CAPITAL PARTNERS
GROUP
A PASSION TO PERFORM

www.capitalpartnersgp.com

Someone's sitting in the shade today because someone planted a tree a long time ago.

-Warren Buffet

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TURNING **VISIONS** INTO **PROFITS**

WHO WE ARE

A private company that allows investors to pool their assets in order to seek outsized rewards in real estate and other private business opportunities.

WHAT WE DO

Identify investment opportunities with a high reward to risk profile.

Purchase, manage, and when appropriate, liquidate those assets, returning ongoing cash flow and equity profits to the fund participants.

DEVELOMENT

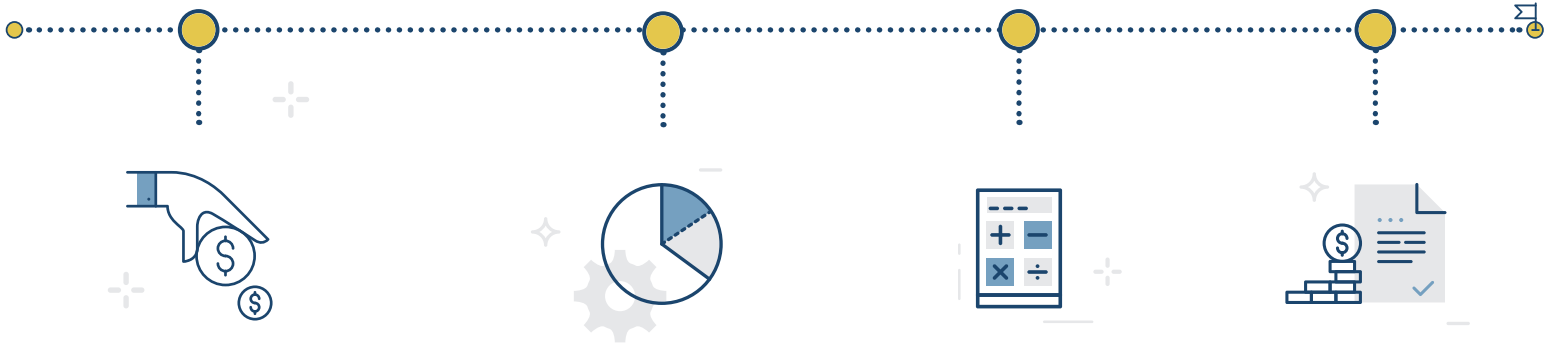
CPG works with nationally recognized builders and developers to identify areas of opportunity for new construction and community development.

REHAB

CPG identifies distressed assets in highly appreciated areas and brings them up to market standards. Upon completion these assets are sold and signiifcant margins are realized.

BUY & HOLD

CPG looks identifies single and milti-family properties in emerging markets. CPG acquires and improves these properties, increasing marginal cash flow, and exiting when profit goals have been achieved.



INDIVIDUAL INVESTORS **POOL MONEY** INTO CPG

CPG **INVESTS** IN DIFFERENT REAL ESTATE & BUSINESSES

SFR Remodels,
SFR Spec Home Builds,
Adult Family Homes,
Rental Portfolios,
Air BnB Model,
Short Duration Lending & Financing,
Targeted Rate of Return to Investor = 14-17%

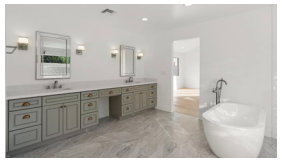
ASSETS PRODUCE **PROFIT**

Capital Partners Group generates income and significant profit margins, returning those profits to the company.

CPG **RETURNS** TO THE INVESTOR **MORE** THAN THEIR ORIGINAL INVESTMENT

Accredited Builders,
Diversified Assets,
Proven Track Records,
Exit Strategies,
Accomplished Team

GET RESULTS



CASE STUDY
3413 N 45th St, Phoenix, AZ

Returns to Investor
+ 23%

Time Frame
7 Months

Annualized
+ 39%

CASE STUDY
5323 E Hillery Dr, Scottsdale, AZ

Returns to Investor
+ 56%

Time Frame
24 Months

Annualized
+ 28%

CASE STUDY
10 Single Family Rentals - OH & MO

Projected Profit
$155,300

Income Total
$273,600

Time Frame
24 Months

Entry
$1,429,000

Rental Income Per Year
$136,800

Exit Price
$1,584,300

WHAT IS PRIVATE EQUITY?

