



Senior Living Fund

September 2024

Senior Living Fund (SLF) is a private equity fund with 20+ assets under management that generated over \$25 million (\$100 million annualized) in revenues during Q2 2024. The majority of assets within the our portfolio are Independent Living (IL), Assisted Living (AL) and Memory Care (MC) communities that were developed and constructed by our sponsor partners utilizing SLF equity.

In recent years, economic and operational strains have highlighted numerous underperforming communities throughout the nation. We have begun to identify and secure these “value-add” assets with the intention of turning around operational performance by:

- Replacing the existing operator with a proven 3rd party operator in the local area and or same region as the existing asset.
- Providing capital to modernize or reconfigure the asset to maximize potential net operating income (NOI).
- Leveraging the SLF asset management unit to oversee and assist operator with obtaining exit target valuations thru generation of the highest possible revenues and expense management.

Once community performance and subsequently overall community value has improved, we intend to seek exit and provide returns to our community of investors.



SLF Community Spotlight - Taylorville, IL



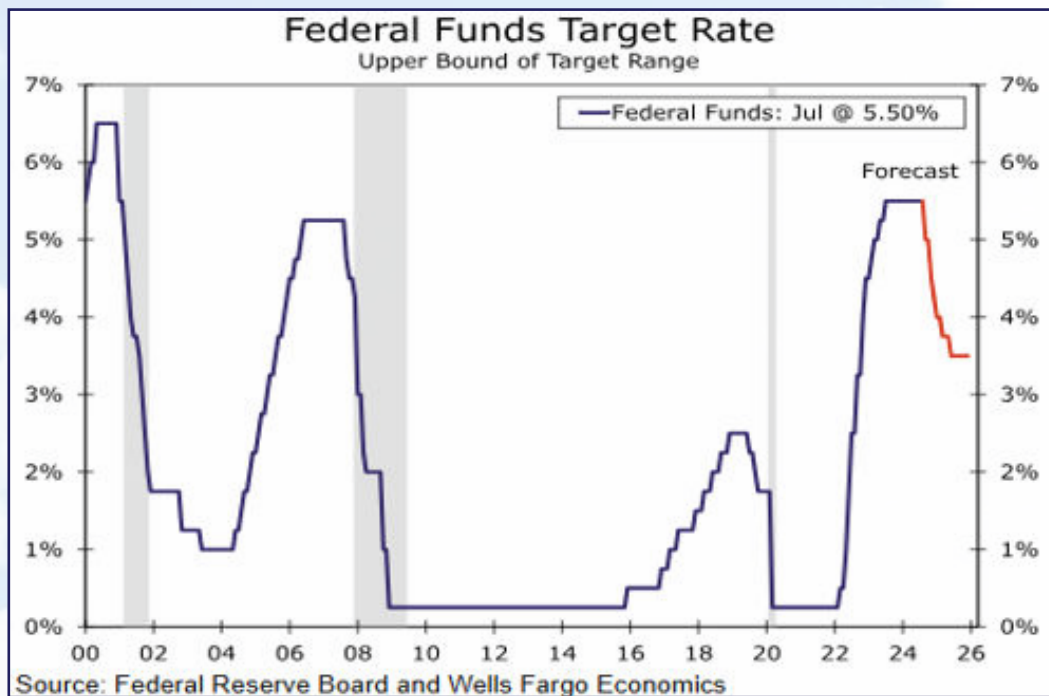
SLF acquired a 46-unit Memory Care community in Taylorville, Illinois in Q3 2021 as a value-add project. SLF replaced the existing operator with Generation Healthcare Managers (GHM). GHM had been successfully managing three (3) other assets for SLF at the time in central Illinois with a history of driving revenue and solid expense management. The community was re-named Carriage Crossing Senior Living (CCSL)-Taylorville. CCSL-Taylorville in its first twelve months of operations averaged monthly revenues of \$127,000 with an average monthly NOI of -\$16,000 and 67% occupancy.

During the first 12-months of operation GHM worked diligently to hire and onboard the right leadership team that would subsequently hire and train the appropriate culinary, caregiver, maintenance, housekeeping and activity staff. This staff would be responsible for creating the resident-centric culture that GHM demands. At the same time, GHM oversaw and managed the chaotic process of caring for residents while undergoing nearly \$750,000 in capital expenditure improvements to modernize this community. The capital expenditures were designed to improve resident satisfaction and drive rental rates higher to support the target exit valuation.

As a result, the community is now established as the premiere memory care provider in the area, with solid programming and high resident satisfaction. In Q2 2024 CCSL-Taylorville averaged \$253,000 in monthly revenue, \$46,000 in monthly NOI and 97% occupancy. High occupancy allows GHM to continually push the market rates higher for those seeking memory care services in Taylorville contributing further to NOI growth. SLF is positioning themselves to identify and secure additional value-add opportunities. This occurs as ineffective operators fail to execute on fundamentals, providing an opportunity to acquire undervalued assets.

Market Update

Studies of the economy and expert economic opinions are growing more positive. Inflation continues to drop, now below 3% on an annualized basis. Concern over a weakening economy, and a potential recession has subsided with most experts as Q2 2024 GNP growth was double Q1 2024 GNP growth. Yet the Fed is closely watching as unemployment is creeping up. These factors have led virtually all economists to expect the Fed to begin lowering the Fed rate in the September meeting, and for the Fed rate reductions to continue on a regular basis into mid-late 2025. The general economic expert consensus is the Fed rate will drop by 1.5% to 2.5% by mid-late 2025, and then stabilize. For example, the graph below shows Fed rate changes since 2000 (dark blue line), and Wells Fargo's estimate of the Fed rate through 2025 (red line). The chart shows that historically, the Fed waits until they feel very comfortable with the status of the economy before lowering rates, and once they start lowering rates, they do so consistently. From that perspective, Wells Fargo's projections are reasonable.



