

Annual Report

2022/2023

Message from the Founders

Sago Investors,

Thank you for your continued support of us during the past year. We joined together to form Sago in 2020 during the height of uncertainty caused by the COVID-19 pandemic. While we could not have known what would unfold during the next few years, we were confident in our business strategy.

That strategy remains unchanged and our focus is undeterred:

acquire attractive assets in strong or growing markets;
underwrite deals in a conservative manner; communicate
transparently with investors; and responsibly manage all
investments.

To date, this strategy has resulted in a series of acquisitions and approximately \$70 million in assets under management. Along the way, we have greatly enjoyed meeting and forging deeper relationships with each of you all while earning your trust.

In the following pages, we share a number of highlights and updates from the past year for your review. We also share some thoughts on the future. You are an integral part of the success of this firm, and we look forward to continuing our partnerships with you into 2023 and beyond.



Seth, Jeremy, and Barry

Founding Partners

COMPANY PROFILE

Sago Capital, LLC ("Sago") is a boutique real estate investment firm. Sago sources real property assets for acquisition, syndicates investment for the transaction, and manages the assets after closing. Sago focuses primarily in the southeastern and lower Midwest regions of the United States.

Sago was formed by veteran real estate entrepreneurs who collectively have more than 30 years of experience in real estate, business transactions, and property management. They have negotiated billions of dollars in transactions during their careers.

As of June 30, 2023, Sago has acquired ten real property assets across six states. These properties are primarily industrial and office assets in non-gateway markets. As of this writing, Sago has one additional asset under contract, and the firm is actively seeking further acquisitions at this time.



Left: A real estate conference in Fort Worth, TX. May 2023.

Top: Celebrate the Arts Fundraiser, College Station, TX. September 2022.

COMPANY VALUES

Sago was founded on the pursuit of excellence. Specifically, the founders strive to act at all times as though everyone is watching and time is of the essence. Whether making client presentations, negotiating with sellers and lenders, or working with tenants, all Sago team members conduct themselves with honesty, integrity, and purpose. Sago also seeks to be generous with all stakeholders and the community around us. These principles guide our daily behavior and overarching mission.





INVESTMENT THESIS

Since the inception of Sago in 2020, the founders have used discreet, clear investment criteria to guide all investments. This strategy focuses on three key components:



LOW COST PER SF

Sago focuses its search on undervalued industrial properties that are priced well below replacement cost on a square footage basis. These assets feature significant potential for capital appreciation which is further heightened by strategic improvements and efficient management. By exploiting the gap between acquisition cost and actual market value, Sago is confident such an investment can generate above average returns (especially when augmented by rent and operational efficiencies).



IMMEDIATE CASH FLOW

Investors place capital to secure the best return possible as quickly as possible. Thus, Sago pursues high cap rate, cash flowing assets that result in competitive, immediate returns for investors notwithstanding credit market conditions. Sago investments historically provide for distributions within a month of closing. This conservative underwriting allows Sago to maintain competitive rents and yield for investors.



BELOW MARKET RENTS

Sago seeks value-add opportunities across all markets and asset classes. Sago primarily does so by identifying assets with below-market rents in place at the time of acquisition. This approach allows the Sago team to create value by increasing rents in a cautious manner that maintains occupancy levels while progressively growing income. Opportunities to increase rents, when combined with a low cost per square foot basis, acts as a lever to boost both income and capital value.

OUR PORTFOLIO

Since 2020, the firm has made ten acquisitions in six states, and it currently manages more than \$70 million in assets. Acquiring the assets, however, is only the first step. Sago has worked actively to add value and responsibly manage investments as they are acquired.



