

SFG**INCOME
FUNDS**

NEWS OF INTEREST

SFG FAMILY OF FUNDS

SUMMER 2017

FUND UPDATE

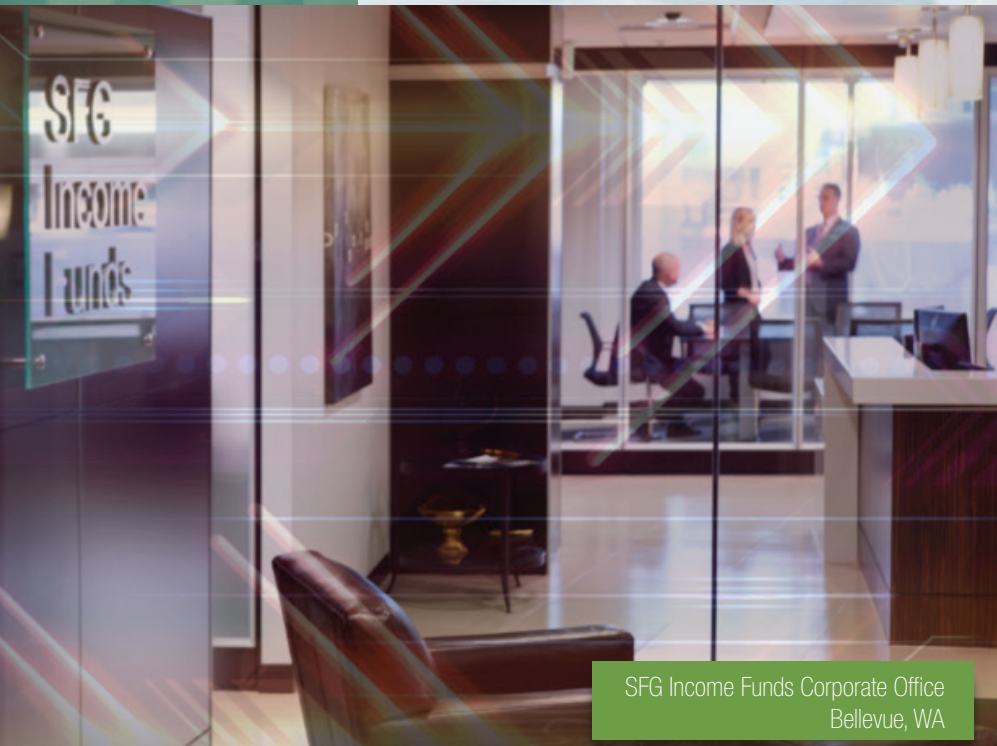
ANOTHER TERRIFIC QUARTER FOR SFG INCOME FUNDS!

INCOME FUNDS ON TRACK TO PRODUCE EXCESS INVESTOR EARNINGS

Both SFG Income Fund VI and Income Fund VII continue to perform very well, setting the stage for likely bonus interest/distributions for investors at year end. Those of you who have been with us for many years know that consistent performance, year in and year out, is the hallmark of SFG Income Funds.

SFG Income Funds have always been considered an all-weather investment vehicle that adapts nicely to varying market conditions. In “up” markets we see more of our borrowers with loans purposed for seizing opportunity, in “down” helping solve challenges, as is the case with ancillary income (extra amounts over base rate interest).

In more balanced market conditions we typically see surplus earnings from late fees and default interest on some of our loans. In today’s robust economic environment, and as our non-performing asset percentage hovers around 0%, other income elements come into play. Current contributing factors include:



SFG Income Funds Corporate Office
Bellevue, WA

1. CONSTRUCTION LOANS

In the initial stages of a project's build schedule, we provide builders with "credit line" terms, under which they pay interest on only the amount of capital we have advanced, as we advance it, rather than on the whole amount of the loan.

However, during the last stages of the build schedule and prior to completion, a builder must begin paying on the whole loan commitment, lifting our interest earnings as we begin receiving interest on money we have yet to advance. This structure also encourages the builder to move diligently toward project completion before much of the "all in" interest begins.

Construction loans have been a growing and outstanding component of our mortgage portfolio for over 20 years. Today we are one of the leaders in the private money construction lending field, with elite systems in place for risk mitigation and builder service. Even during the most challenging economic markets, our construction loans have comprised our best performing segment.

