



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

The resilience of your SFG investment is difficult to match, and with the continued refinement of our strategies, should be even more productive well into the future.

SFG FUND UPDATE

SFG YIELD THROUGH THE GREAT RECESSION:
COMPARABLY IMPRESSIVE

SFG Income Fund has long been known for providing investors a well-secured, stable investment with liberal liquidity and enhanced yield over traditional fixed income products. We have dedicated much of our recent newsletters to the renewed health of the fund. In this discussion, however, we will take a look at our investor yield, primarily over the last few years while the fund has been recovering from the historic recession. As capital protection necessitated, our yields have been forced down, without a doubt, below our traditional numbers. Yet, how have SFG Income Fund yields fared with other fixed income investments during this time, or even the stock market? Let’s take a look.

As you review the chart below, take note of the fact that your SFG investment has been delivering yields calculated on the full face value of your investment, including any accrued interest (compounded monthly). Whereas the stock market, although it has had a terrific run the last few years from a percentage basis, is inherently volatile and reflects returns of post-crash numbers, giving the illusion of greater performance than reality dictates. In the end, your SFG investment has fared well in spite of such a historic global economic collapse, with higher investor yields on the horizon. Yield has never been our primary focus, yet even during the worst economic crash in the last 80 years, SFG Income Fund investors keep marching forward. That’s not only something to feel good about, it’s a logical advantage as well. The resilience of your SFG investment is difficult to match, and with the continued refinement of our strategies, should be even more productive well into the future.

As we juxtapose SFG Income Fund yields with other fixed income products such as CD’s, and US treasuries, we see a similar story. Your SFG investment has always been designed for enhanced yield over such instruments and it has remained so for those who wisely stayed with us through all the market drama.

FIXED INCOME if started with \$100,000 in each

Year	CDs ¹			5 Year Treasury ²			SFG Income Fund ³		
	%	Change	Total	%	Change	Total	%	Change	Total
2008	3.18%	\$3,180	\$103,180	2.98%	\$2,980	\$102,980	7%	\$7,000	\$107,000
2009	0.88%	\$880	\$104,060	2.98%	\$2,980	\$105,960	5%	\$5,000	\$112,000
2010	0.44%	\$440	\$104,500	2.89%	\$2,890	\$108,850	3%*	\$2,750	\$114,750
2011	0.42%	\$420	\$104,920	2.98%	\$2,980	\$111,830	2%	\$2,000	\$116,750
2012	0.44%	\$440	\$105,360	2.98%	\$2,980	\$114,810	2%	\$2,000	\$118,750
2013	0.27%	\$270	\$105,630	0.81%	\$810	\$115,620	2%	\$2,000	\$120,750
2014 (thru Sept)	0.24%	\$180	\$105,810	0.81%	\$608	\$116,228	2%	\$1,500	\$122,250

¹ CD rates based on average historical interest rates from Bloomberg.

² Consecutive purchase of a 5-year US Treasury Bond

³ SFG account balance with payout of interest monthly.
*Blended annual return for 2010.

A steady, predictable return is our first priority. However, SFG Income Fund investor returns are tracking only slightly lower than the major stock indices (after a three year bull run), while significantly higher than flight to safety fixed income products. This includes navigating the historic real estate and banking collapse of the Great Recession.

Does this mean we are happy and complacent with our net yield production over the last few years? Absolutely not. Higher SFG yields are pending the complete protection and resurgence of your SFG Income Fund VI investment. This yield based discussion is primarily to place reality ahead of potential misplaced perception. As the equity markets have shown impressive gains the last few years, one might feel “left out” of the gold rush. But the numbers show that, in spite of our necessitated condensed yields, your SFG investment has competed respectably over the last five years, in the yield category, even as we rebuilt the underpinnings of value eroded by the Great Recession.

So where do we go from here? SFG Income Fund VI is on a swift path to full recovery and higher investor returns. SFG Fund Managers maintain the resolve to see this through entirely and expeditiously. Additionally, since our loan portfolio is stronger than ever, our present non-performing asset percentage is hovering at an all-time low and as loan volume continues to rise from Seattle Funding Group's growing brand leadership in the lending market, investors may find that the best place for their capital is...right where it is.

John Odegard and Greg Elderkin

EQUITY MARKETS if started with \$100,000 in each

Year	S&P ¹			Dow Jones ²			SFG Income Fund ³		
	%	Change	Total	%	Change	Total	%	Change	Total
2008	-38.49%	-\$38,490	\$61,510	-33.84%	-\$33,840	\$66,160	7%	\$7,000	\$107,000
2009	23.45%	\$14,424	\$75,934	18.82%	\$12,451	\$78,611	5%	\$5,350	\$112,350
2010	12.78%	\$9,704	\$85,638	11.02%	\$8,663	\$87,274	3%*	\$3,371	\$115,721
2011	-0.04%	\$0	\$85,638	5.53%	\$4,826	\$92,101	2%	\$2,314	\$118,035
2012	13.41%	\$11,484	\$97,123	7.26%	\$6,686	\$98,787	2%	\$2,361	\$120,396
2013	29.60%	\$28,748	\$125,871	26.50%	\$26,179	\$124,966	2%	\$2,408	\$122,804
2014 (thru Sept)	8.34%	\$10,498	\$136,369	2.81%	\$3,512	\$128,477	2%	\$2,272	\$125,075

¹ Historical data retrieved from 1stock1.com and MorningStar and believed to be accurate.

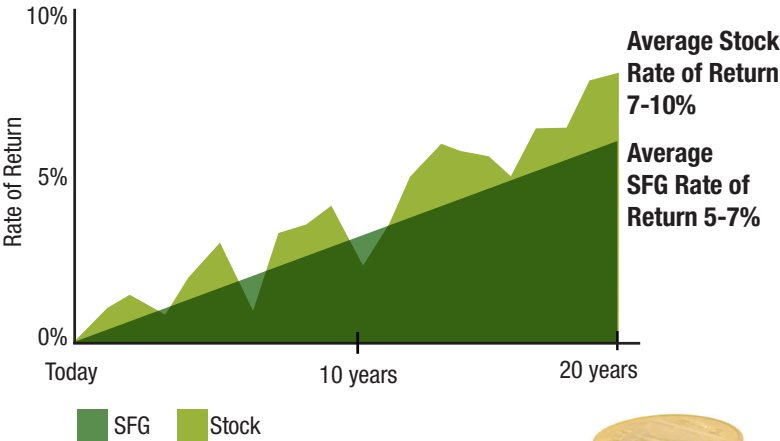
² Historical data retrieved from 1stock1.com and MorningStar and believed to be accurate.

³ SFG account balance with interest reinvested monthly.
*Blended annual return for 2010.

SFG INCOME FUNDS VS A TYPICAL STOCK

This “Stable Return” chart was introduced by SFG Fund managers in 2004 to better illustrate the benefits of your SFG investment. SFG was never designed to compete with the equity markets on potential long term yield, but to complement the equity markets by enhancing portfolio stability. Even so, since equity markets are inherently volatile, there will likely be years when your SFG investment is the highest yielding piece to your portfolio as well.

SFG INCOME FUNDS STABLE RETURN



www.SeattleFundingGroup.com (funding website)

188 – 106th Avenue NE, Suite 600, Bellevue, WA 98004
425.455.1733 • 888.734.3863