4270 STATE HIGHWAY 6 SOUTH

College Station, TX

- Acquired June 2021
- Sold asset in April 2023
- 36.34% IRR for investors
- 1.8x equity multiple on investment



402 HARVEY MITCHELL PARKWAY SOUTH

College Station, TX

- Acquired September 2021
- Fully leased following partial vacancy at purchase
- Multi-year lease extension secured
- More than \$1.7 million in improvements made at tenant's expense



316 LIMIT STREET
Lincoln, IL

- Acquired May 2022
- New roof installed at seller/tenant's expense (\$2 million value)



2740 GRAY FOX ROAD
Monroe, NC

- Acquired January 2023
- Secured additional, well capitalized tenant for 5,000 sf
- Converted 62% of leases to NNN
- Rent increases secured during NNN conversion



319 DIVIDEND DRIVE
Peachtree City, GA

- Acquired July 2020
- Refinanced asset returning all capital to investors
- Asset retained by investors and distributions continue

COMMUNITY ENGAGEMENT

As part of its culture of service, Sago leadership understands the importance of giving back to the community in which it conducts business and its founders and employees reside.

The firm's founders are all civically engaged citizens who have served in elected, appointed, and volunteer positions in both local and state government as well as non-profits. The firm also contributes financially to a number of local non-profits to enhance the quality of life in the Brazos Valley as well as support underserved segments of the local community.



Additionally, the partners are supporters of various other local and national organizations including the Brazos Valley Economic Development Corporation, the Texas A&M Chancellor's Century Council, the Texas A&M Lettermen's Association, and other professional organizations.

Top: CSISD Education Foundation Grant Showcase, April 2023.

Bottom: Seth welcomes Susan Davenport to the BVEDC. College Station, TX. June 2023.

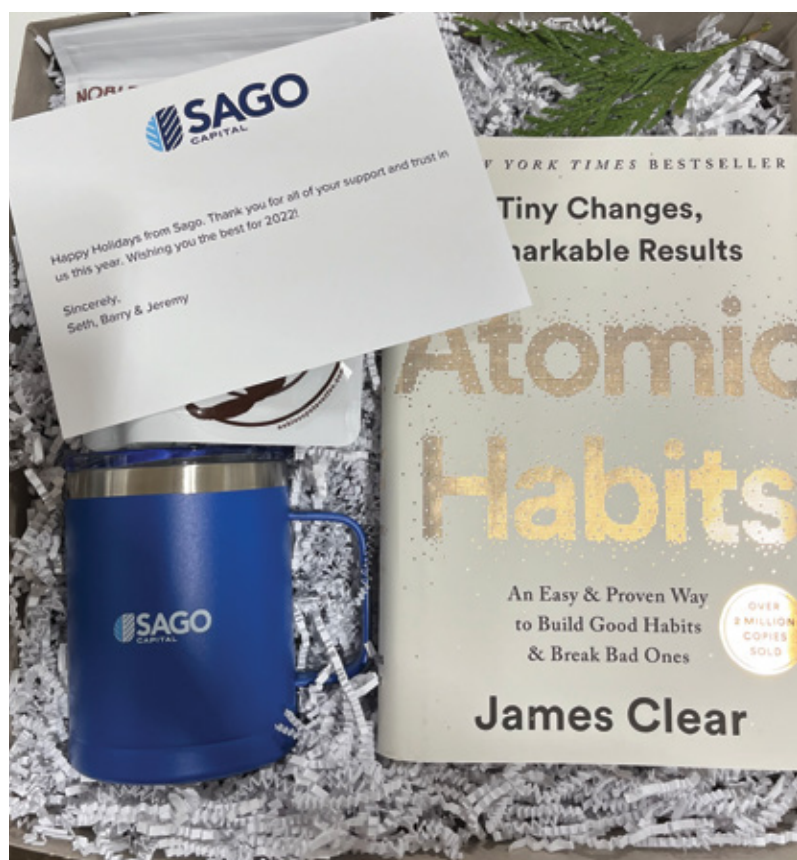
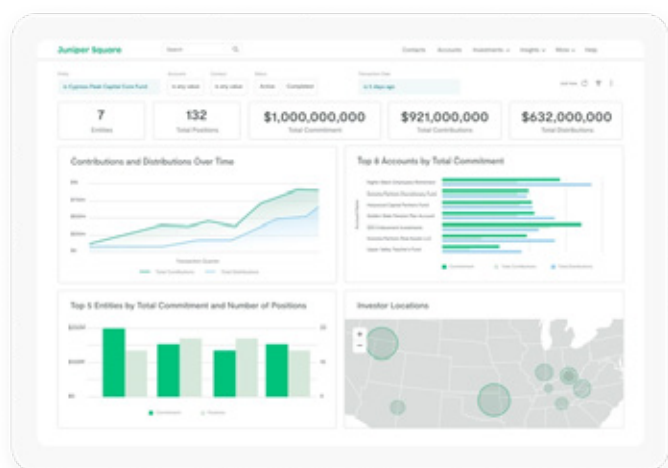
INVESTOR SUPPORT

Sago has recently instituted a number of initiatives to improve and streamline the investor experience.

