SFG INCOME FUNDS

NEWS OF INTEREST

SFG FAMILY OF FUNDS

WINTER 2024

2023, Another Consistent Year for The SFG Income Funds as Yields Steadily Trend Up!

As we cast our vision to the new year and reflect on 2023 results, we start 2024 in a favorable position.

A stable healthy portfolio is always our primary objective, and we ended the year with key portfolio benchmarks solidly in line with that primary aim as non-performing loans hover at a very manageable level and yields steadily rise. The lending disciplines we exercised during the hot markets of 2018-2022 have proven valuable today, ensuring the portfolio is well secured and productive even as market conditions shifted in 2023.

Continued on next page...

The only portfolio component noticeably below typical years is loan volume, down noticeably over 2022. This decrease was expected. Nevertheless, the lower loan volume did not have an adverse effect on the portfolio yield as we maintained high capital employment with loan payoffs subsiding, some due to the dampening effect rising rates had on many real estate transactions. We anticipate increased loan volume as the cost of capital from traditional lending sources subsides and business activity picks up. Additionally, many of the high-flying private lenders that were formed over the last several years have been sidelined with problems due to aggressive lending, leaving the field less crowded.

"The SFG Income Funds are positioned well for both productive yields and market share in 2024."

With continued high levels of capital employment coupled with new and extended loans at today's higher rates, SFG investor yields should continue to rise. Seattle Funding Group and the SFG Income Funds are positioned well for both productive yields and market share in 2024.

Our Primary Objectives in 2024 Will Keep SFG Well Positioned.

1 *Quality loan volume closer to SFG historical norms.*

As real estate activity prepares to pick back up, Seattle Funding Group is intensifying its comprehensive marketing strategies to the mortgage and real estate community in 2024. Seattle Funding Group's CEO John Odegard is scheduled to speak at several west coast lending conferences, starting in March 2024 with The Western Real Estate Apartment Forum. We have found that with fewer private lenders active, our marketing and presence at these events has a greater impact. We plan to intensify our presence on social media and other mediums as well. Keeping SFG in the forefront of the lending markets we serve allows us "first looks" at the best loan opportunities, which contributes to optimal portfolio performance. With increased loan demand in 2024, we anticipate the re-opening of SFG Income Fund VII to investor capital early in the year.

2 *Any remaining lower yielding loans in our portfolio recast to higher rates.*

Most of our lower promotional rate loans, funded in 2021 and 2022, have been paid off or modified to higher rate opportunities in 2023, yet we still have more to revise. Many of the remaining lower rate loans come due in the first and second quarters of 2024, giving us the opportunity to re-employ that capital at more advantageous returns positively impacting SFG Investor net yields.

3 *Reopening of SFG Income Fund VII to New Investor Capital.*

Currently anticipated mid to late spring 2024 (See following Article)

Will the Proven Real Estate Lenders Please Stand Up?!

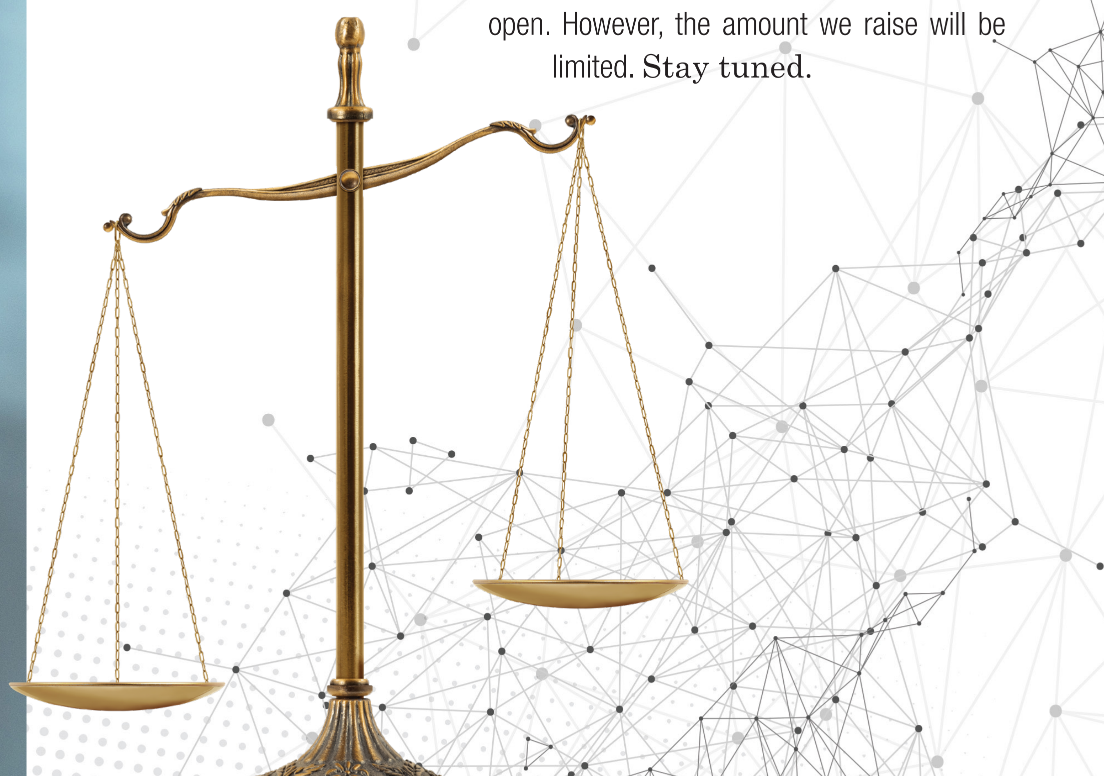
Kent Rowe
Senior Vice President
with SFG since 1998

