STRATEGIC HOLDINGS

Investor Newsletter

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Estimated Gain on Held Assets: April 2014

Asset Type	Total Investment	Est. Realizable Value	Est. Profits
Notes	$8,878,000	$13,432,000	$4,554,000
Real Estate	$10,650,000	$15,420,000	$4,770,000
Total	$19,528,000	$28,852,000	$9,324,000

"If It Sounds Too Good To Be True, It Probably Is"

Every so often before a Strategic Holdings investment seminar begins, someone will walk up to me and ask the question that I am sure is always the elephant in the room—How can you acquire commercial real estate at such low prices? I appreciate that level of skepticism in anyone considering an investment vehicle for their money. My answer is always the same—we really are buying incredible deals, but we are careful, disciplined, and methodical.

Distressed price does not equal distressed property

We specialize in acquiring undervalued real estate and notes at distressed prices. Now you might think that a distressed price means a distressed property–one that is in disrepair, uninhabitable–not so! A price can be distressed for a number of reasons, while the property itself remains a great asset. When making a purchase, we use a highly disciplined approach; we don't settle for a purchase at more than 60-65% of realizable values. Our selectiveness is made possible because of the proprietary institutional relationships we've developed and substantial experience in underwriting, acquiring, servicing, repositioning & selling, or operating for a profit. In fact, our selection process is so fastidious that we end up purchasing less than 5% of properties analyzed.

Emphasis on cash flow

Because we buy for cash flow, we specialize in commercial real estate. We don't get caught up in banking on future appreciation, we underwrite on the fundamentals and cash flow. In addition, interest rates right now are at historic lows and are likely to increase in the future. Increases in rates reduce homeownership and thus increase rental rates. We own a lot of apartment buildings and anticipate high occupancy for the foreseeable future.

Specialists in asset restoration

Now, you may be wondering about the banks. Why are they willing to hand over their properties/notes at 60–65% of the realizable value? Banks have new regulations regarding the percent of performing versus non-performing assets they can have on their balance sheets. Because of this regulation, banks want to "clean up" their balance sheets and remove a percentage of their non-performing loans and properties. Furthermore, banks are inefficient at foreclosures and property management. Frankly speaking, it's not in their job description. A great deal of work goes into restoring a "distressed" situation to its full potential. *(Cont. on page 2)*

Collins Park Apartments
Charleston, South Carolina

The 147,950 Sq. Ft. property noted above was the collateral property on a note acquisition that was acquired on October 2, 2013, in the amount of $3,169,687. The original note amount was valued at $4,500,000 with an unpaid balance of $3,988,000.

At acquisition the subject property was operating below market occupancy and charging below market rental rates. This low performance was due to the owner/borrower mismanaging the property and applying only the minimal capital improvements to the property. This mode of operation attracted lower quality credit tenants, and generated below par net operating income.

Strategic acquired this property this April through foreclosure and we have begun implementing new rules and programs to improve the property. The changes have been made, and the property has been cleaned up and is now attracting more tenants. This month, we anticipate reaching an occupancy of 95%. Repositioned estimated value in six months will be $6,300,000 based on rental income and estimated 95% occupancy.

Financing Update

We continue to be able to take advantage of low interest rates in the current lending environment. On April 24th, we completed the refinance of Pine Ridge Apartments (112 units) and Williamsburg Townhomes (60 units), with 4.18% long-term fixed rate financing from Fannie Mae. The new cheaper loan will help increase the monthly cash flow to the fund by over $11,000 per month, while keeping a conservative leverage level of 60% loan to value.

After acquiring the notes for these properties in October 2013, we successfully renovated and repositioned the assets, which are now running at over 95% occupancy. Recent appraisals for the apartments came in at $5.3 million; just 6 months after we acquired the notes for approximately $3 million. We are also in the process of refinancing the Collins Park Apartments. By refinancing, we will achieve even greater increases in cash flow through reduced interest expense for these assets.

(Continued from PG1) - Message from the CEO

We are equipped with a team that specializes in all of these areas that banks do not. The bottom line is that we are willing to do the work that is necessary to realize the present and future cash flows, whereas banks have a very limited capacity to handle distressed situations and properties.

Don't leave your questions unanswered. Do you have questions about the way we approach the market, invest capital, and create income? Please let us know your thoughts. We always love to hear from our investors. *-Barry Levenson, CEO*

Costs Matter with the Power of Compounding

The power of a fund with no fees is significant. Fees are the extra costs against your returns. The average fee on a load mutual fund including expense ratio and 12b-1 fees is about 2.5%. While the fees seem small, the costs can really add up when you consider the power of compounding. Real-life examples show that you get exponentially greater returns in a no load fund.

Take this example: An investor has a $10,000 investment in an average load fund of 2.5% (expense ratio + 12b-1) with annual market returns of 8.5%. The same investor also has another $10,000 investment in a no load fund with the same annual market returns of 8.5%. Over a period of 30 years, the fund with load costs will grow to $57,500, while the no-load fund will grow to over $115,000. That is a difference of $57,500. More money in your pocket! The concept is simple: high fees erode your long-term returns. Strategic Holdings has no extra fees or costs taken from your returns, which means more income for you.

Property Diversification

Multi Family (61%)

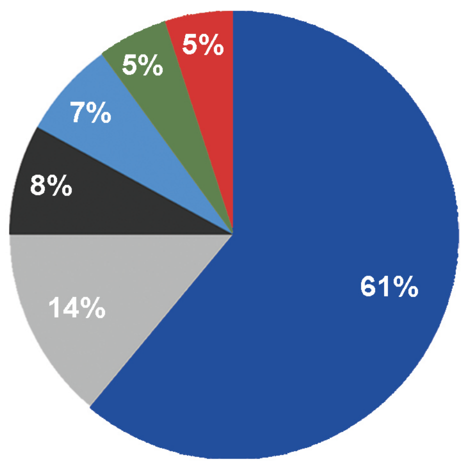
Office Space (14%)

Retail (8%)

Single Family (7%)

Flex Space (5%)

Industrial Space (5%)



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