TROPHY POINT
INVESTMENT GROUP
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20 January 2023

Subject: Q4, 2022 Quarterly/Annual Investor Letter for Trophy Point Lending Fund

Dear Investors and Friends of Trophy Point,

About us. If you are new to Trophy Point, we are a real estate lending firm that lends specifically to military-affiliated borrowers such as Army officers and West Point graduates. We primarily fund single-family fix/flip and rental property deals that are short-term (3-9 months) in duration. I draft these letters with the intent to answer the questions I would have if I were a passive investor, such as: how is my money being deployed, how is it kept safe, and what kind of systems are they running?

If you don't have time to read the whole letter, here's the gist:

- No defaults or missed payments; current LTV is 68%
- Loans are paying back ($5.5 million paid back)
- We are growing - hit $58 million in total originations in 2022.
- Raised $18 million compared to last year; now have 114 investors.
- Leadership team is growing

This letter covers:

- The Numbers
- Thoughts on the economy
- Operational improvements

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The Numbers:

Current Portfolio

(includes Jan 2023 numbers so will not match Q4 2022 balance sheet)

Loan Positions	Av. Loan Size	Weighted Av. LTV	Weighted Bor. Rate	Weighted Inv. Rate	Portfolio
1st mortgage *(131)*	$222,927.53	68.48%	10.711%	10.684%	$29,203,506.83
Total 131 loans	**$222,927.53**	**68.48%**	**10.711%**	**10.684%**	**$29,203,506.83**

Trophy Point Investment Group LLC

Balance Sheet

As of December 31, 2022

	TOTAL
ASSETS	
Current Assets	$28,562,298.89
TOTAL ASSETS	$28,562,298.89
LIABILITIES AND EQUITY	
Liabilities	$25,204,128.85
Equity	$3,358,170.04
TOTAL LIABILITIES AND EQUITY	$28,562,298.89

Assets = loans we have made or cash in the bank
Liabilities = investor money
Equity = Samir, Nick's and Dave's money (this money takes first loss on a bad loan)
*Note our personal investment is actually $4.3 million; similar to banks, we categorized a portion of equity as loan loss reserve with the intent of impairing our balance sheet for any potential losses. This also has the double effect of reducing our taxable income.

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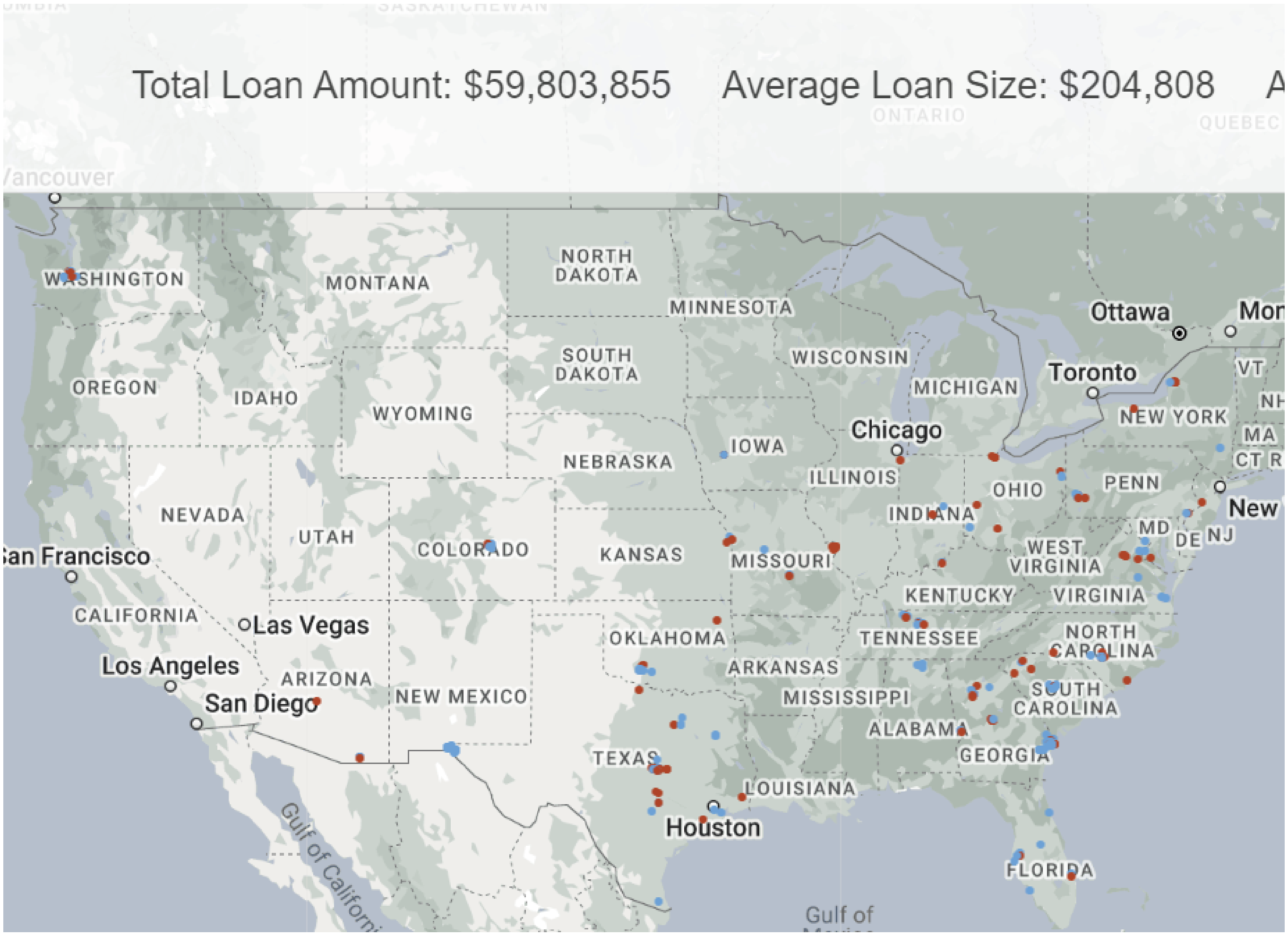
Our Key Metrics:

