

HEALTHY, CONSISTENT, PERFORMING

PERHAPS THERE HAS NEVER BEEN A BETTER TIME TO
BE AN SFG INVESTOR

Welcome to 2016. We expect it to be a terrific year for SFG investors. The SFG portfolio is strong and in position for consistent solid returns. With the stock markets in turmoil, posting the worst first ten days to a new year in American history, SFG is accomplishing what it was designed for over 25 years ago – stabilizing investor portfolios while producing attractive positive returns in spite of stock market turbulence or general economic uncertainty. It is rocky times like today when the value of your SFG investment is most revered. We are proud and grateful to play a reliable role in your investment success.

Below are a few key components of the SFG Income Funds that position your capital for attractive yields while mitigating excess exposure. These sound SFG principles have been in place for over 25 years, strengthening investor portfolios, through a variety of market conditions. Let's revisit the top five.

1 The SFG loan portfolio is comprised of **first priority deeds of trust** on marketable real estate with strong equity cushions behind us. Worst case scenario we foreclose and end up owning the securing property free and clear.

2 SFG loans are **short term**, which not only provides strong portfolio liquidity, but protects against interest rate risk as we are able to adjust our interest rates when opportunity allows.





SFG Income Fund managers John Odegard (above) and Greg Elderkin (below).

The decisions one makes during good markets determines one's results in difficult markets. It all comes down to experience and discipline.

3

For the most part, SFG investor capital is unleveraged. Aside from a very conservative, and rarely used, line of credit designed for investment efficiency, SFG investor interest is **not subordinate to other large financial institutions** or potentially unmanageable bank loans. SFG investments are simple, clean and transparent.

4

SFG portfolios are **well diversified**. Our average loan represents just over 1% of the portfolio with our largest loan only about 5% of the portfolio, as of year-end 2015.

5

All key SFG executives have been with the company over 15 years, some more than 20. This is unprecedented in the industry and is a large part of what makes SFG, SFG. The SFG Fund managers have been in place since 1993 with a proven track record of performance in even extreme market conditions.

So in spite of noise in the equity markets and an alarming drop in oil prices, it's nice to be reminded of a few reasons why you invested in SFG to begin with. SFG Income Fund investments help balance and stabilize your portfolio from the volatility of outside elements, giving you the peace of mind not always available in the larger world of investing.

SFG- Built for the next down draft – positioned for rising rates.

The decisions one makes during good markets determines one's results in difficult markets. It all comes down to experience and discipline. SFG Fund managers are exercising strict underwriting disciplines today in case they are needed tomorrow. It has been said when one needs a friend, it is too late to make one. Similarly, when prudent underwriting is needed most is before it is tested, before it is needed...before the difficult market. SFG Fund managers think winter during the summer months so we are best prepared when the cold winds blow. Although profits are not made operating in fear, a healthy respect for Mr. Market and his fickle ways, when values are rising, serves investors well when things change. SFG Fund managers are investing 28+ years of experience (including navigating two sizable recessions) and exercising discipline in our underwriting to best prepare for the tests that may lie ahead. We are thinking like you want us to think when making loan decisions, positioning your investment to best protect against challenges that have yet to even occur. Along the way, the short term nature of our investments position the SFG portfolio to capture higher interest rates as opportunities present themselves.

SFG Income Funds – downside protection with upside positioning. Where you need us most, we are there. **SFG**

