

Historical Net Fund Returns (%)

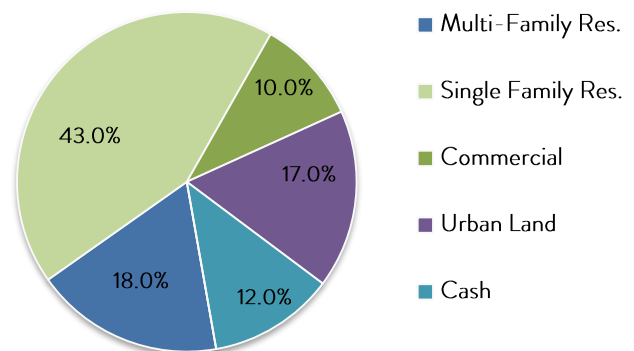
Year	Q1	Q2	Q3	Q4	YTD	ANN
2013			2.61%	2.70%	5.38%	10.68%
2014	2.73%	2.76%	2.75%	2.58%	11.27%	11.27%
2015	2.26%	2.59%	2.54	2.69%	10.47%	10.47%
2016	2.51%	2.51%	2.44%	2.35%	10.17%	10.17%
2017	2.39%	2.11%			4.55%	9.38%

*** Returns shown above are unaudited and are internal in nature. Compounded annualized returns assume reinvested dividends.*

Fund Commentary & Real Estate Review

The second quarter of 2017 was an active and busy quarter, with 17 new loans being added during the quarter, reaching a total of 78 assets by the end of the second quarter. Our targeted Fund return (net of all fees) continues to be in the 9-10% range. **The Fund returned +2.11% for the quarter, which equates to a 9.38% annualized return for 2017.** (Annual return assumes reinvestment of quarterly dividends.) The Fund assets under management grew to \$45.9 million at the end of the quarter.

Fund Property Type Allocation



The yield for the second quarter represents a slightly lower return compared to previous quarters. This is explained by a combination of three separate factors. First, our average cash balances within the fund were elevated compared to historic levels. Increased cash levels have a “cash-drag” effect, lowering the effective yield, as cash does not earn any interest. This comes as a result of heightened interest in our investment strategy and investors deploying cash into alternative lending strategies at an increased pace. Second, our foreclosures increased during the quarter. The total percentage of foreclosed assets is now at 8.13%. This represents a total of nine assets. Third, we continue to see increased competition within our lending space, which has the effect of lower yields across the market. We have mentioned this fact for several quarters, as more lending firms target Texas and compete for similar deals.

We are addressing the increased cash balance by doing what we have done since we started the fund – searching for asset-backed loans that have a good return profile, high quality collateral and a solid exit strategy. Our goal is to deploy our cash balance as quickly as possible, while still following our investment guidelines. With respect to the current foreclosures within the portfolio, we are working to complete and sell these properties as quickly as possible. We expect the properties that the fund currently owns to be sold by year-end.

Current Loan Examples

The loans below are all new originations within the past quarter. We hope it will be informative to highlight a few of these new loans to show the types of projects that are being added to the portfolio.



Loan Name:**Kowald Lane, New Braunfels TX**

Loan Amount:

\$2,500,000

Loan-to-Value Ratio:

42%

Term:

12 months

Property Details:

Land purchase and infrastructure development loan. Well located land near IH-35, with plan in place for mixed use development. Borrowers are well qualified with strong history of development.



Loan Name:**Meander Drive, Austin TX**

Loan Amount:

\$475,000

Loan-to-Value Ratio:

62%

Term:

18 months

Property Details:

Lot purchase and new construction of two units. Borrower is a repeat Stallion client with strong history of excellent projects.



Loan Name:**Hibiscus Dr, San Antonio TX**

Loan Amount:

\$623,000

Loan-to-Value Ratio:

70%

Term:

18 months

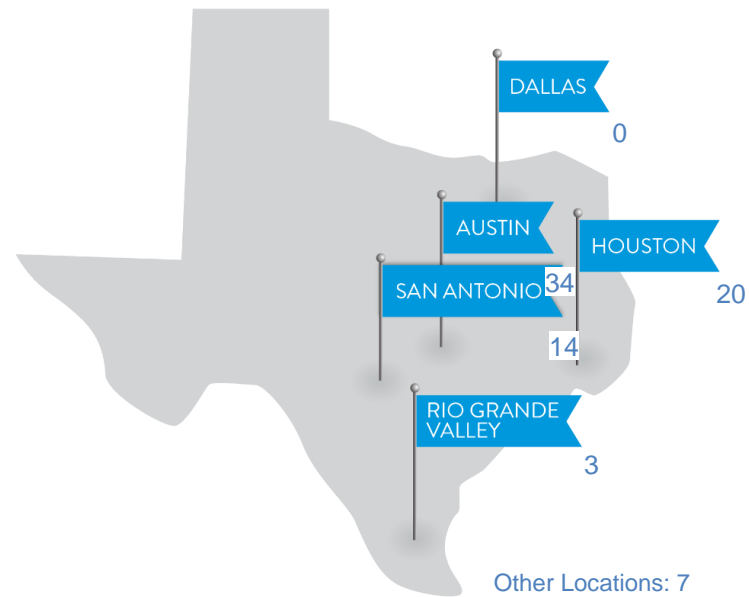
Property Details:

Loan will purchase property and provide funds for full rehabilitation of the property. Property located in desirable Castle Hills neighborhood.

Significant Developments During Q2:

- New loan originations: 17
- Total loans paid off: 5
- Total number of assets in portfolio: 78
- Single-family loan allocation: 43%
- Multi-family allocation: 18%
- Commercial loan allocation: 10%
- Urban land holdings: 17%
- Cash position: 12%
- Weighted average loan-to-value ratio: 48%
- Fund assets: \$45.9 million

Number of Loans by Location



We want to thank investors for their support and trust. We are deeply grateful for your partnership and are excited about the opportunities in front of us.

As always, we are here to support you in any way we can.

Sincerely,

Vincent Balagia & the Stallion Team

Peter
Jonathan
John
Stephanie
Alexander
Raehael

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