

Market Softening Bodes Well for the Buy and Hold Fund

The Buy and Hold Fund continues to grow at a steady and sustainable rate. **We now have over 2,400 doors under management within the portfolio and a total of \$270 Million assets under management.**

Of this \$270 Million:

- **\$57 Million** are purchased properties in various stages, from rehab to ready for sale to the fund.
- **\$74 Million** are assets of the Buy and Hold Fund.
- **\$139 Million** are titled properties held in investors' names. *(These are composed of 1031 Exchanges or cash investors who are using outside financing to leverage their investment to increase their return.)*

Beyond these numbers, we don't have much to share about the Buy and Hold Fund. We continue to encounter most of the challenges we reported in the Q2 investor update with labor shortages and supply chain issues — the same things affecting most industries at the moment. Most of the challenges come in the form of finding reliable labor and finding/retaining team members on the construction and rehab side of the business. It is amazing how hard it is to find people who are not only *good* at the skills we need, but are also willing to do the work.

However, the good news is that the market is beginning to soften, which is freeing up more inventory to purchase. You may have seen in the news that major investing firms like Blackstone are buying fewer homes these days. That makes for less competition for the same inventory and should allow us to buy more as needed.

It's All Fun and Games at Hughberry Homes

We've been very pleased with the response to Hughberry Homes, our short-term rentals fund we announced last month. Thanks to the interest we've received, we're planning to buy 2 to 5 more properties in our current market of Scottsdale, Arizona. Of the two properties we have there already, we recently sold one to complete a 1031 Exchange.

These short-term rentals continue to be booked frequently and receive stellar reviews. Our team is looking forward to continuing to design cool experiences for our guests. One new thing we're having fun adding to our STRs is virtual pinball machines — these are pinball machines that look exactly like traditional ones, but you can choose from 337 pinball games. The board and screen light up with 4K video quality, making everything look 3D and 100% realistic, including the feel of the bumpers, shooting the ball, and the vibration of the machine.

That's just one of many reasons we find this venture into STRs so exciting — **getting creative with how we can make our homes memorable for our visitors so they will tell others and want to come back.**

Meet Our Leadership Team: Tom Ortiz

Reno residents may recognize the name "Tom Ortiz," the mastermind behind numerous development projects in the area. Earlier this year, we welcomed Tom to the Hughes Capital leadership team, where he is leading the construction/rehab and acquisition teams.

He has his work cut out for him, given the challenges we've encountered recently in those areas! Bringing new big hitters onto the leadership team this year has allowed us to strategize long-term while perfecting our company-wide processes in the meantime.

Two Commercial Properties Available for Purchase or 1031 Exchange

We own two commercial properties – one in Cleveland, Ohio and one in Birmingham, Alabama – and we have decided to make them available to investors to purchase or use for a 1031 Exchange. If you're interested, please get in touch with our team: Investing@HughesCapital.com

We Found Another Way to Make 1031 Exchanges Easier – and Better

To continue making 1031 Exchanges a great option for our investors, we found yet another way to gain the most benefits. Many of you may already be familiar with the structure of a Delaware Statutory Trust (DST), but if not, **a DST is a real estate ownership structure where multiple investors hold fractions of the trust (which owns one or more properties).**

A DST allows investors to complete their 1031 within a large enough structure that can absorb them, and for those who have debt to replace from their sold property, a DST will usually accommodate that as well. **What DSTs normally don't provide is liquidity and enough cash flow for many investors.** Once you are in a DST, there is usually a 5- to 10-year lockup period for your investment.

We've found that, with Hughberry Homes, we can do a version of a DST (kind of like a "mini DST") to comply with the requirements for exchange, **but better.** Investors can buy in, as fractional ownership, into Hughberry Homes. If investors have debt to replace, it will be available for them *without* having to qualify for the loan, sign on the loan, or pledge any personal guarantees. **Lastly, there is no lockup period on the investment.** If at any time you want to withdraw your funds, our management team will make their best effort to get you out as needed.

Hughes Private Capital is in the Top 1000 on the Inc 5000 List

Hughes Private Capital was recently awarded a ranking of #939 on the Inc. 5000 2022 list, putting us in the top 1,000 fastest-growing companies in the U.S. This prestigious list is released yearly by Inc. Magazine.

To qualify, companies must be privately owned and have grossed at least \$2 million in 2021. But what's important to note is that the Inc. 5000 doesn't just award fast growth, but *stable* growth. Only companies that demonstrate increased and sustained revenue growth over the past few years can earn this award. That's what makes this award especially meaningful: it recognizes that while we have grown a lot in just a few short years, our company is built for long-term success. **We're very proud of our team for receiving this award.**

Until next time,


Steve Sixberry


Greg Hughes