

SFG

INCOME FUNDS

SFG FAMILY OF FUNDS

News of Interest

YEAR END 2016

FUND UPDATE

2016 A Very Productive Year



SFG Staff from left:
Denise Tallman, John Odegard,
and Kent Rowe.

Rising loan volume, low non-performing asset percentage, bonus interest distributions, expansion into the Arizona market and the opening of SFG Income Fund VII. **WOW!**

SFG Income Fund managers gauge a terrific year by evaluating three primary attributes: Fund Health (capital preservation), Appropriate Growth (brand awareness and portfolio diversification), and Productivity (consistent attractive returns). SFG Income Funds performed well on all these counts in 2016. And with the opening of SFG Income Fund VII, we expect many more terrific years for our investors.

APPROPRIATE GROWTH: *Loan Volume*

2016 represented another outstanding year in loan volume as SFG continued to gain market share while maintaining our strict underwriting criteria. Loan demand is important because it not only signals growing market demand and the value we provide borrowers, but it also gives us choices. And more potential loans to choose from leads to a stronger portfolio. Still, it is quality that drives our every decision. Far too often we have seen new lenders enter the field and begin boasting about the quantity of loans they have funded, only to later conclude perhaps they should have been more selective. In such cases, much of their volume was derived from inferior underwriting decisions and the pressures to employ capital. We believe quality must be a major

QualityFirst.

**“WE BELIEVE QUALITY IS A
PREREQUISITE TO QUANTITY.”**

— SFG

consideration of every discussion regarding quantity. Our 2016 loan volume showed a nice increase over 2015, continuing our growth trend. Our new office in Arizona should add additional support to growth in loan opportunities. The SFG Income Funds are healthy, productive, and well positioned for terrific results in the coming year.

Do You Know Where Your Money Is?

SFG INCOME FUNDS DELIVERING UNPARALLELED INVESTMENT TRANSPARENCY

Back in the 1970s, I (John Odegard) looked at real estate properties all the time, especially Sundays after church. I had to — I was stuck in the back seat of my parent's car, and they had several more properties to evaluate. My parents were real estate investors and developers. I knew what "earnest money" was by about 12 years old, whether I wanted to or not, because real estate was a way of life in my family. In time, my own passion ensued

to spend more than just a few minutes on their smart phone, tablet, or computer. SFG investors can gain a high level of contentment and investment clarity by visiting our website and seeing the entire portfolio via satellite.

At SFG, we are proud of and confident in the properties that secure our

to hover at historic lows with our average loan paying off in approximately one year. We contribute this success to two factors: a healthy real estate market, which gives borrowers fluid options to sell or bring in partners to retire our debt, and the higher caliber of borrowers that comprise our portfolio. As you may recall, we have upgraded our average borrower quality measurably over the last several years to enhance portfolio resiliency during difficult markets.

ATTRACTIVE RETURNS

Disciplined Underwriting

...THAT'S THE SFG WAY.

and continues to this day. Fellow SFG Fund manager Greg Elderkin has a similar story about his early appreciation for real estate.

As Fund managers, we still enjoy the art of loan underwriting and the regular inspection of the multitude of the terrific properties that secure SFG investor capital. It brings comfort knowing one's money is wisely invested in tangible assets, with sizable equity cushions in relevant locations. Today, modern technology allows our investors to see the properties that secure their investments without having

investments, and we trust our investors will be as well. We believe SFG is the only lender of our size in the nation delivering this level of investment transparency.

Fund Health

SFG Income Fund VI and the new SFG Income Fund VII are both well-constructed and performing at high capacity. The non-performing asset percentage continues



SFG Staff Greg Elderkin and John Odegard.

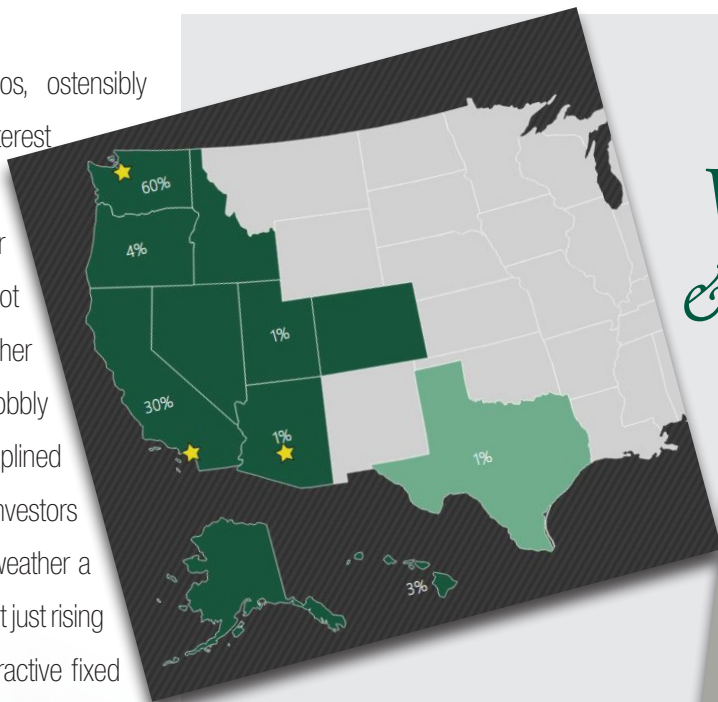
Productivity

ATTRACTIVE RETURNS

It has been stated "one should never measure value of their investment returns until they fully understand the risks taken to achieve it". We couldn't agree more. Countless times loan requests we have turned down, for good reason, have found homes

within other lenders portfolios, ostensibly mitigated by a slightly higher interest rate. Raising the interest rate may make the loan appear more enticing, but it does not alleviate the intrinsic risk of higher leverage, tertiary locations, wobbly borrowers and the void of disciplined underwriting. We believe our investors want a portfolio designed to weather a variety of market conditions, not just rising ones, while delivering very attractive fixed income returns. We stand against stretching for extra yield at the risk of invested capital.

