the monthly cash flow of the two properties by over \$11,000 per month (combined and inclusive of approx. \$5,000 per month of amortization). The refinance is expected to be finalized by the end of April 2014.