

SFG

INCOME
FUNDS

NEWS OF INTEREST

SFG FAMILY OF FUNDS

YEAR END 2017

IT'S GOOD TO BE AN SFG INVESTOR!

ANOTHER STRONG YEAR PRODUCES ADDITIONAL INTEREST EARNINGS
AND PROFIT PAYOUTS FOR SFG INVESTORS.

As we conclude 2017 and welcome in 2018, SFG Income Fund investors have been rewarded with additional profit and interest distributions. Because earnings remain strong for both funds, SFG Income Fund VII investors received a profit distribution (over and above quarterly payouts) on January 15th, reflecting 2017 profit sharing, and SFG Income Fund VI investors received an additional interest distribution in December of 2017. A consistent, productive return, year after year, has been our hallmark for three decades. We expect 2018 to be another productive year, backed by a very healthy portfolio. Demand for our lending services continued to rise in 2017, resulting in an approximate 12% increase in loan volume over 2016, and a 20% increase over 2015. Our 30 year history has put us in the forefront of our industry, continually attracting terrific loan opportunities for the SFG Income Funds.



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Thank You

Thank you to all the investment representatives, Broker/Dealers, RIA's, and investors who worked with us through out the country in 2017. We appreciate our relationships very much, and we will continue to work hard to maintain your trust and exceed expectations for years to come.

