

SFG**INCOME
FUNDS**

NEWS OF INTEREST

SFG FAMILY OF FUNDS

WINTER 2015



*SFG Income Fund managers
Greg Elderkin (left) and
John Odegard (right).*

THE BIOLOGY OF AN SFG-APPROVED LOAN

SFG FIRST PRIORITY EQUITY LOANS COMPRISE AN
ELITE PORTFOLIO – THE BEST IN THE BUSINESS

What does it take to be approved as an SFG loan? It's difficult. For every 10,000 loan requests, we approve 100 hundred loans. Another way to look at it – only one in a hundred makes the cut.

How does Seattle Funding Group obtain so many loan choices to filter from? The answer: decades of consistent marketing, substantial brand recognition within the markets we serve, and proven performance, all leading to strategic relationships formed over many years. Today, our mortgage audience is deeper than ever before. Our competitive advantage strengthened. Our choices richer. As an industry leader in the private money real estate lending field, our platform to ensure enduring fund performance is at its best. Still, we invest time, effort and capital daily to maintain our market leadership position and to provide our underwriting team with a plethora of terrific choices to further vet. Our methods lead to superior portfolio performance for the SFG Income Funds. Let's take a look at some of the numbers, and machine, behind the refinement of an "SFG-approved" loan.

Marketing and Enduring Relationships

Seattle Funding Group spends many times the industry average towards marketing and building strategic relationships, leading to new loan opportunities. We believe it is an investment in the future performance of the portfolio. Since we have many opportunities to choose from, we choose the best. Quite frankly, we have seen



numerous of our rejected loan requests end up in competing lenders' portfolios. When you invest in the SFG Income Fund, you invest in what we believe is the finest portfolio of first priority equity based loans on the West Coast. We simply have better properties securing our loans, better borrowers and better underwriting. Our marketing and 27 years spent building strategic relationships clearly provides us with many choices.



Appraisals and Value Triangulation

Yes, we get appraisals, but they represent only a small part of our valuation and loan decisions. SFG-approved loans have been vetted from a variety of angles and third party appraisals are never the primary factor. Our approach is proven and unlike most real estate lending practices at other firms. Incoming appraisals are read thoroughly

and debated, along with other valuations and opinions from market professionals. However, the decision to approve a loan is ultimately a product of our own conclusion, not an appraiser's. Most frequently, we derive a value that is more conservative than the appraisal. We also make our decision based on SFG's prudent assessment factors. This added protection positions us well for performance even during the next cyclical down market.

CREATING AN SFG LOAN A FILTERING PROCESS





Executive Underwriting Team

The SFG executive underwriting team is second to none in the industry. All have been with us for many years, some as many as fifteen. It is difficult to measure the value of a synergized team that has worked together for so many years, including through the Great Recession. The significance of the seasoned SFG executive team in building a durable portfolio that protects investor capital cannot be overstated.




Fund Manager Final Approval

Push everything else aside. The quality of the transactions that finally make it into the SFG portfolio is where the rubber meets the road. This is what SFG Fund Managers consider their core competency. The real estate lending industry is quickly becoming infiltrated with “also ran” lenders who measure their performance by loan volume. Not us. Our underwriting decisions define our value, as does SFG portfolio performance. For investors wanting capital preservation and

accessibility as the dominate objectives, SFG Income Fund is the right choice. Our managers know that an appropriate fund yield naturally follows sound underwriting and sound investing. Consistent with these objectives, every loan request must navigate a very tight screening process and pass the SFG Fund Managers’ approval debate. SFG executives and fund managers view requests through varying angles. After thorough screening and inspections are complete and supporting numbers are determined, it is this balanced review as well as our culture of debating value that separates the SFG portfolio from all others.

Summary

The SFG Income Fund is comprised of some of the finest loan opportunities our market has to offer. All SFG loans are thoroughly analyzed for solid value and marketability. Further, the interest premium we receive is due to Seattle Funding Group’s expeditious service and creative lending structures, helping real estate entrepreneurs capture market opportunities at the speed of business. Banks’ over-regulation has helped enhance our relevance and grow our footprint within the markets we serve. SFG Income Fund Investors are in the irreplaceable position of reaping the steady rewards inherent in SFG’s highly discerning, first priority mortgage portfolio. For SFG investors, the future has never looked better. 

SFG INCOME FUND VI OPERATING AT HEALTHIEST LEVEL IN OVER A DECADE.

Investor yields expected to rise towards year end!