That being said, 2016 was a very productive year producing additional interest distributions to investors in SFG Income Fund VI and positioning SFG Income Fund VII, which opened to a healthy response during the second quarter of 2016, for an exceptionally bright future. ■



SEE PORTFOLIO LOCATION
PERCENTAGES BY REGION.

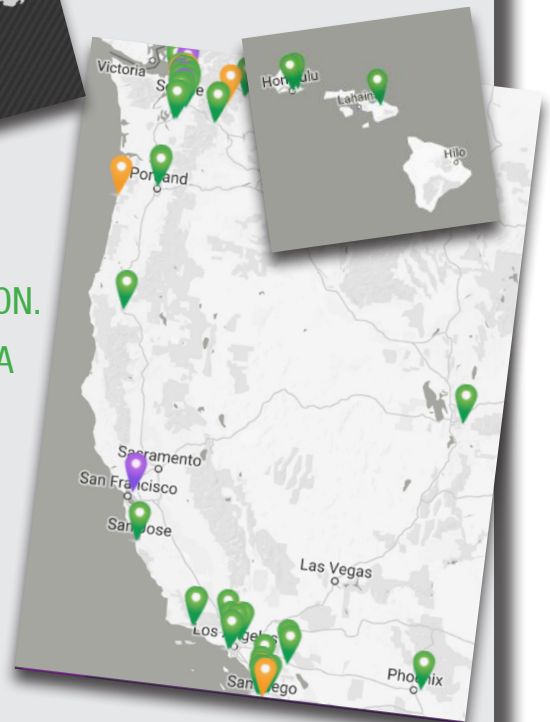
Washington & California

CARRY MAJORITY OF
THE SFG PORTFOLIO

SEE PORTFOLIO DIVERSIFICATION.
YOUR MONEY INVESTED OVER A

Variety of Properties

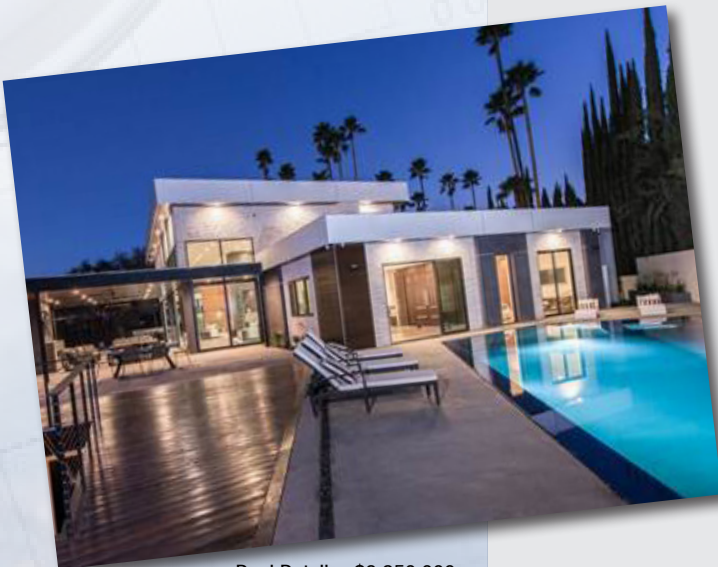
MITIGATING THE RISKS
ASSOCIATED WITH ANY
PARTICULAR INVESTMENT.



SEE THE WHOLE STORY BEHIND SPECIFIC LOAN

Transactions, Loan Amounts, Property Value

AT TIME OF FUNDING, AND IN MOST CASES, A
VARIETY OF PICTURES OF THE PROPERTY. THE
SFG PORTFOLIO MAP IS UPDATED WITHIN 30
DAYS AS LOANS ARE ADDED OR PAID OFF.



Deal Details: \$3,250,000
Encino (Los Angeles), CA. – 54% LTV

SFG Success Stories



Construction: \$3,400,000

9,000 sf. Dutch Colonial Design Luxury Home
Clyde Hill (Bellevue), Washington

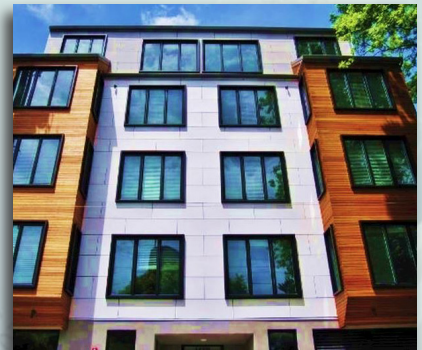
LTV 52%



Commercial: \$5,000,000

90-Room Hilton Hotel Construction
Marysville, Washington

LTV 40%



Commercial: \$8,675,000

46-Unit, Mixed-Use Property
Portland, Oregon

LTV 62%



Commercial: \$3,000,000

23-unit Apartment Building
Queen Anne Hill (Seattle), Washington

LTV 49%



Residential: \$669,500

Rancho Mirage vacation rental
Rancho Mirage, CA

LTV 65%



Construction: \$2,730,000

6-townhome community in Madison Valley
Seattle, Washington

LTV 52%

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INCOME FUNDS

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www.SFGIncomeFunds.com (Investor website)

www.SeattleFundingGroup.com (Lending website)