

avanath+

WINTER 2019 NEWS

ADVOCATE. PERFORM. IMPACT. DELIVER.

These were the words echoed throughout Avanath's 2018 investor meeting in December as nearly 100 guests gathered at the Lotte New York Palace in Manhattan, New York. Avanath kicked off the meeting by breaking down each of these concepts and how they play a key role in the success of its properties and returns to investors.

ADVOCATE: Avanath consistently advocates on behalf of its residents and its investors. It understands that Federal, State and Local governments play a significant role in preserving, developing and financing affordable housing across the U.S. and view them as partners in its investment strategy. In fact, Hugh Frater, CEO of Fannie Mae spoke at the luncheon of the conference, discussing key factors surrounding financing affordable housing in the market today.

PERFORM: Avanath has more than a decade of experience in the affordable housing space and continues to be an extremely active buyer. Because of this, the firm has created a proprietary deal flow, and cultivated deep relationships over the last ten years. Its ability to close, quick access to capital, and off market deals from the brokerage community are why the firm has been able to acquire 17 new properties since its last investor meeting in 2017.



IMPACT: Avanath implements social programs into many of its communities, which contribute to improving the lives of residents. These programs include transportation services, after-school

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a message from the chairman

SUPER BOWLS AND AFFORDABLE HOUSING INVESTMENT

by Daryl J. Carter, Founder, Chairman & CEO

We just completed another NFL football season and saw the New England Patriots hoist another Lombardi Trophy – their 6th in the last 17 years. While I live in the greater Los Angeles metropolitan area, I was cheering for the Patriots to beat the hometown Los Angeles Rams. Why? Well, a big reason is that one of my favorite athletes of all time is Tom Brady, my fellow University of Michigan alum. But, secondly, I am a huge fan of organizations and companies, like the Patriots, that have sustained success over many years.

Avanath has grown considerably over the past 3 years and have more than doubled in key metrics – assets under management, number of properties and apartment units, and number of employees. Growth is certainly important to us, but it is most important to grow prudently and responsibly. Many entities can achieve short term growth. But, like the New England Patriots, we want to achieve sustained, long term success for our investors, for our residents that we serve, and for our employees.

We recently announced an organizational realignment. These changes were made to improve our processes and efficiencies. While our most recent realignment was widely publicized, the reality is that we have steadily made changes over our history as we've grown and in response to changing market conditions and dynamics.

A major part of our success at Avanath is that our team members have a strong commitment to the mission of the company. Here are some examples of leaders that put our mission first.

Ron Juskiewicz, an Avanath partner, was our first CFO and later added the title of Chief Compliance Officer. As the demands of institutional and SEC compliance became more challenging, Ron was our best executive to lead that area full time. Ron embraced his new fulltime role as CCO with enthusiasm, professionalism, and with a commitment of making our compliance regimen the best in the industry.

After Ron moved to become CCO approximately 3 years ago, Camille Longino took on the role as CFO. During her time as CFO, she built a first-class accounting and finance team, and was instrumental in the development and mentoring of our talented accounting team, including Wes Wilson. As part of our recent reorganization, we promoted Wes to CFO, and promoted Camille to Chief Operating Officer.

Camille replaced Jun Sakumoto as Chief Operating Officer. Jun is a founding partner of Avanath and has assumed multiple roles over the

past 11 years. Jun has strong entrepreneurial skills and was the original architect of our affordable housing investment strategy. Simply put, Jun is the best in our company at launching new initiatives and businesses. He will now serve as the President of our new entity, Avanath Development, in which we will launch an Opportunity Zone fund that will focus on redeveloping some of our existing portfolio properties based on the new Opportunity Zone legislation.

Ellen Guccione, EVP and Chief Administrative Officer is a founding member of the Avanath team. Ellen currently runs Risk Management and Corporate Services but has had multiple roles since Avanath's inception. She keeps the "trains running on schedule" and has the unofficial (and sometimes official) job of being my boss. As the CEO of a company, unpleasant matters, including specifics of the CEO's performance, are often presented in a "sugar-coated" manner. Not so with Ellen! She will shut the door and deliver the dose of reality that is required, with clarity and directness (and sometimes with the requisite expletives). Every company needs an "Ellen" – and our Ellen has a singular focus – Avanath being the best that it can be!

We have tried to maintain a flexible workplace that promotes work/family balance. This flexibility has benefited Avanath. Ada Arevalo, VP, Funds Management, and a mother of 2 very young children often works from home. The quality of Ada's work is superb and we didn't care where she did it from, the office or at home with her kids! Today, Ada is the face of Avanath to many of our investors. She is an industry leader in the impact investment space and has a major role in expanding our investor base.