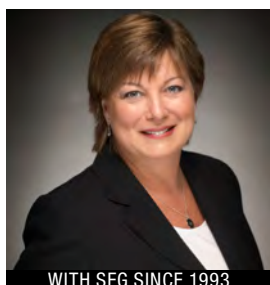
SFG Income Fund VI is operating at the most efficient capacity we’ve seen in over a decade. With the current non-performing asset percentage hovering in the mid-single digits and our borrower quality at an all-time high, investors can rest comfortably knowing their SFG investment is well protected and on track for higher yields beginning sometime late 2015. Perhaps the timing of the fund’s heightened performance and expected rising yield couldn’t be better. Investors looking for a prudent stable investment outside the manic stock and precarious bond market have once again found it in SFG. Recognizing that well selected stocks and bonds can be terrific investments, SFG is designed to be a synergistic complement to any portfolio. The stable, consistent nature of SFG balances the inherent unpredictable nature of more volatile investments. The good news for our investors is now that the SFG Income Fund is back in top order, SFG investors will once again benefit from the long standing tradition that is SFG – Safety, Liquidity and coming in late 2015, Enhanced Yield.

The future is very bright for SFG investors! 

WHAT'S OUR SECRET TO SUCCESS? DEDICATION TO YOURS.

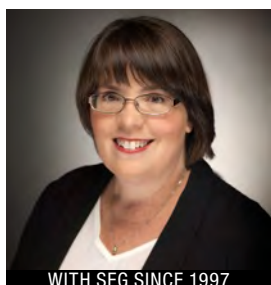
WITH SFG FOR OVER 15 YEARS

A significant number of your SFG investment team members have worked together synergistically for over fifteen years. Not many firms in America can make that claim. The SFG staff is proven, trusted and well-seasoned at protecting your capital against market shifts and nuances. Nothing replaces the value of experience, and the SFG team has more experience working together through varying markets than any in our industry. Much of the credit for our success and resilience over the years goes to these individuals. We'd like to give them some well-deserved public acknowledgment.



WITH SFG SINCE 1993

Jan Jeffery
Senior Accounting
Administrator



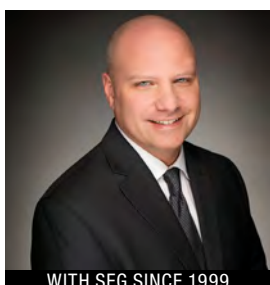
WITH SFG SINCE 1997

Karin Case
Controller



WITH SFG SINCE 1998

Kent Rowe
VP/Senior Underwriter



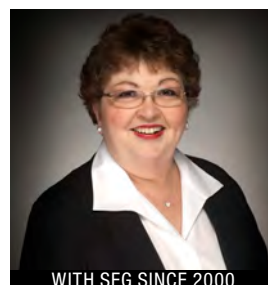
WITH SFG SINCE 1999

Eric Benzel
Income Fund Administrator



WITH SFG SINCE 2000

Ron Lorentsen
Senior Underwriter

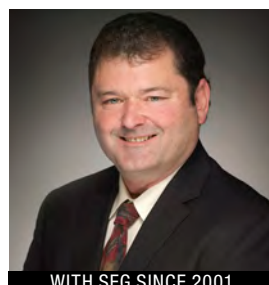


WITH SFG SINCE 2000

Barbara Ulrich
Loan Servicing Manager

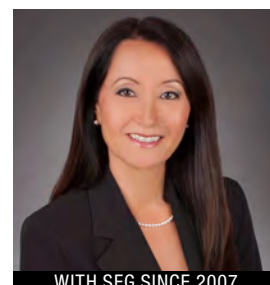
WITH SFG FOR OVER 5 YEARS

Several other high level SFG team members have been with the company over five years. With so many "me too" private lenders newly forming to re-entering the market now that it seems to be rising, the value of a time tested firm where key executives have worked together for so many years, in a variety of markets, cannot be overstated.



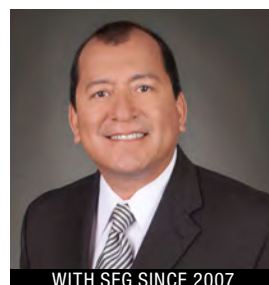
WITH SFG SINCE 2001

Jim McBride
Construction Manager



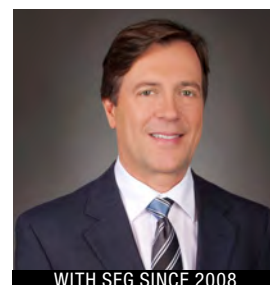
WITH SFG SINCE 2007

Charlene Salas
Senior Processor SFG of CA



WITH SFG SINCE 2007

Charles Salas
Senior Underwriter SFG of CA



WITH SFG SINCE 2008

John McCain
Underwriter

SFG

INCOME FUNDS

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