



Estimated income Fund I Equity:

Month/Year	November 2017	December 2017	<u>Strategic Holdings Corporate Office Headquarters Address</u> 4550 E. Thousand Oaks Blvd. Ste.200 Westlake Village, CA 91362 <u>Investor Relations Phone numbers</u> Main Office: (805) 410-4622 Patty Franklin: (805) 764-5128 Diane Rangel: (805) 367-8835 <u>Seminar & Lunch and Learns</u> Lunch and Learn Wed. Jan. 24th at 12 pm Located at our Corp. Office in Westlake VI Seminar Sat. Feb. 24th at 10 am in Calabasas Please Call to RSVP Currently Open Series 1-A
Est. Value of Fund	\$162,691,620	\$184,141,620	
Third Party Debt	\$91,051,004	\$110,948,381	
Est. Total Equity of Fund	\$71,640,616	\$73,193,239	
Series 1 M (Equity Cushion)	\$4,579,643	\$4,601,835	
Series 1D	\$3,522,769	\$3,534,514	
Series 1C	\$21,807,745	\$21,405,809	
Series 1B	\$23,455,487	\$23,300,890	
Series 1A	\$18,274,971	\$20,350,189	
Total Member Invested Capital	\$67,060,973	\$68,591,404	

"As of December 28, 2017 our fund is estimated to be valued at \$184,141,620"

Dear Investors,

4th Quarter Sales

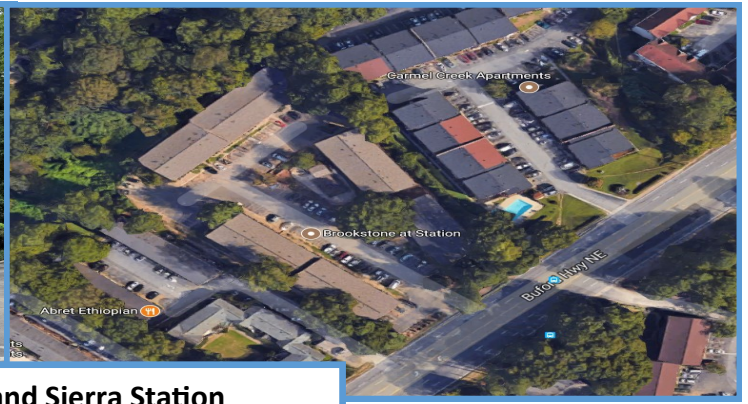
In our previous newsletter, we mentioned that we are upgrading the fund portfolio to include markets with higher growth potential. We are also grouping properties together geographically to create management synergies and efficiencies. We have successfully sold some of our non-core assets and are happy to announce the purchases of assets that we believe may compliment and

strengthen the portfolio.

On October 10, 2017, we sold Patriots Place, a 64 unit apartment complex located in Conway, South Carolina. Strategic Holdings purchased the mortgage from U.S. Bank on November 6, 2013 for \$616,000. The borrower deeded the property to Strategic Holdings in February 2014, and we invested another \$643,000 in capital improvements. This property was estimated to be valued at \$2,050,000 but was sold for \$2,200,000 re-

sulting in a profit of approximately \$600,000 after sales costs. This property was one of our non-core assets that the fund acquired early on during our infancy stage. The fund made a small profit and management deployed the proceeds towards the purchase of a 194 unit apartment complex in Atlanta, GA which is mentioned below in our 4th quarter purchases.

On November 30, 2017 we sold Cedarwood Apartments and Sunridge Townhomes,



Sierra Gardens and Sierra Station

a 131 unit portfolio located in Memphis, TN. Strategic Holdings purchased the properties on October 30, 2014 for \$3,200,000. The property was fully stabilized at the time of purchase with very little deferred maintenance. Strategic invested an additional \$830,000 into capital improvements. The properties were sold for \$5,400,000. Management believes that the appreciation was optimized during the 3 years it was held in our fund and we felt that there would be very little upside going forward. Management decided to sell this property to realize the gain and to deploy the proceeds towards the acquisition of a 328 unit apartment complex in Jacksonville, FL which is mentioned below in our 4th quarter purchases.

4th Quarter Purchases

On October 27, 2017 we closed on Sierra Gardens and Sierra Station, 194 units in Atlanta, GA for \$16,900,000. The occupancy rate at the time of acquisition was 96%. Our targeted Net operating income for year 1 is estimated to be \$1,245,000. This is a value add property where we plan to upgrade the unit interiors to attempt to achieve the cur-

rent market rents. We are targeting a Net Operating Income (NOI) of \$1,420,000 in year 2. The fund currently owns a 135 unit apartment complex next door, a 154 unit complex 1.5 miles away, and a 192 unit complex, Belmont Crossing, less than 20 miles away. Because of the concentration of these 675 units in the Atlanta area, we now have an onsite Regional Property Manager, based in Atlanta, whose sole responsibility is to manage the onsite staff at each property in Atlanta. This creates tremendous synergies in operating and managing these core assets in the Atlanta market.

