

# STALLION CAPITAL MANAGEMENT

## THE STALLION TEXAS REAL ESTATE FUND

FOURTH QUARTER, 2014

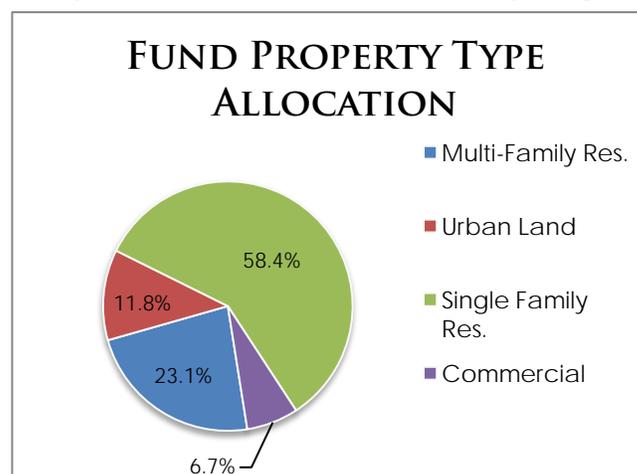
### HISTORIC FUND RETURNS

Year	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	Ann
2013							0.93%	0.85%	0.83%	0.84%	0.84%	1.01%	5.43%	10.54%
2014	0.88%	0.77%	1.09%	0.97%	0.96%	0.84%	0.85%	0.88%	1.01%	0.91%	0.87%	0.80%	10.82%	10.82%

\*\* Returns shown above are unaudited and are internal in nature

### FUND COMMENTARY & REAL ESTATE REVIEW

The fourth quarter concluded the most active year in our firm's history for new loan applications and new loans funded. We attribute this increased activity to a variety of factors but most importantly it signifies that borrowers are still finding attractive opportunities to profit from the strong Texas economy. October and November were somewhat slower months but December made up for the slowdown and concluded a very active quarter overall. Our Texas Real Estate Fund experienced a strong quarter and performance continues to be in line with expectations. Our target net returns continue to be in the 9-11% range. **The Fund returned +2.60% for the quarter, which brings our year-to-date return to +10.82%.** We still see strong growth levels throughout the state in employment and home prices. On a more concerning issue, the price of oil and its sudden decline is a common topic of discussion



these days and has many people concerned about the impact that might have on the state's economy. On October 3, the price of oil fell below \$90/barrel as the Saudis announced a price cut. If we fast-forward to early January, we now sit in the upper 40's, presenting a significant and sudden drop in price. The smartest people in the oil & finance industries predicted that oil would not fall to these levels, indicating how much of a surprise this price drop actually was. To be clear, our fund does not invest in oil directly and we have no loans that are tied to oilfields or oil production in any way. In the past, we have been presented with loan opportunities that were directly oilfield-related and we have always passed for this very reason along with the level of volatility often seen within the oil industry. Even though we don't invest in these areas, we are very mindful of the fact that this could have an impact on the overall state economy and property values, especially if current oil price levels are sustained for an extended period of time. We will keep a close eye on these developments and adjust accordingly, wherever possible.

## Significant Developments during Q4:

- New Originations: Fund added 8 new loans
- Loan payoffs: 6 loans (payoffs or sale of notes)
- Total number of assets in portfolio: 26
- Increased allocation to single-family residential at 58%
- Further reduction of commercial loan allocations (6.72%)
- Weighted average Loan-to-Value ratio: 59.75%
- Assets Under Management (AUM): \$5.7 million

As a reminder, the Fund is an “evergreen” fund, which means that it is perpetually open to new investors and also open to current investors adding to their initial investment at any time. If you have interest, we are happy to share more information about the Fund and provide you with additional documentation.

We want to thank our Fund investors for their continued partnership and as always, we are here to answer any questions you may have.

Sincerely,

Vincent Balagia & the Stallion Team

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