

Estimated Gain on Held Assets: November 2014*

ASSET TYPE	TOTAL INVESTED	ESTIMATED REALIZABLE VALUE	ESTIMATED GROSS PROFIT
Notes	\$6,250,000	\$8,550,000	\$2,300,000
Real Estate	\$27,750,000	\$31,250,000	\$3,500,000
Total	\$34,000,000	\$39,800,000	\$5,800,000



THE CEO'S DESK:

A Closer Look At Qualitative Easing

Dear Investors,

*As of November 30, 2014

"Interest rates will
remain low for the
foreseeable future."

Happy Holidays to all our Strategic Holdings Family.

After I mentioned in last month's newsletter that Quantitative Easing, or QE, has now ended, I received numerous inquiries about when interest rates are going to start to climb.

First off, a quick recap: QE left the Fed holding \$4 trillion in Treasuries and mortgage-backed securities. The next item on the list is the initial increase in the federal funds rate from its current level, which is near zero.

The Fed has stated that unless the economy performs better than expected, or inflation heats up, or there is growth in real wages, this will not happen soon—indeed, their only guidance on timing is that it expects to keep the funds rate near zero for a "considerable time".

So what does "considerable time" mean? The financial market provides a forecast of the funds rate every day. For the past several weeks, the market judgment has been that a rate increase before next September is unlikely, with rates expected to remain low for a far longer time, as evidenced by the fact that the 30 year Treasury rate is under 3%.

The economy is still a fair distance from full employment, despite the ongoing improvement in the labor market.

Inflation is currently running below the Fed's 2% target and, in the near term, will be heading lower because of the plunge in oil prices and the stronger dollar, both of which reflect concern about weak economic performance abroad.

To sum it up, we will have low interest rates for quite a while.

For Strategic Holdings, this will allow us to augment what we raise from Investors (equity) with inexpensive long term debt for a while to come, thus keeping a lower overall cost of funds and creating an even more stable fund.

Finally, some of you may notice that the November newsletter showed an Estimated Gross Profit of \$7.4 million compared to this month of \$5.8 million. In short, we sold some notes and realized gains—after charging 13% interest on eight note sales, we booked almost \$1.5 million in profit (of the eight note sales, the

lowest annualized return was 20% and the highest was 98%).

We are using some of these funds toward the acquisition of three new properties for the fund—Memphis, Broadmoore and Newport News. When we show the acquisition of these properties, the unrealized profits will go back up quite a bit...Stay tuned for the next newsletter!

Have a safe and joyous holiday season.

Barry Levinson



38% increase in occupancy in 11 months!

Patriot Place Apartments

Patriot Place Apartments was the collateral property on a note that was acquired in November of 2013 for \$616,450 or \$9,632/unit. Strategic Holdings acquired title to the property in January 2014 via a deed-in-lieu of foreclosure.

This 64 unit apartment building was built in 1972. The property offers 1, 2, and 3 bedroom units with spacious floor plans, air conditioning, and kitchens that are fully furnished with refrigerators, dishwashers, and ranges. The property offers an on-site laundry facility and a playground area.

The City of Conway is home to several institutions of higher learning; Coastal Carolina University, Horry Georgetown Technical College, Webster University, and North American Institute of Aviation. Downtown Conway has been revitalized and offers several shops and bistros.

According to REIS reports the neighborhood area has a year-to-date vacancy rate of 5.7% and year-to-date rental growth rate of 2.4%.

REIS reports also indicate that there is no new multifamily construction in the immediate area. All these factors indicate a strong demand for Patriot Place Apartments with good rental growth.

The city is located 14 miles northwest of Myrtle Beach, SC. Myrtle Beach is a major tourist destination due to its warm climate and 60 miles of coastal beaches that offer fishing, boating, and sunbathing. Myrtle Beach attracts an estimated 14 million visitors during the spring, summer, and fall months. During these busy months many will stay, shop, and dine in Conway.

At the time of the note acquisition the property was 50% occupied because of poor management and deferred maintenance. We have made all necessary repairs to the property and have replaced the onsite management, with the new team receiving extensive ongoing training to maximize our investment dollars. Today the property is 88% occupied!

Many of you have referred
your friends and family to us.
We thank you for your
trust, and want you to
know we offer
\$500 as
a token of
our appreciation.

ASK PATTY



EVP of Investor Relations

One question I was asked this month is: Will the fund be affected by rising interest rates in the future?

The short answer is no.

Here's why:

As you probably know, traditional bonds have an inverse relationship to the interest rate. Our fund owns commercial real estate that generates strong rental cash flow and it is perpetual, meaning there is no maturity period. In fact, a rising interest rate means more people will be renting versus buying homes, ensuring constant cash flow.