In the private real estate credit industry, 2023 was an educational year for many lenders who entered the industry with aggressive and precarious lending models designed to quickly capture market share. Offers of higher leverage to emerging, unproven borrowers across the country became rampant, and for a time these lenders gained market share and large commissions. However, much to their chagrin, markets change. Operating on low-rate credit lines and a mandate to push volume, their business models required never-ending perfection to be sustainable. When interest rates changed swiftly and credit markets froze, their portfolios were replete with highly leveraged borrowers who had very few exits. In 2023, several large

private lenders, formed after about 2015, disappeared. And many more are sidelined with problems from yesterday's loan volume party.

Contrast that reality with Seattle Funding Group's. Our loan volume was muted in the last several years due to prolific industry-wide irrational lending. And the SFG Income Funds have held off raising new investor capital since mid-2022. We did not succumb to the hot market demands of excess leverage and territory expansion beyond our areas of expertise. As one of the longest standing private real estate lenders in the country, we know that lending discipline is most required during euphoric conditions, because after euphoria generally comes paranoia for those lacking wisdom and restraint. So, we acquiesced to subdued loan volume the last few years and remained focused on delivering sound lending decisions in preparation for the inevitable market shift.

As 2024 begins, the markets we serve are less crowded and our reputation is stronger than ever. The coming year is expected to produce more transactions than 2023 and create high quality opportunities with less competition. With much of the excess shed, the lender-borrower relationship is better balanced, producing more rational lending requests. Since we are positioned well to capture more quality business in the coming year and current loans are staying on the books a little longer, we expect to re-open the SFG Income Funds through Broker/Dealers and Registered Investment Advisory firms sometime mid to late spring to better meet the demand. We have had a lot of calls from investors and investment representatives lately wondering when SFG Income Fund VII would re-open. However, the amount we raise will be limited. Stay tuned.



The Value of an SFG Investment.

When the SFG Income Funds were designed over 30 years ago, the primary aim was to deliver a stabilizing component to investors' portfolios, uncorrelated to volatile stock and bond investments, while delivering top of class fixed income returns. Investors sought an investment that would perform consistently, protect capital, not fluctuate in value, and produce constructive returns in a variety of market conditions. Over many years, and with sage input from several high-level investment advisors/ investors, SFG Funds have been engineered and refined to deliver exacting results to investor portfolios. More than three decades later, SFG has served thousands of investors across the country, with many of our earliest investors still with us today.

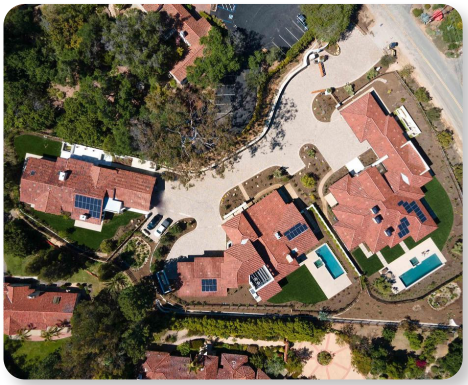
The SFG Income Funds were never designed to be measured by yield alone during any given "up market" or "down market," but by the synergistic mix of stability, consistency, income, and yield they provide over many market conditions. One does not need to look further than 2022 and 2023 to see this illustrated. In 2022, SFG was likely one of the highest yielding assets in many investor portfolios as the stock and bond markets were in turmoil. In 2023, SFG yields were consistent and productive, but likely on the lower end of many portfolios as the stock market soared and treasury rates more than doubled at the fastest rate since the early 1980s.

As we begin 2024, the prospects are good for SFG. Yields are gradually rising while treasury yields have settled back some and are expected to drop more throughout the coming year. What the stock market will do in 2024 is anyone's guess. What SFG Income Funds will do is much more predictable – it will produce, protect, and stabilize investment portfolios as it has been doing for over three decades. It seems the more things change the more they stay the same for SFG. And most would say, "that's a good thing."

As we enter our 36th year in business, we look forward to delivering more of what we have always done for all our investors and investment representatives, well into the future.

Thank you for your support.

2023 Sampling of Loans



$3,400,000
RANCHO SANTA FE, CA
38% LTV

$1,530,000
KENT, WA
46% LTV

$4,200,000
KETCHUM, ID
66% LTV

$1,625,000
CORVALLIS, OR
60% LTV

$3,800,000
PARADISE VALLEY, AZ
69% LTV

$3,850,000
REDMOND, WA
42% LTV

SFG INCOME FUNDS

SFG Income Funds Headquarters
11245 SE 6th Street, Suite 210
Bellevue, WA 98004
PH: 425.455.1733 | 888.734.3863

Investor Website: www.SFGIncomeFunds.com
Lending Website: www.SeattleFundingGroup.com