	This Quarter	Cumulative (since Aug 2020)
$ Assets under management	$28.6 million (114 investors)	n/a
# Loans Originated	38	285
$ Loans Originated	$9.4 million	$57.6 million
# Loans Outstanding	128	n/a
$ Loan volume paid back	$5.5 million	$28.9 million*
% On-Time Payment Rate of Loans	100%	100%
Loans in Extension Status	23 $5.5 million (18% of portfolio)	n/a
% Loans in Monetary Default	0% (no defaults)	0% (no defaults)
$ Interest earned by Investors	$560K	$2.6 million
Avg Weighted LTV	68.27%	70.81%
Avg Term	7.8 mos	6.8 mos
Avg Credit Score	730	740

* This definition is modified to include only balances lent out and not from un-used construction draws.



Blue dots = paid-off loans
Red dots = current/active loans
As of 20 Jan 2023

Commentary

Thoughts on 2022

For us, the 2022 performance was satisfactory. We completed the year with $41 million and 180 loans originated, and all have so far been paid on time and without monetary default in our real estate lending fund.

That brings our total to $57 million originated over the past 24 months (again, without a single monetary default or missed payment). $30 million of these loans have already been paid back in full.

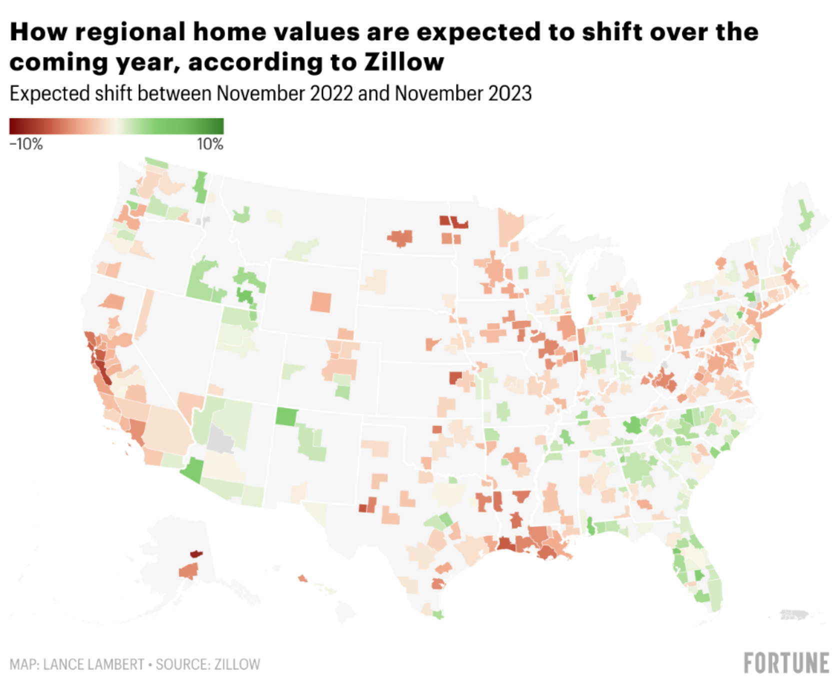
We know that there will eventually be a default, given. our volume of deals. What you can count on is my ruthlessness in getting our money back should there be a default. Feel free to call me, and I will share a few stories.