Six years ago, Ben Finley, a founding member of Avanath, moved to Washington DC as part of a bigger commitment he made to his lovely wife, Crystal. We would have preferred for Ben to remain in Irvine, but he was a valuable team member that we did not want to lose. We decided to use Ben's relocation to build greater market share on the East Coast. Today, thanks to Ben's leadership, 53% of Avanath's portfolio resides east of the Mississippi! Like Amazon, Northern Virginia will also be Avanath's HQ2 – as we will occupy a new office in Old Town Alexandria and continue to build staff around Ben.

Acquiring and operating affordable apartment communities is a complicated and challenging business. There are few companies that operate on a national scale. Many in this space are non-profits, conceding that it is difficult to be profitable. At Avanath, it starts with our people that believe in our mission of providing our residents a quality "Lifestyle within Reach." Our success starts with our people. This is the Avanath Way.



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programs including basketball clubs, and financial literacy programs, among others. This year, Avanath plans to increase its integration of social programs in many of its senior communities. These services will aid in residents being able to “age in place” by offering more services that contribute to their overall health and well-being. By partnering with nonprofits, Avanath will be able to provide these services at no additional costs to residents.



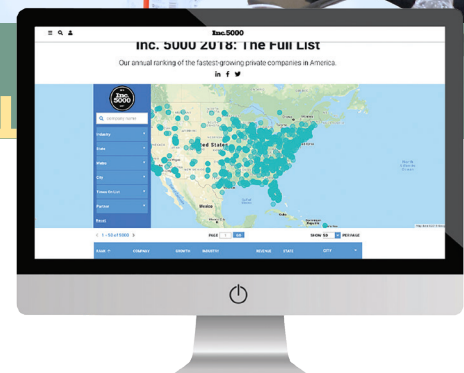
DELIVER: Fund I is in the process of being recapitalized, delivering an approximate 16% IRR to investors. Fund II is moving towards stabilization with a current projected liquidation of returns, based on valuations as of 9/30/2018, in the mid-teens. Fund III is nearly fully invested with projections to be 100-percent invested in Q1 2019.

WEREN'T ABLE TO ATTEND?

Click the links below to watch the 2018 annual meeting.

[Click here](#) for Session 1

[Click here](#) for Session 2



Avanath was recently named as one of the fastest growing companies in the nation by Inc. Magazine. This list features the top companies from a variety of industries across the U.S.

See the full list here: <https://www.inc.com/inc5000/list/2018>



BALANCING MISSION AND MARGIN

Robert Likes, National Manager at Key Bank Community Development Lending and Investment, sat down with us to discuss balancing mission and margin, the importance of community reinvestment and finding the right partner.

1. How is Avanath's strategy aligned with Key Bank's mission?

Our mission at Key Bank is to balance mission and margin, which is something that Avanath does extremely well. Avanath is focused on the financial returns, which are very good, but also resident outcomes.

We see Avanath as a forward thinking leader in finding innovative and creative solutions to delivering both returns and enhancing resident life, which is something we certainly seek in an investment partner.

We invested in Avanath's second fund and reinvested in fund three based on the social and financial results we continue to see.

2. Why is community reinvestment so important?

We place a significant emphasis on investing in our local communities, and strive to go beyond the standard CRA requirements.

This is extremely important for several different reasons. First, as a country, we are experiencing a severe affordability crisis. The nation is short millions and millions on units and this number is continuing to grow. Housing affordability is a problem that exists in every city in America. Private investment in these communities is critical to preserving affordability and ensuring that residents have safe, quality housing options.

By partnering with housing leaders like Avanath, we can play a part in addressing this critical need while simultaneously achieving risk-adjusted returns.

3. What do investors need to look for in finding the right partner?

Investors want to look for investment partners that have thorough investor reporting and are operationally very strong.

That said, one of the key components to finding the right partner, is the ability to work closely with a partner to find solutions together. Avanath is that partner for us.

We know that we can come to Avanath at any time with a particular need, and they will work closely with us to provide ideas and solutions. This is essential to a great relationship and partnership.



AVANATH ENCOURAGES ENGAGEMENT AND SOCIALIZATION IN ITS SENIOR COMMUNITIES

Eagleview, one of Avanath's senior properties in Long Island, New York, recently hosted its annual BBQ bash for residents.

Residents gathered in the clubhouse for food, festivities, and fun.