EQUUS SPOTLIGHT

MAY 2019

Confidential and Proprietary

Thank you for your continued interest in Equus Investment Partnership XI, L.P. We would like to provide additional information on our investment thesis and some near-term initiatives for the Fund. Fund XI's strategy and size of less than $500 million is consistent with our previous Funds, with each Fund having a slightly different allocation to property type and geographic regions. While we seek balanced geographic and property type exposure, our primary focus is generating the best risk adjusted returns during this period of the economic cycle.

There are several primary metropolitan areas that currently offer attractive risk adjusted yields when compared to investments in traditional gateway markets. As a result, we are currently bullish on the top performing primary, non-gateway cities that are experiencing favorable employment, population, wage and household formation growth. We feel that these factors position these locations to achieve net operating income expansion across our target asset classes via upward pressure on rental rates brought about by the strong demand for these locations. The strategy continues to evolve. We utilize micro and macro data analytics in targeting demographic trends, which enables our team to analyze the impact of macro forces on micro level operating performance. We primarily examine supply and demand trends, positive and expanding absorption figures and positive trend lines to rental rate. Value enhancement opportunities are occurring in various forms across all sectors in which we invest.

Office – Limited development occurred in many of our target markets during the last cycle, which attracts our attention to supply and demand trends. Our research on micro-markets favors high barrier to entry areas that exhibit positive rental rate expansion trends. Our primary interest is on non-CBD assets within primary markets that offer more favorable relative value to both users and investors. These micro-locations are well embedded into local infrastructure and offer a vibrant and content driven business community. Proximity to affluent areas, transportation networks and lifestyle options should promote more robust micro-market conditions and enhance the performance of the underlying real estate.

Industrial – The industrial and logistics market is quite healthy with robust leasing demand and liquid capital markets. The light industrial sub-sector is extremely interesting at this point in the cycle, specifically in densely populated growth regions. Specifically, the light industrial or in-fill shallow bay market offers more favorable acquisition metrics due to shorter term weighted average lease terms, a tangible mark-to-market opportunity and a better tenure of tenancy resulting in better cash on cash returns and limited volatility. One-off industrial acquisitions have been challenging due to the intense capital markets competition, but we are seeking opportunity embedded in larger portfolio acquisitions of warehouse properties. We have found that portfolios of assets with a manageable weighted average lease term of 4 to 6 years and a staggered lease maturity schedule provide a portfolio capitalization rate ranging between 50-100 basis points higher than stabilized industrial capitalization rates. Yield enhancement can then be generated through individual and targeted dispositions during a 3 to 5-year hold period upon maximizing lease terms on individual assets. Property and building specifications have been under an intense microscope. Antiquated and functionally obsolete big box buildings are the only subset of the market that have been underperforming.

Multi-Family – The multi-family asset class has been the most challenging in which to achieve our targeted returns. A flight of capital into the multifamily sector has compressed returns to levels typically inconsistent with the risk profile and targeted returns for Fund XI. Multi-family demand fundamentals are quite strong in many U.S. markets; however, we have been cautious in this sector due to slowing rental rate growth. Our ability to expand net operating income on a compounded basis needs to be between 5 and 10% in order to achieve our target returns, while at the same time assuming a conservative residual capitalization rate and discount rate. As a result, we have been cautious making investments that could present modest returns with disproportionate risk. Our multi-family investment thesis targets in-fill class B assets that trail top of market rental rates by approximately 15-30%. Assets with these attributes provide ample runway for rental rate enhancement while offering limited volatility and concessions. Our demographic segment focus is on the working to middle class in geographic regions that provide the previously mentioned favorable growth metrics and a favorable cost of living. We continue to focus our renovation efforts on creating a dynamic sense of community and experience for the resident user to encourage longer tenure, limiting concessions but seeking to deliver a differentiated approach to the renting experience.

Macro Outlook

At this point in the cycle we are cautious but optimistic. We are tempered in our use of leverage and seek to structure financing to accommodate earlier sales as opportunities present themselves.

Market fundamentals are positive with most markets producing attractive net absorption figures and favorable rental rate trends. The length of the current bull market provides a layer of caution. We are seeing near-record pricing for stabilized assets. As a result, our underwriting assumes a discount to these figures and a favorable spread between both stabilized projections and cost of replacement.

Our investment focus is on opportunities to expand net operating income quickly and predictably and to stabilize the risk profile of the asset via mark-to-market. We seek acquisitions in vibrant and expanding micro-markets, we seek to replace broken and/or fragmented ownership structures and in all cases remain positioned for a short duration business plan. Fund XI has invested approximately $100 million of equity invested in six different investments in Dallas (2), Denver (2), Seattle and Philadelphia. Recent leasing performance continues to confirm our investment thesis.

Since the launch of Fund XI, we have closed on $260 million of capital commitments and expect the final close to occur during the 4th quarter of 2019. We look forward to further discussions about your interest and to continue our relationship.

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