On December 18, 2017 we closed on The Commons on Anniston Road, a 328 unit apartment complex in Jacksonville, Florida for \$23,750,000, while the lender (Berkadia) appraised the property for \$25,900,000. The occupancy was 96% at the time of acquisition. We are targeting a net operating income of \$1,660,000 for 2018. This is also a value add property where we plan on upgrading the unit interiors as tenants move out which we believe will enable us to increase the rents to the current market rents. We anticipate that the net operating

income will increase to \$1,849,000 in 2019.

The Commons is the type of property that we will be targeting to acquire in 2018 and 2019. It is a class B property and is in a market with strong historical economic drivers and rent growth. The complex has 3 swimming pools and is located central to major restaurants and shopping centers. The property is less than 10 miles from the beaches and is 39 feet above sea level, reducing the possibility of flooding during hurricane season. We are very excited to add this property to our current portfolio.

Targeted Acquisitions and Property Sales

We are under contract to sell the remaining 400 units of the Meadow View Townhomes in Newport News Virginia for \$24,500,000 and the scheduled close date is February 14, 2018. This property was acquired on November 21, 2014 for \$4,313,000. We invested a total of \$14,000,000 in capital expenditures, with an all in cost basis of \$18,313,000. As previously mentioned, we successfully sold the 250 units on September 11, 2017 for \$4,800,000 which resulted in a profit of \$2,179,326.

The contents of this communication: (i) do not constitute an offer of securities or a solicitation of an offer to buy securities, (ii) offers can be made only by the confidential Private Placement Memorandum (the "PPM") which is available upon request, (iii) do not and cannot replace the PPM and is qualified in its entirety by the PPM, and (iv) may not be relied upon in making an investment decision related to any investment offering by the issuing company, or any affiliate, or partner thereof ("Strategic Holdings"). All potential investors must read the PPM and no person may invest without acknowledging receipt and complete review of the PPM. With respect to the "targeted" goals and performance levels outlined herein, these do not constitute a promise of performance, nor is there any assurance that the investment objectives of any program will be attained. These "targeted" factors are based upon reasonable assumptions more fully outlined in the Offering Documents/ PPM. Consult the PPM for investment conditions, risk factors, minimum requirements, fees and expenses and other pertinent information with respect to any investment. These investment opportunities have not been registered under the Securities Act of 1933 and are being offered pursuant to an exemption therefrom and from applicable state securities laws. Past performance and statements regarding current occupancy and earnings are no guarantee of future results. All information is subject to change. You should always consult a tax professional prior to investing. Investment offerings and investment decisions may only be made on the basis of a confidential private placement memorandum issued by Strategic Holdings, or one of its partner/issuers. Strategic Holdings does not warrant the accuracy or completeness of the information contained herein. Thank you for your cooperation. *Securities offered through Emerson Equity LLC Member: FINRA/SIPC. Only available in states where Emerson Equity LLC is registered.* Emerson Equity LLC and Strategic Holdings are not affiliated.



The Commons on Anniston Road

There are few more non-core assets we plan on selling in 2018. The proceeds will be deployed to attempt to buy properties in the top metropolitan statistical areas (MSA) with strong historical job and rent growth.

Preferred Equity Partners

Once of the biggest compliments a fund manager can receive is attracting the attention of institutional investors. Institutions with millions of dollars to invest are always seeking proven and capable partners. As you may know, we have been able to grow the portfolio to just over \$180 million dollars in assets. We have also been very transparent in our operational and financial reporting not only to all of our investors but to the public. As a result, we have invariably attracted the attention of several larger private equity institutions who have expressed interest in participating in joint ventures/preferred equity partnerships on a limited basis. We are very proud and pleased that we have potential access to institutional capital on an as needed basis. After thorough due diligence, we are close to concluding an initial funding and partnership with RSE Capital Partners (www.rsecap.com) on some of our most recent acquisitions and will keep you informed once the partnership is closed.

The last 4 years, we focused on building a portfolio of distressed assets and matured them over time into higher quality properties. We are very excited about the future of Strategic Diversified Real Estate Holdings, LLC ("The fund"). With the disposition of several non-core assets in 2018 and our aforementioned equity partner(s), we believe we will be able to accumulate higher quality assets in larger markets with a higher growth potential. We have reached over 92% aggregate occupancy in our fund in 4th quarter 2017. Renovations for all of our heavily distressed assets were completed in 3rd quarter 2017. We will continue to execute our value-add plan at selected properties, which includes renovating unit interiors as tenants move out, and working to increase rents to the current market rents. Without additional operating expenses, our hope is that this will increase the net operating income which will also increase the value of the asset.

We have attached our 2017 year end occupancy chart and Schedule of Real Estate for your review. We look forward to 2018 and wish all of you and your family a Happy New Year!



Ask Patty



2017 Tax Reporting

For the members of the fund 2017 year-end statements will be mailed out by the end of January 2018.

Members of the fund will also receive a K-1 for tax reporting. The K-1's typically will be distributed by the end of March 2018 for our Series 1A, 1B, 1C, investors. Series 1-D investors will receive their K-1's at a later date.

If you have any questions, feel free to contact Patty Franklin at 805-764-5128.

Strategic Holdings wishes you a Happy New Year!!!