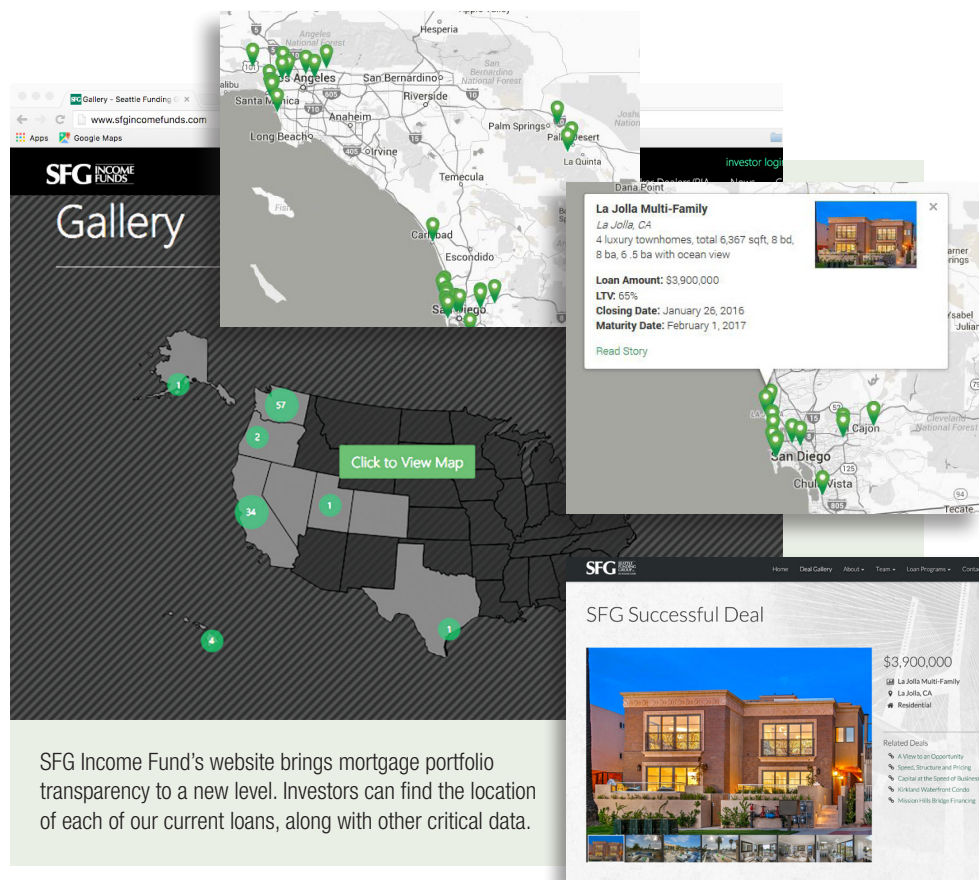
"THE BIG SHORT"... HAVE YOU SEEN IT?

SFG, DELIVERING
UNPRECEDENTED PORTFOLIO
TRANSPARENCY TO INVESTORS.

Have you seen *The Big Short*, or read the book? The successful book, and now movie, depicts the Wall Street induced mortgage melt down -how it developed and the ridiculous investment scenarios behind the disaster. One of many atrocious elements illuminated is that large pools of mortgages were sold at premiums without investors seeing what the portfolios consisted of, where the securing properties were located or what kind of borrowers made up the portfolio. For the most part no one looked. As things progressed, a large portion of the loans weren't even underwritten to mitigate risk, they were

THE BIG SHORT

just packaged up and sold to unsuspecting yield hungry investors. Only later was it discovered that a substantial number of the loans were garbage. Excessively high loan to value ratios on properties with extremely poor appraisals, many times in tertiary or unproven locations to straw borrowers. Billions were invested in nonsensical mortgage portfolios that couldn't possibly perform....and the most frustrating part was, no one seemed



responsible. It was systemic, malignant and caused enormous economic damage. Ultimately, record numbers of mortgages defaulted and real estate values plummeted. Most banks collapsed unless supported by the government (TARP) and several major American financial institutions disappeared. The beginning of the debacle stemmed from deceit, ignorance and lack of investment transparency. When one can't see, one is susceptible to making poor decisions. It was an historic American financial disaster.

At SFG, we remember those times very well. When the market collapsed it exposed the greedy, the dishonest and the willfully ignorant. Our philosophies, procedures and investment disciplines were tested. We learned a lot, however through it all, investors who stayed with us made it through this debacle with consistent positive returns. We are very proud of that reality because very few mortgage firms in America can legitimately make that claim.

Today, we are bringing mortgage portfolio transparency to a new level, through leveraging technology. SFG Income Fund investors are now able to view the entire fund portfolio via a Google map on our new website. The map shows the date of funding, the loan amount, street locations and in most cases, pictures of the property and the story behind the loan. This is something we are excited to make available to investors because we are extremely proud of our mortgage portfolio. We believe it is the finest of its kind in the country, reflecting our commitment to being the very best at what we do. Feel free to take a look. Go to SFGIncomeFunds.com (call for password), click on the map and see our entire first priority mortgage portfolio. It should give you the comfort of knowing where your money is invested and why SFG portfolios have remained so resilient for so many years in a plethora of market conditions. Go ahead, take a look. We think you will like what you see. 

SUCCESS STORIES



\$3,900,000
La Jolla Multi-Family
La Jolla, CA
 This transaction was a bridge loan to finance the acquisition of a 4-unit, coastal project.



\$3,000,000
Prime Multi-Family
Queen Anne Hill (Seattle), WA
 23-unit apartment building located in Seattle's Queen Anne neighborhood. The South Slope of Queen Anne hill is arguably the best location in the city, offering views of downtown Seattle and the iconic Space Needle.



\$1,985,000
Seven Unit Apartment
Alki (Seattle), WA

A speedy and certain bridge loan was needed to finance the advantageous acquisition of what is called the Harbor Apartments in the West Seattle neighborhood of Alki.



SFG
INCOME FUNDS

188 – 106th Avenue NE, Suite 600
 Bellevue, WA 98004
 425.455.1733
 888.734.3863
www.sfgfunds.com