2. HIGH PERCENTAGE OF CAPITAL EMPLOYMENT

As SFG Fund Managers, we work diligently to ensure incoming investor capital is balanced with loan volume in a manner that maximizes capital employment and mitigates yield dilution. For those investors who experience a short delay before acceptance of your SFG Income Fund investment, hopefully you can appreciate the value of SFG's discipline during and after your brief time on the waitlist.



3. BRAND RECOGNITION AND CREDIBILITY

Seattle Funding Group's growing brand recognition and known credibility to timely perform as promised keeps it at the top of the list as a "quick serve lender" of choice throughout the West. Lender credibility has never been more important than in today's fast-paced market, where borrowers need certainty and sellers are impatient. Most of our peers either were not even in business during the financial crisis, or failed and re-opened under a different name with a different cast of characters. SFG is one of the very few sizable private real estate lenders that successfully navigated the great recession, continually growing its brand recognition and relationships along the way.

"IT IS NOT UNCOMMON FOR US TO WITNESS OTHER LENDERS TOUTING A DEAL THEY HAVE CLOSED, ONLY FOR US TO KNOW IT AS A DEAL WE TURNED DOWN."

**- John Odegard
Fund Manager**

It was not by accident. SFG spends many times more than the industry average on marketing, communications and website management. Marketing has always been an important component in our company's long-term growth and reinvestment plan.

Our name recognition provides us with investment opportunities other firms don't even see. It is not uncommon for us to witness other lenders touting a deal they have closed, only for us to know it as a deal we turned down. Today, we lead the field in the markets we serve. This is a terrific advantage for you, the SFG investor.



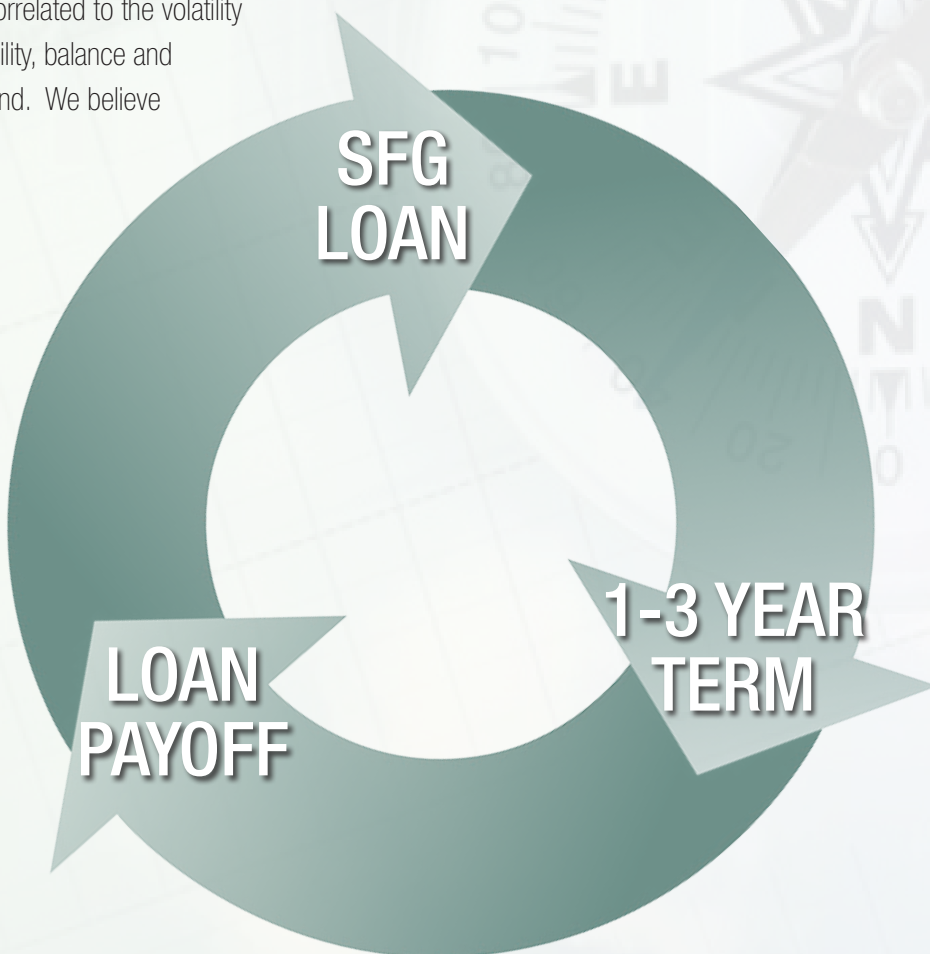
ANOTHER REASON YOU SHOULD REVERE YOUR SFG INVESTMENT PORTFOLIO LIQUIDITY

The power behind SFG Income Fund's foundational principles - stability, respectable yield and reasonable investor liquidity - is derived from the fund's core, SFG loans.