*Together the future is bright.
Cheers to 2018!*

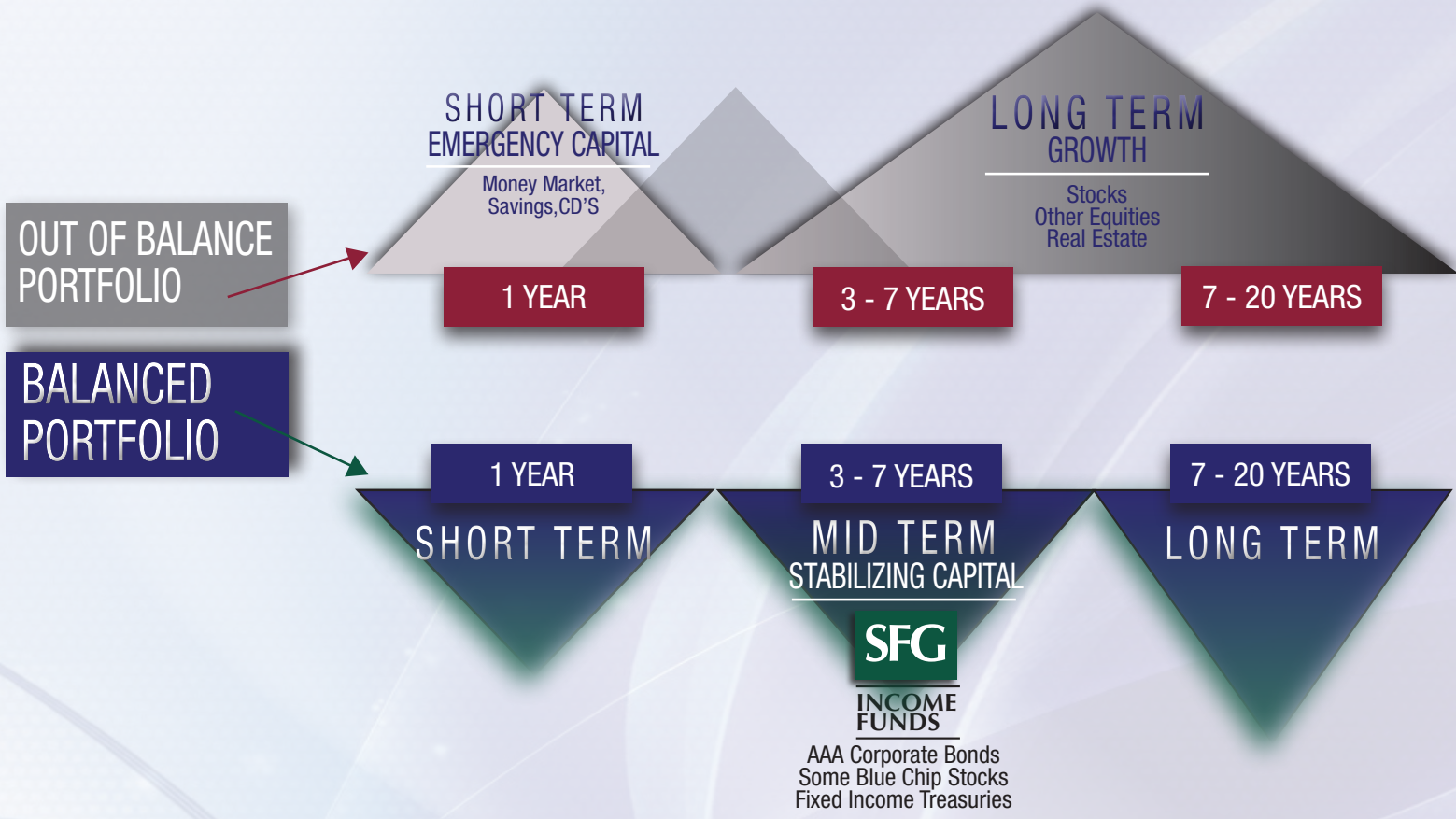


REBALANCING PORTFOLIOS WITH SFG INCOME FUNDS.

Equity markets have had an incredible run the last few years. As a result, many capital managers feel it prudent to rebalance investor portfolios, harvesting profits and repositioning into more stable assets such as, of course, SFG Income Funds. SFG management believes that asset allocation—which takes into account each investor's risk tolerance, time horizon, and financial goals—is a primary decision in the portfolio design process. Financial advisors and astute investors understand that asset allocation is a major determinant of risk and reward for any given portfolio. Over time, however, a portfolio may grow out of balance from its original construction as high performing cyclical investments produce strong returns in heated markets. The portfolio then will likely “drift” from its target asset allocation, evolving into a portfolio that may be inconsistent with an investor's preferences.

(See the hypothetical portfolio chart on the next page)





By periodically rebalancing investments, investors can diminish the tendency for "portfolio drift," and thus potentially reduce their growing exposure to risk outside of their original investment strategy. Over the years SFG Income Funds, along with investment advisors, have played a highly productive role in rebalancing investor portfolios, whether coming or going, as equity markets expand and contract.

Over the last several years the equity markets have experienced robust growth from their post Great Recession lows, triggering the need for portfolio rebalancing for most investment portfolios. SFG Income Funds have been keenly designed to account for periodic adjustments. When one takes a discerning look at some of the key features of the SFG Income Funds, the role SFG plays in a well balanced portfolio becomes apparent.

Here are the three core reasons SFG Income Funds are highly valued as a very powerful and synergetic element of any investment portfolio.

WELL SECURED AND STABLE.

Most high net worth investors find comfort in knowing a portion of their portfolio is well secured by short-term, first priority loan positions fostering stability, that is uncorrelated to the volatility of the stock and bond markets. Such is the case with the SFG Income Funds. Our near 30 year history of capital preservation in the face of multiple market scenarios puts us well above our peers in this category. SFG is an investment investors can rely on to primarily fly below the economic turbulence of the fluctuating stock and real estate markets, giving investors peace of mind when they need it most.



PRODUCTIVE RETURNS.

It has been said many times that while SFG may not originally be the highest yield investment in an investor's portfolio, there will be years in which it likely will be. This has proven to be the case over the last three decades. SFG is not designed to chase yield at the expense of risk or principal. We realize SFG's role is much greater than just today's return. We take a somewhat defensive posture within investor portfolios while still producing very reliable, attractive returns along the way. Additionally, when cyclical equity markets inevitably retreat, SFG's consistent positive returns will often lead the way.

LIBERAL LIQUIDITY PROVISIONS.

The power of SFG's well designed and proven liquidity provisions cannot be over stated. They are a critical piece to ever evolving investment portfolios - providing capital when needed for real life events, such as college tuition or emergency circumstances with the comfort of valuation stability.

Your SFG investment can typically be liquidated at par (*see liquidity provisions in the Private Placement Memorandum*), a long standing tradition that has set SFG above its peers. Many alternative investments espouse their uncorrelated nature to the equity markets, yet their lack of reasonable liquidity frequently prompts investors to liquidate their stock market investments at an ill-advised time.