Regardless, we have tightened our lending criteria. In 2020/2021, we lent out at 80% of the estimated value (post repairs/rehab). Nowadays, we aim for 70% of the estimated value. We also remain highly selective with whom we do business. Dave and I find ourselves rejecting nearly 80% of loan requests.

Thoughts on the economy

Every real estate professional I chat with has thoughts on the economy and where it is going. Some feel that there will be no recession and others believe it will be the worst we have seen. To be frank, there is merit in both arguments. Here is my prediction:, I believe the single-family and residential sectors will not be hit as hard. Primarily because, unlike in 2008, there is still a housing shortage and lending standards have been disciplined across the country.

Another positive indicator for Trophy Point is that we strategically lend in regions experiencing population growth such as the southeast (GA & TX are our top 2 states for lending). See below what CoreLogic/Zillow predicts for home prices in 2023. We are pleased to report that we do not lend much in any of the Red shaded areas like California, Illinois, New York or Louisiana posed for a decline in prices.



In lending, what matters is playing defense. My favorite saying is that Defense Wins Championships. If you have watched the Atlanta Falcons at any point over the past 40 years, you'll agree with me. (To my utter dismay, ATL holds records for blown leads and total blown-outs).

In previous letters, I've explained how we 'play defense' (more LTC requirements, smaller loans, more guarantors on a loan, borrowers need income from multiple sources, etc…). The good news is our defensive posture works, resulting in a record of zero monetary defaults or missed payments.

What matters is if our overall portfolio, despite any loan losses or missed payments can still support our obligation to you, the investor. These days, we are responsible for sending $600K per quarter to investors. Our team fully recognizes that we should never jeopardize that sacred obligation with bad deals (or even good deals) that risk disrupting that payment stream. To that end, we also have a few tools (such as selling loans or offering loan participations) to free up liquidity if the need presents itself (such as in the event of investor redemptions or a large number of loan requests).

If you examine our balance sheet, you'll notice that our equity decreased. In reality, it has not actually decreased but is actually categorized in a different way. We have taken this step to institute a "loan loss reserve" out of our equity and net income. This step—which is very similar to what banks already do—force us to actually place our cash in an account/category that would buoy us against a loss. Furthermore, it also helps out by reducing taxes on net income. Our reasoning is that until loans are paid off, we shouldn't be hit with taxes.

Last quarter, I commented that lending volume was decreasing. This past quarter reversed that trend and was actually our largest quarter ever, approaching $10 million in new loans. We are proud of that achievement because our marketing budget for borrowers is non-existent (we solely rely on word-of-mouth).

Operational Improvements

Previous Operational Improvements:

- *Interest Reinvestment Option (Q1, 2021)*
- *Loan Origination Platform (Q3, 2021)*
- *ACH Payments (Q4, 2021)*
- *Automated Statements (Q1, 2022)*
- *Investor Portal Sign Up via Jotform (Q2, 2022)*
- *New accounting firm, Acuity.co (Q3, 2022)*

This quarter expanded our staff count. Hiring people is a major challenge for any organization and we are going to have to add headcount as we scale. In September, we added Brandie Joy to our team. She is responsible for investor paperwork/onboarding and also doubles as my Executive Assistant. She has made the Trophy Point Team more effective and efficient overall.

The other operational improvement was expanding our marketing. This quarter, I was honored to write a Veterans Day article for BiggerPockets.com on real estate investing for military vets. That article produced a flurry of new conversations with potential borrowers. The results so far are mixed, we only closed two loans stemming from the article (and subsequent podcast coverage) but the sheer volume of conversations helped me realize that our niche market was larger than I previously thought. I believe we can originate $60-75 million per year going forward.

Raising Capital

We are raising capital. Our yields and thresholds are below. We accept **self-directed IRA funds**. Funds carry a lock-up for 12 months with 90 days' notice. We pay interest quarterly but also offer a reinvestment option (great for IRAs).

$25,000-$49,900:	7%
$50,000-$249,900:	8%
$250,000+:	10%

For Self-Directed IRA Investors: 9.5% up to $250,000 and 10.5% for $250,000+

Please remember, I'm only a phone call away if you would like to talk about anything.

Here's to a successful 2023,

Samir Patel
Managing Partner, Trophy Point
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