



## Estimated Income Fund I Equity:

Month/Year	December 2015	January 2016
Estimated Value of Fund	\$77,158,000	\$77,409,000
Third Party Debt	\$37,757,000	\$37,731,000
Estimated Total Equity of Fund	\$39,401,000	\$39,678,000
Members' Invested Capital (1A, 1B, 1C)	\$32,550,000	\$34,000,000

As of January 31, 2016

**Series 1A 8.5%  
&  
Series 1B 10%**

**Still available to  
new investors**

## THE CEO's DESK

*Dear Investors,*

Volatility in stocks, commodities, and fixed income has intensified recently. Weakness in China has driven their stock prices down 40% since June 2015 (vs. 12% in U.S.) Oil dropped to \$26/barrel before rebounding to \$33/barrel and the 10 year treasury yield dropped to 1.98%. Global stocks have had their worst start to any year, dropping 8%. Meanwhile, the U.S. added 2.65 million jobs in 2015 and a total of 8.2 million in the last three years. U.S. growth is reaccelerating despite weak overseas growth and low energy prices.

BlackRock Inc., the world's largest asset manager, said investors are

turning to more-illiquid holdings such as real estate and private equity as they seek to generate returns and combat market volatility. More than half of their intuitional investors intend to increase allocations to private credit and real estate. Why not consider investing in the 1-D membership interests which pay a 10% monthly payment with equity upside in the entire real estate portfolio of Fund I? We are lowering the minimum investment to \$50,000 to enable more diversification for existing investors.

Back in 1997, Professor Fred E. Foldvary published an article in the

American Journal of Economics and Sociology in which he predicted a recession in 2008. Foldvary wrote "the next major bust, 18 years after the 1990 downturn, will be around 2008, if there is no major interruption such as a global war." There are many other real estate economists who support the theory of an 18 year cycle. In this theory, there may be some minor cycles within the 18 years, but the substantial corrections are separated by approximately 18 years. Typically real estate peaks after 16 years and then lowers over the remaining two years until it is cheap enough to attract

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2840 Robinson St. Jackson, MS

new capital and then the cycle repeats itself.

Real estate values peaked in 2006 and then they started falling in 2008 until they became cheap enough to attract new capital in 2010. Values have crept higher since 2010 as the new real estate cycle expanded. If the 18 year cycle holds true, then real estate values should peak in 2024 with another drop in values between 2024 and 2026. Under the 18 year theory, there may still be another period of time in which real estate values stagnate or go lower between now and 2024. According to this theory, the high point in each 18 year period is higher than the peak in the prior cycle. The best buys typically are when there is bad news and investors are reluctant to buy real estate.

In 2016, Strategic Holdings will continue to stabilize its existing portfolio of multi-family properties and it hopes to acquire an additional \$50-60 million of multi-family properties. In addition, we intend to invest in newly originated commercial mortgages as well as distressed mortgage opportunities.



325 Garden Lane, Chickasaw, Mobile, AL

## Ask Patty



### EVP of Investor Relations

For those of you who are not aware, we can directly deposit your dividends each month into your checking account. If you would like to start the direct deposit, please contact Diane Rangel at 805- 410-4624 to get the direct deposit form.

Also you can now view your account online. If you have not received your letter of instruction on how to access your account, please contact Jim Gaiser in our accounting department to help get you started. His direct line is 805-436-3497.

This is not an Offer to Purchase or Sell Securities. This overview is for informational purposes and is not an offer to sell or a solicitation of an offer to buy any securities in the Private Placement Memorandum (PPM) of Strategic Diversified Real Estate Holdings, LLC. and may not be relied upon in connection with the purchase or sale of any security. Interests in the PPM, if offered, will only be available to parties who are "accredited investors" (as defined in Rule 501 promulgated pursuant to the Securities Act of 1933, as amended) and who are interested in investing in the PPM on their own behalf. Any offering or solicitation will be made only to qualified prospective investors pursuant to a confidential offering memorandum, and the subscription documents, all of which should be read in their entirety.