This is great news for the broader economy, and certainly for Senior Living Fund. A falling Fed rate translates to lower borrowing costs. This creates a more competitive market for senior housing assets, since it allows more buyers into the market to utilize less expensive debt financing to purchase the senior housing assets. Greater demand for senior housing assets will increase prices, and thereby lower market cap rates. The Fed rate reduction, along with other positive economic trends such as the inflation rate and GNP growth should further bolster investor confidence. In

summary, we certainly appear to be heading towards a very strong and sustained period of economic growth and stability, with reasonably priced debt to further bolster the buyer market. This will still take some time, as most economists expect it to take until mid-late 2025 to reach a 2.00% or similar Fed rate drop. It also supports the strategy to have patience while we let the economy and related capital markets heal.

While exercising patience, SLF will continue to manage expenses, improve revenue, and thereby increase NOI and the value of the assets in the marketplace. Our efforts to lower expenses from the effects of high inflation resulted in a decrease of \$6.3M in operating expenses across all our communities over the preceding 12 months. We anticipate expenses per occupied room will continue to go down over the next 12 months.

If you would like to learn more about Senior Living Fund and our offerings, please contact Steven@seniorlivingfund.com

SLF Team



Chief Fund Manager - Dan Brewer

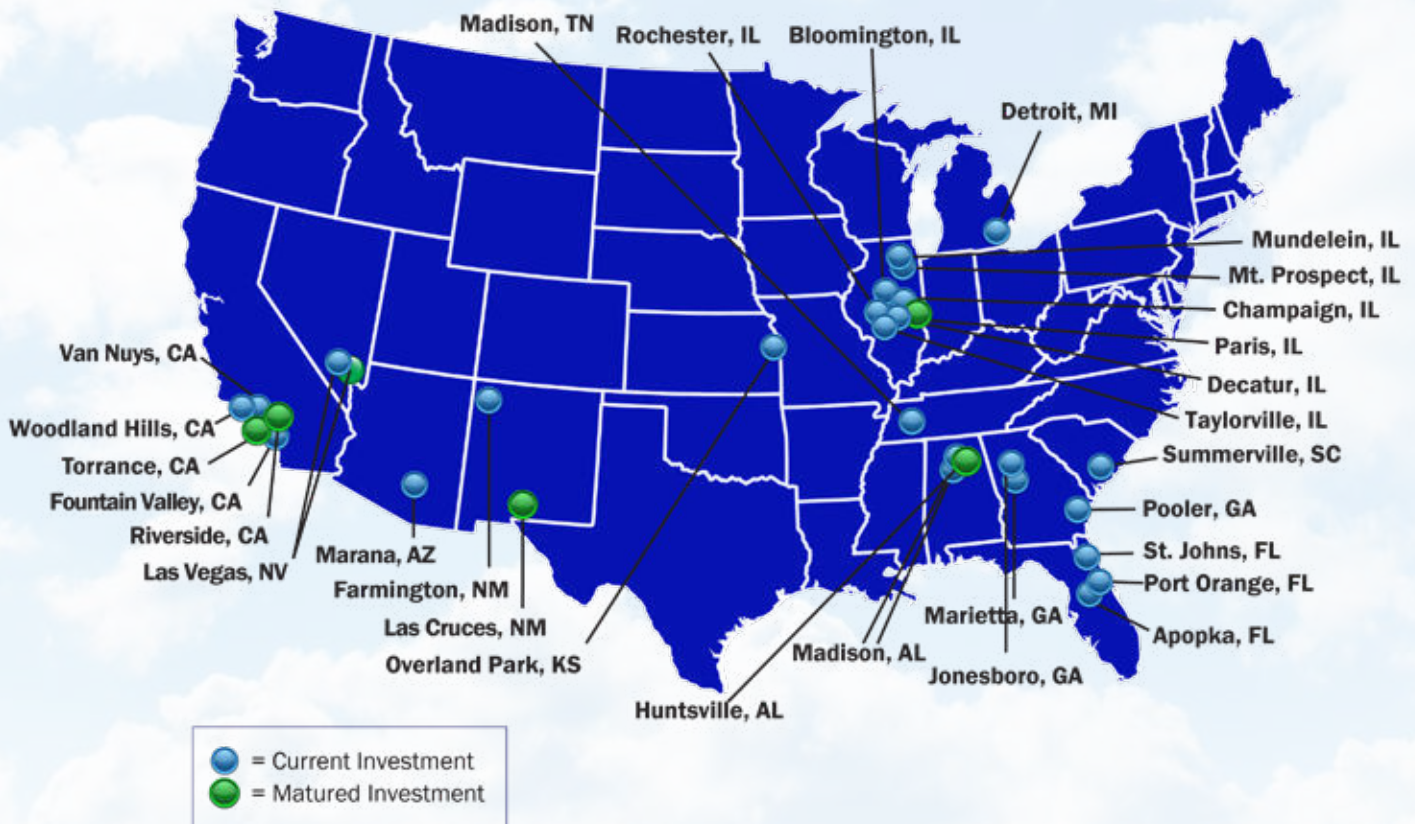
Dan is the owner of Bridge Capital Management and is the founder and Chief Fund Manager of the Senior Living Fund. Dan has 35+ years of business experience, including 25+ years of experience in real estate investing, asset allocation, and management.



Chief Operations Officer - Mark Shader

Mark brings strong operational skills to the SLF team through his 30+ years of experience in business consulting, real estate investment and development, financial analysis and management.

SLF Portfolio





SENIOR
LIVING
FUND