



Estimated Income Fund I Equity:

Month/Year	May 2016	June 2016
Estimated Value of Fund	\$82,200,000	\$83,000,000
Third Party Debt	\$33,500,000	\$35,800,000
Estimated Total Equity of Fund	\$48,700,000	\$47,200,000
Members' Invested Capital (1A, 1B, 1C, 1D)	\$43,900,000	\$45,000,000

As of June 30, 2016

Call Investor Relations to
RSVP for a Educational Event:

Lunch and Learn
August 11th - Westlake Village

Seminar
August 27th - Palos Verdes

Seminar
September 24th - Newport Beach

Strategic Holdings Monthly Update

Dear Investors,

As we finish the first half of 2016 and look forward to the second half, we want to update you on our accomplishments as well as give you a forecast for the rest of the year. We believe we are continually making strides to stabilize and refinance our 4 most recently acquired properties, (See current occupancy chart below), As mentioned in the previous newsletter, 2 of our 4 properties, Camelot (2840 Robinson St. Jackson MS) and Broadmoore Gardens (235 James I Harrison, Tuscaloosa, AL) are anticipated to be stabilized and refinanced by the end of 2016.

We expect to net an approximate 9 million in cash out refinance. We have been actively researching and looking for acquisition opportunities and have a few properties in our pipeline, as well as some additional refinancings.

Acquisitions

Currently, we have under contract and expect to close (end of July) on the acquisition of a 98 unit apartment complex located in Richmond, VA. The property, known as The Birches, is located adjacent to Virginia Union University and 2.2 miles from Virginia Common-

wealth University as well as 3.4 miles Northwest of downtown Richmond.

The subject property is a value-add opportunity, in which with an approximately \$950,000 in capital improvements invested post-closing, should allow us to increase unit rents up to \$100 / month above current in place rents. The purchase price of this asset is \$5.45mm and will be acquired with Fund equity as well as an 80% loan from "Freddie Mac". The interest rate on the 7 year fixed rate loan, will be approximately 4.45%.

Strategic Holdings wishes you a
Happy Fourth of July

We thank you for referring
your friends and family to us

We believe, if we hit our projections, the annual cash on cash returns to the Fund vis-à-vis The Birches will yield approximately 14-15%, with the Annualized Effective Compounded Return Rate (IRR), based on a 5 year hold, approaching 29%.

Refinancings

On June 23 we completed the refinance of Terrace Pointe Apartments; a 144 unit complex located in Jackson, MS, in which we were able to obtain a \$3 million, 4.34%, 7 year fixed rate FHLMC ("Freddie Mac") loan. The property was recently appraised for \$4.7 million.

Strategic Holdings purchased the 1st mortgage note on this property in November of 2013 for \$1.387 million and then negotiated a deed in lieu of foreclosure and acquired the fee simple title to the property in January, 2014. Over the course of the following year, we added approximately \$1.2 million in capital expenditures to cure the deferred maintenance and make the necessary improvements to bring the asset up to market condition. The Fund's total basis in the asset is now approximately \$2.587million.

We anticipate that on or about July 21st, we will complete the refinance of Patriot's Place Apartments, a 64 unit complex located in Conway, SC. While the rate is not yet locked, we expect the interest rate on this \$1.38mm, 10 year fixed "Freddie Mac" loan to be approx. 4.65%. The first two years of this loan will be interest only. The property was recently appraised for \$2.05mm.

Strategic Holdings purchased the 1st mortgage note on Patriot's Place in November of 2013 for \$616,000 and was able to negotiate a deed in lieu of foreclosure and acquired fee simple title to the property in February of 2014. Since then we have spent approximately \$482,000 to upgrade the asset, bringing the total basis in the property to approx. \$1.1mm.

Future Strategy

Going forward, as the commercial real estate markets change further towards a more mature market with less distressed buying opportunities, Strategic will continue to seek more "value add" opportunities with proforma to cap rates of approximately 7.75% - 8.5%. These deals are typically situations where the current owners have syndicated investors buy a property 5-7 years ago, have run it successfully, but believe in order to reach the property's full potential, a capital infusion is needed to achieve the higher market rents. Since the investors usually don't want to or cannot invest the necessary capital, they sell the property and take their profits. The Birches, mentioned above, is one of these typical "value add" opportunities. Generally speaking, with about \$4,000 - \$5,000 per unit in upgrades, we expect \$75 - \$100 per month rent increases. That's a \$900 - \$1,200/unit rent increase annually which we believe is an excellent return on the \$4,000 - \$5,000/unit investment in upgrades. We think the incremental net operating income creates additional value well above the cost of the per unit improvements.

Ask Patty



EVP of Investor Relations

Brexit as you know has the financial markets in turmoil. We have received many calls if Brexit would impact our portfolio in any way. Strategic Diversified Real Estate Holdings is a private fund that is not publicly traded so the fund did not have exposure to the market volatility that most of you are seeing. In the event of a downturn or even a recession, we tend to benefit by finding distressed opportunities and situations that typically gives us bigger value. Some of our best acquisitions were post 2008-2010. We anticipate about a 30 million dollar cash out refinancing within the next 18 - 24 months which will give us opportunity to be in the forefront to purchase more distressed assets.

Investor Relations Announcement

Please updated your contacts, some of our phone numbers have changed.

Main office: (805) 410-4622 Fax: (805) 367-8800

Patty Franklin: (805) 764-5128

Diane Rangel: (805) 367-8835

Jim Gaiser: (805) 367-8821

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MONTHLY OCCUPANCY REPORT
As of: 06/22/2016

<u>Property</u>	<u>Units</u>	<u>At Acq.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>
Broadmoore 235 James I. Harrison Tuscaloosa, AL	353	40.20% 12/4/2014	50.7%	52.1%	55.8%	60.6%	65.2%	68.4%
Camelot Apts. 2840 Robinson St Jackson, MS	287	44.90% 9/29/2014	54.4%	57.5%	62.4%	66.2%	69.0%	70.4%
Meadowview 4801 Marshall Ave Newport News, VA	650	33.20% 11/21/2014	36.0%	37.7%	38.8%	40.0%	40.0%	41.8%
Garden Grove 2230 Woodley Sq. W Montgomery, AL	432	27.10% 5/18/2015	37.7%	36.1%	40.3%	43.8%	47.0%	49.1%

*Corrected Numbers from Newsletter Volume 28



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