



Hughes Capital Investor Update

Happy Holidays!

As 2016 comes to a close, we look forward to 2017.

Even though January 1st is no different than any other day of the year, we treat it as an opportunity for a new start. We work on strategic plans for the upcoming year, we reflect on the current year that is about to pass, we set goals to improve, and sometimes, we plan to start something brand new.

For us, 2016 was busy, productive, and incredible as we look back at our progress. In 2015, we had one fund: ROI Strategies. We primarily did Rent to Owns and some flipping of homes when appropriate. We knew Rent to Owns were going to slow down eventually, so we were preparing to find a new product for ROI Strategies to transition into. In 2016, we found what we were looking for with our senior assisted living properties.

Hughberry Becomes Official

To operate these senior assisted living properties, we started our newest business, Hughberry, and we are pleased with how it is coming together. Interestingly enough, January 1st is a special day for Hughberry. **That is the day we close on the purchase of two operating homes and we will officially be in the senior assisted living market!** We closed on our first home at the end of November, but it is not operational yet. This one fits our original vision of a more high-end property, but it will take six to twelve months to build the improvements and get the state to sign-off on their inspection.

Advanced Commission Accelerates

In February of 2016, we started Advanced Commission. This is such a fun business to be a part of. I am so amazed at how quickly we have been able to build our brand and market to Realtors. We produce 20 to 40

transactions per week, making it easy to test our marketing tactics and messaging quickly. The digital era we live in has made tracking our leads more efficient than ever. We have the instant gratification of seeing our ROI on every form of marketing every week. We also just celebrated a record week of 43 advances.

Notes Funds Going Strong

We started working on the notes business in 2015, but we didn't open the new fund, Assuravest, to buy non-performing notes until April of this year. **In the notes industry, it takes about 2 to 3 years to see full progress of the investment, making it hard to give monthly updates this early in the game.** But we can give you stories of individual deals, good and bad, so you can get a taste of what is happening.

We recently had a borrower agree to start paying her \$200 monthly payment again on a note that we purchased for \$1,198. She can't pay any of her arrears right now, but that's okay. We are getting a 200% annualized return with just the monthly payment, and once that loan is seasoned, it can be sold for \$14,000 to an investor giving him/her a 12% yield. You've got to love the notes business.

In August, we started another notes fund, Sentinel, that buys re-performing notes. We are buying these notes at a 15% yield on average, and we intend on selling them within a 12-month period. That will start at the beginning of the year.

It's hard to believe how much we expanded in 2016! **We feel so lucky to be managing of all these businesses, and even MORE grateful to have all our incredible investors who make it possible!** We wish you all the best this holiday season and new year.

Thank you so very much,

Steve Sixberry

Greg Hughes