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With SFG,
**INVESTOR CAPITAL IS WELL PROTECTED
AND PRODUCTIVE...YET WITHIN REACH
SHOULD THE NEED ARISE.**





CAN AN INVESTMENT WITH SFG IMPROVE YOUR STOCK PORTFOLIO? LIKELY.

Here's how.

Many of you are aware of the statistics that show how typical stock market investor returns are considerably lower than the stock market itself. The reason? Poor investor behavior. Our emotional reactions during good and bad market cycles sabotage the success we are seeking. In fact, poor investor behavior is one of the leading causes of below average portfolio performance. It has even been shown to have a larger negative impact than the stocks or funds one chooses.

Investing should be a logical endeavor: buy when the market is down – sell when the market is up. Yet because humans are creatures of emotion, we do just the opposite – buy when the market is hot and exciting (emotion) and sell when the market is filled with pessimism (emotion). However, studies have shown a diverse portfolio – balanced with stable investments, and uncorrelated to the volatility of the equity markets (such as SFG Income Funds) not only produces a return that partially fills the void of declining equities, but also placates the mind and improves the decision making process. With a calmer mindset one is less likely to make the rash emotional financial decisions that impede one's intended outcome.




Fund Managers

Greg Elderkin (Left) & John Odegard (Right)



Stable, consistent, productive and reasonably liquid should the need arise, an investment in SFG has shown to improve investor behavior and hence allow other investments in one's portfolio to achieve their full potential. Like a player on a team who makes other players around him/her better, SFG has proven to enhance the performance of surrounding investments, especially during difficult markets. **SFG**



“The investment features integrated into the SFG Income Funds were positioned with preferred investor behavior in mind.”

- John Odegard | Fund Manager

SUCCESS STORIES



\$1,885,000
COMMERCIAL
Petaluma, CA

LTV: 65%

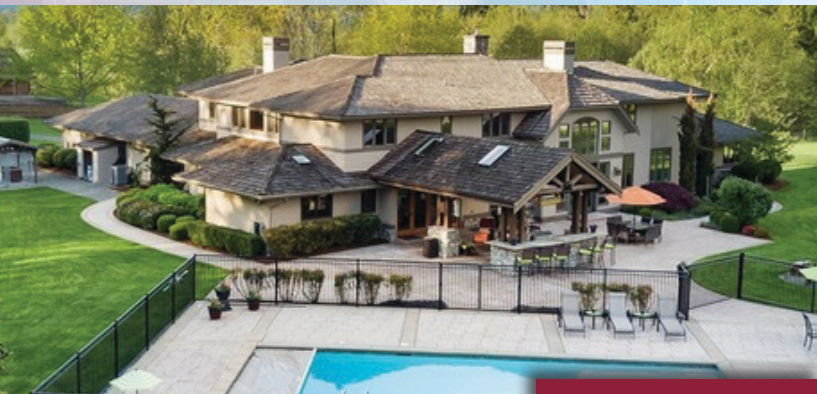
Commercial property in the downtown village



\$1,800,000
CONSTRUCTION
Mercer Island, WA

LTV: 62%

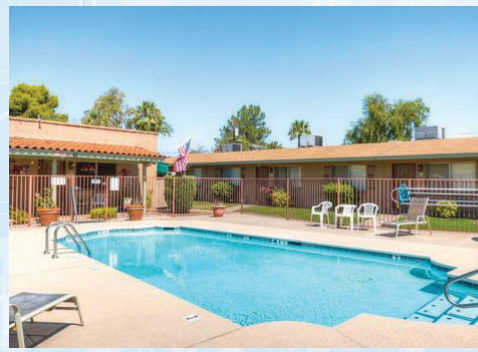
4,400 sq ft luxury home in upscale neighborhood



\$1,500,000
RESIDENTIAL
Fall City, WA

LTV: 61%

Equestrian estate with guest house and riding arena



\$2,400,000
COMMERCIAL
Phoenix, AZ

LTV: 60%

Well located apartment community in Camelback Corridor



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www.SeattleFundingGroup.com (Lending Website)