STRATEGIC HOLDINGS

Investor News

March 2017 ¦ Volume 37 ¦ (805) 764-5128 ¦ www.StrategicHoldings.com

Estimated income Fund I Equity:

Month / Year	January 2017	February 2017
Estimated Value of Fund	$111,001,620	$113,527,000
Third Party Debt	$48,678,762	$51,260,000
Estimated Total Equity of Fund	$62,322,858	$62,267,000
Members Invested Capital (1A, 1B, 1C 1D)	$58,425,000	$59,600,000

"As of February 28, 2017 our fund is estimated to be valued at $113,527,000

Upcoming Events

Lunch and Learn
March 16th
In Westlake Village at our
Corporate Office

Dear Investors,

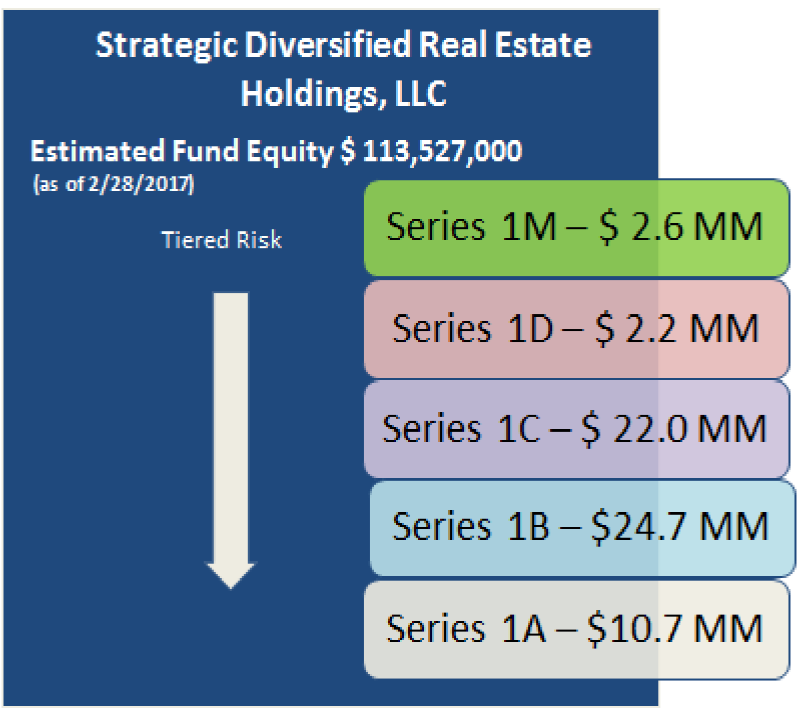
We mentioned in our previous newsletter that we anticipate refinancing a number of our properties in 2017 and expect to be pulling out approximately 30 million dollars. We anticipate we will be able to deploy this 30 million into over 100 million dollars of multifamily acquisitions. We want to explain why we believe this is significant.

2014 to 2015 was a buying frenzy for Strategic Holdings. We acquired several properties over the course of 24 months. In the years 2015 and most of 2016, we were extremely busy renovating our properties. We anticipate that we will complete the 3rd phase of our 3 step investment strategy in 2017 and 2018. Our business model in the past was to buy what we deemed to be distressed assets at deep discounts. Most of the properties that we acquired needed renovations and were well below market occupancy. With the strong support of our investors, we were able to raise enough capital to purchase over 90 million dollars of assets that we believe are currently worth more than $110 million dollars (repositioned). The cost of the equity to pay our investors is approximately 11%. (Series 1A, Series 1B, Series 1C and Series 1D). Most of our early acquisitions were acquired with cash because most lenders will not lend on what they consider a distressed asset. As our team diligently repositioned/ renovated these assets to stabilization, step 2 of the plan is to seek to refinance these properties with inexpensive mortgage loans. And step 3 is to look to buy more properties with the cash from the refinances which will increase the total units owned, with increasing the cash flow to Strategic Diversified Real Estate Holdings, LLC (AKA The Fund) as one of the primary objectives..

We believe this is significant to the Fund and our investors because as we refinance our remaining stabilized assets with long-term loans in what we expect to be the mid 4% range, this would drastically drive our total cost of funds averages down. Our cost of equity of about 11% and our cost of debt at the mid 4% range would get the blended or averaged cost of funds to around 6.5%. More importantly , we will seek to deploy the expected million dollars of cash resulting from the refinances, which again we anticipate will cost the Fund about 4.5%, to buy an additional 100 million dollars of assets with income generation being one of the main goals. If successful, this additional 100 million dollars of assets can potentially generate another 3-5 million/year in cash flow.

The Fund is structured with tiered risk, each having different targeted preferred rates. The overall structure of the Fund however was designed so the investor's/ member's interests are aligned with the interest of the Management Company, Strategic Diversified Management Inc. The riskiest tier in the Fund is Series 1-M which is in the first loss position and is solely owned by Strategic Diversified Management Inc. As we continue to seek to strengthen the Series 1-M (aka Equity Cushion) by default the subordinate series (Series 1-D, Series 1-C, Series 1-B, and Series 1-A) should also become more secure. This is one of the reasons that in every newsletter, we provide a chart with the "Estimated Value of Fund" which is based on either 3rd party appraisals or broker price opinions. We also state the total third party debt which includes any loans, mortgages, or debt instruments in the Fund. More importantly this gives you an approximate estimated total equity of the Fund. Lastly our Investors appreciate knowing how much total Investor money is in the Fund. This gives us an approximate "equity cushion" that management is constantly seeking to protect and grow.

Just a reminder, Series 1-A, which due to the Fund structure we deem to be the least risky of the tiered risk series, is still available. If you have any questions feel free to contact Patty Franklin at 805-764 -5128.



Ask Patty

Tax Reporting

Members of the fund will receive a K-1 for tax reporting. The K-1's typically will be distributed by the end of March 2017 for our Series 1-A, 1-B, & 1-C investors. Series 1-D investors will receive their K-1's at a later date, but before April 15. We already mailed out our year-end statements for all investors. If you have any questions, feel free to contact me at 805-764-5128.