In 2022, Sago made a significant investment in upgrading our investor portal. The firm migrated its investor portal hosting to San Francisco-based Juniper Square. Juniper is a best-in-class investment management software. Juniper currently hosts more than 1,700 GPs and manages more than 24,000 investments constituting \$2 trillion in assets.

Juniper allows for offering investment enrollment, asset management (with real-time metrics), distribution payment automation, tax document access, and other information updates. All of these features are available at all times via a private login profile.

Juniper Square



Top: 2021 Investor Gift.

The firm also engaged in a campaign to convert all investor distribution payments to ACH transactions rather than checks. ACH distributions ensure more accurate and faster distributions for investors. They also reduce the risk of fraud and theft in traditional paper check payments.

Sago is always evaluating its platforms and processes and continually seeking to improve the investor experience. Expect future improvements in the coming months.

FIRM LEADERSHIP

Sago continues to be led by Seth McKinney, Barry Moore, and Jeremy Osborne. You can read more about each founder on the firm website. Recent personal highlights for each are listed below.



Seth McKinney

FOUNDING PARTNER

Selected as chair of the Brazos Valley Economic Development Corporation

Led nationwide search that secured Susan Davenport as new BVEDC director



Barry Moore

FOUNDING PARTNER

Earned SIOR designation

Continued as Governor Abbott's appointee as chair of the Brazos County Regional Mobility Authority



Jeremy Osborne

FOUNDING PARTNER

Keynote speaker at the Los Alamos A&M Club Muster ceremony in April 2023

Selected by the Arts Council as the 2023 D.A. "Andy" Anderson Award recipient for a lifetime achievement of service to the organization

INTERN PROGRAM

Sago is committed to providing opportunities to students from all backgrounds who aspire to careers in real estate investment and management. The firm offers paid internships to qualified students each semester.

Students may apply directly or through Handshake-the largest digital early career community in the United States. Sago became a Handshake qualified employer in 2023. This qualification made Sago opportunities accessible to more than 12 million students across 1,400 college campuses.

Additionally, the firm provides summer programming for interns of both Sago and Stafford Barrett. Guest speakers share insights on legal matters, accounting basics, marketing strategies, 1031 instruction and other real estate topics. Sago also plans team building and social events for the summer crew.

These efforts not only represent a giveback opportunity for the founders, but they serve as a foundation for long-lasting broker relationships as these talented young people move on to real estate careers across the state and nation.

Some featured interns:



KJ WORLEY

Amarillo native KJ joined us during the summer of 2022 as a rising senior majoring in Finance at Austin College in Sherman, Texas. KJ returned to Sherman last fall to continue her studies.



MATT SCHAUB

College Station native Matt joined us during the summer of 2022 as a graduating senior who majored in Economics at Sam Houston State University in Huntsville, Texas. Matt now works as a research associate at YouGov.



CARLOS ARIZPE

Tucson native Carlos joined us during the summer of 2023 as a senior majoring in Ag Economics at Texas A&M University in College Station, Texas. He is pursuing a career in commercial brokerage.