- SFG loans are secured well below the turbulence in first priority at only a fraction of the collateral property's market value and are underwritten with SFG's long standing experience of navigating through a wide variety of market conditions.
- SFG loans are also short term in nature (generally 1-3 years). Capital is actively employed, paid back and reemployed. From these features stability and investor liquidity resonate.
- New loans can be re-set with current interest rates in mind, lessening the interest rate risks associated with the volatility of bonds and bond funds.
- There is a strong flow of cash from which investor liquidity can be delivered. That coupled with a yield that is driven by the enhanced interest rates of SFG loans creates a powerful combination.

Competing investment alternatives may claim some of these features, but understand the fund's core and we believe you will revere SFG more than ever. I think it was Titleist that recently claimed, "When one compares everything, there is no comparison. Performance speaks louder than words." The same could be said for SFG Income Funds. Diverse, protected and uncorrelated to the volatility of the stock market, SFG provides portfolio stability, balance and capital protection for those seeking peace of mind. We believe there is not a better fixed income product available today. The challenge is we can't serve everyone. But we can serve the many who are with us, now and in the future, to a very high level.

***"SFG PROVIDES
STABILITY, BALANCE
AND CAPITAL
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THOSE SEEKING
PEACE OF MIND."***



SFG INCOME FUND VII ATTRACTS GROWING INVESTOR DEMAND!

Since its inception in the spring of 2016, SFG Income Fund VII has been very well received by investors and investment advisors across the country. For decades SFG Income Funds have been synonymous with consistent performance, resilient investing and productive returns. Today, SFG Income Fund VII continues that tradition with a flex feature designed to both help it weather difficult markets and position investors to effortlessly capture bonus profit returns, above their preferred return, as fund performance dictates. This structure is also designed to let investors capture higher returns during times of rising interest rates, as the short term nature of our loans allows higher rates to be reflected in our lending products.

We have put an enormous amount of thought into the design of SFG Income Fund VII, thought that benefits our investors. As of this writing, Fund VII is on track to break into bonus return territory for 2017. As fund managers, there is nothing better than seeing our hard work manifest by delivering a higher than expected return to investors.



LONG TIME CAPITAL MANAGER STEVE LUDEMAN JOINS THE SFG TEAM!

As the demand for SFG grows on the lending and investment front, so has our team. We have touted several strategic hires in the last few years, and another new hire we are excited to announce is Steve Ludeman. Steve has worked in the capital management and investment world for over 30 years including stints with some prolific national firms such as Dain Bosworth and Shearson American Express.

Most notably, as the former president and founder of Ludeman Capital Management, Steve used SFG Income Funds to add stability and performance to investor portfolios for 22 years. Steve knows the value an investment with SFG Income Funds brings to client portfolios in a variety of market conditions.

We believe it is imperative that, as SFG grows, we continue to enrich both our team and our commitment to continuity of service and communication to the investment professionals across the United States who utilize SFG Income Funds to stabilize investor portfolios.



"After 20 years of observing SFG Income Funds stabilize investor portfolios in varying market conditions, I'm excited to join the team."

STEVE LUDEMAN
V.P. OF CAPITAL MARKETS

SUCCESS STORIES

1

PHOENIX, AZ

\$1,750,000

LTV: 58%



48 UNIT APARTMENT COMPLEX

2

LA JOLLA, CA

\$3,250,000

LTV: 67%



HIGH-END SPEC CONSTRUCTION HOME

3

DENVER, CO

\$2,040,000

LTV: 60%



CONSTRUCTION OF 2 TOWNHOMES IN CHERRY CREEK

*CONTINUALLY CAPTURING
THE FINEST LOANS FOR
THE SFG PORTFOLIO.*

SFG

**INCOME
FUNDS**

SFG Income Funds Headquarters

188 - 106th Ave NE | Suite 600

Bellevue, WA 98004

PH: 425.455.1733 / 888.734.3863

www.SFGIncomeFunds.com | *Investor Website*

www.SeattleFundingGroup.com | *Lending Website*