

Estimated Gain on Held Assets: December 2014

Month/Year	November 2014	December 2014
Estimated Value of Fund	\$52,335,000	\$56,335,000
Third Party Debt	27,513,000	27,513,000
Estimated Total Equity of Fund	\$24,822,000	\$28,822,000



THE CEO'S DESK:

To our Strategic Holdings family of investors,

“Our momentum is very strong going into 2015.”

As we sum up 2014, it has been a great inaugural year for the fund—The fund now owns 2,242 units!

To highlight the end of a great year, a property we recently purchased for \$7 million in Newport News, VA just received a broker's price opinion by Marcus and Millichap for \$16.25 million in its current condition. After we invest \$8 million in property improvements to improve the property and bring occupancy to market levels, we project this value should rise to \$25 to \$30 million by the end of 2016!

At the beginning of the year, the value of the notes and properties in the fund was approximately \$20 million and

now it is at approximately \$70 million based on stabilized values.

Our cost of capital has gone from an average of 11.5% to approximately 8% with our cost of debt going from an average cost of 11% to 6%.

Our leverage (the amount of debt we have versus the current market value of the fund), is still at a conservative 51% with the remaining 49% equity consisting of \$13.5 million in 1A/1B/1C equity (our Investors and first priority in equity) and \$15 million in fund equity.

Our momentum is very strong going into 2015, thanks in no small part to you!




We are pleased to announce that we are now offering direct deposit for our investors!

Give us a call to get this set up.



Purchase in Alabama is on the Money!

Broadmoore Gardens Apartment Complex

The 361 unit Broadmoore Gardens Apartment complex was purchased on December 4, 2014 for \$4,837,500 or \$13,400/unit.

The property's unit mix includes 144 one-bedroom, 180 two-bedroom, 36 three-bedroom, and a four-bedroom manager unit.

Tuscaloosa is considered the regional center of industry, commerce, healthcare, and education. The Tuscaloosa MSA consists of Tuscaloosa, Hale and Pickens Counties with a combined population of 235,628. The city boasts a diversified economy that includes manufacturing in retail trade and transportation, finance, and medical services. The most notable manufacturing company in Tuscaloosa County is the Mercedes-Benz U.S. International auto assembly plant. Other manufactures in the area include BF Goodrich Tire Manufacturing, GAF Material Corporation Hunt Refining Corporation, JVC America, and Nucor Steel.

Tuscaloosa is known as the home of the University of Alabama, the largest

university in the state with a student body of 36,000.

According to REIS reports dated December 11, 2014, the neighborhood area has a year-to-date vacancy rate of 3.9%, and year-to-date rental growth rate of 1.0%. The average apartment rent in the Tuscaloosa metro is \$761/month. All these factors indicate a strong apartment rental market.

We have a major renovation underway including installing two new children's playgrounds, a new perimeter fence to improve security, exterior paint, interior unit renovations, new windows, rain gutters and downspouts, repairing parking lots, and new vinyl siding. We've implemented property management policies to assure the property will be managed effectively. Strategic Holdings has allocated a \$3.2 million renovation budget to address all deferred maintenance. The acquisition price of \$4,837,500 plus the renovation budget of \$3,200,000 totals our price of \$8,037,500. Once the property's renovation is completed and its occupancy reaches 90%, the estimated value will be \$11,000,000; an increase of 36.88%.

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

When I speak with prospective investors, a common question I get early in the conversation is: "Can the fund be purchased through an IRA?"

The answer is yes. There are different types of IRA custodians. The traditional, brokerage type of custodian such as Fidelity, Charles Schwab, or even Vanguard typically cannot hold our fund. However, there are custodians that are self-directed that specialize in holding private LLCs and real estate investments; we work with most of these custodians. We make it as simple as possible for investors by handling all paperwork in-house.