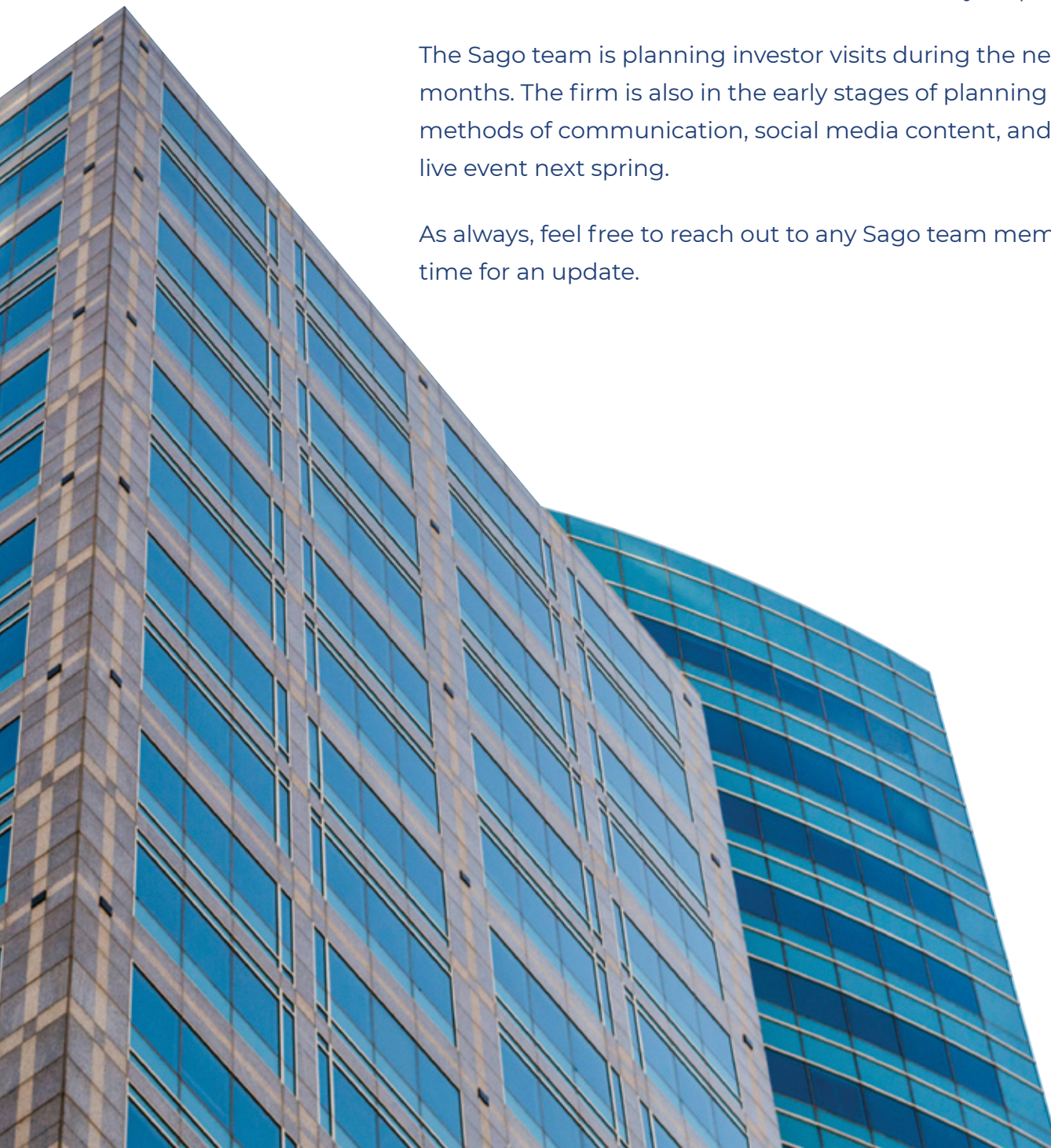
Next Steps...

The firm is anticipating an active 2023-2024. The founders are pursuing assets that meet the Sago investment criteria. Sago is expanding its deal flow pipeline through increased networking with brokers and property owners. Members of the team are attending industry events and regularly contacting brokers in various markets about local developments.

The Sago team also offers incentives to brokers who bring on and off-market deals to the firm that are successfully acquired by Sago.

The Sago team is planning investor visits during the next several months. The firm is also in the early stages of planning exciting new methods of communication, social media content, and possibly a live event next spring.

As always, feel free to reach out to any Sago team member at any time for an update.





sagocap.com

hello@sagocap.com

888-850-3708

@sagocapital