Private equity is a broad term that encompasses a wide range of investments, assets, and other profit generating activities that occur outside of the publicly traded world. Most individuals are familiar with and/or involved in publicly traded securities (partial ownership in companies) and participate in these investments through a stock market vehicle like an investment or retirement account.

Private equity is not traded on a public exchange. It can consist of almost unlimited assets like real estate, service businesses, lending activity, or any other activity that generates profits and value. While the term can seem opaque, most individuals are familiar and involved in a private investment of some form. Anyone who owns a home is already a private equity investor.

WHAT IS A PRIVATE EQUITY FUND?

The easiest way to explain is by using a homeowner as an example. Any homeowner who works and earns a paycheck, and has paid down their mortgage while their home has appreciated, is a product of the basic concept of a private equity fund. A homeowner works (provides value), is paid (generates profit), and then pays a portion of those profits into an appreciating asset (their home). The home appreciates, creating more value, and is sold at a profit.

Another example is someone who lends their brother $50 and gets paid back $55 a week later. This private transaction generates a high profit margin. Outsized reward to risk opportunities like these exist everywhere, but are generally unavailable to the public.

Whether it's real estate, delivering pizzas, or lending money, all these activities generate value and profit. Take this concept and expand it to encompass a pool of money from investors. It is managed by a private company that invests in, manages, and reaps the rewards of all these different activities. Then it shares the rewards with the investors who funded the purchase of these assets in the first place. Instead of owning one income producing rental property, a fund might own 100, diversifying risk and generating more profit than can be accomplished on an individual level.

WHY INVEST IN PRIVATE EQUITY FUND?

Most consumers have exposure to publicly traded securities via the stock market. Company sponsored plans (401k's) are easy to sign up for, the money comes out of their paycheck, and they typically track the broader market to some degree. The actual rate of return varies significantly depending on investment strategies, timelines, fees etc. But, the "average rate of return" means nothing to a 67-year-old who is about to retire right when a global pandemic hits and his 401k loses 35%.

- **DIVERSIFICATION** Investors misconstrue "diversification" as holding a large basket of stocks and bonds. During major cyclical downturns and uptrends, almost all exchange traded securities are highly correlated in the direction they move. A private equity fund is true diversification. It is an entirely separate asset class, generally disconnected from the public market. For instance, in the 2008 real estate crash, single family home values took a significant hit. Rental properties, and peoples' ability to pay rent, generally remained unaffected and the demand for rentals increased during this time. The rental housing market fared comparatively well during this time.

- **RETURNS** While private equity funds can never "guarantee" returns, most ethical funds will never advertise a "target rate of return" that they cannot be reasonably achieved. Because the fund pays a return and splits the overall profits of these investments, investors should expect significant returns during good economic times and a baseline minimum return, even during difficult economic times. Most importantly, having investments that are non-correlated with traditional investments provides an important hedge against having all eggs in one basket, with the potential for significant gains.

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THESE FUNDS HOLD A LOT OF REAL ESTATE, AREN'T WE IN A BUBBLE?

Anyone who tells you they know where the market is headed is making an educated guess at best. Prior to 2008 no one leveraged themselves thinking they would go broke in 18 months. Instead, someone stood inside a San Francisco condo 5 years ago and said it would never be worth a penny more. The S&P 500 peaked in Oct 2007 during the housing run up. 18 months later it bottomed and lost more that 50% of its value. Four years later it regained all its losses. At that point many experts proclaimed a new bubble, foretold another crash, sat on their cash, and then missed out on massive gains as another 6 year climb more than doubled the index and investors' money.

The point? Trying to time any market is a fool's errand. By investing conservatively, using low leverage, strategically identifying emerging markets, and diversifying across myriad asset classes, in a good private equity fund can minimize risk while maximizing profits. While all investments involve risk, there is a 100% chance that not accepting some risk will result in zero gain.

WHAT DOES CAPITAL PARTNERS OFFER?

We offer of two different investment models with different return structures and different amounts of risk. They serve different functions in a clients' overall financial plan.

- **CASH FLOW** offers structured notes with a preferred rate of return. This is preferred interest rate debt payment to an investor for the use of their funds to generate profit. The preferred rate of return is paid before equity investors and is a debt obligation of the fund. For investors who elect this structure, the benefit is that their payment is not tied to the performance of the underlying assets owned by the fund. Real estate and businesses take time to generate profits, and those looking for consistent cash flow and safe returns enjoy knowing that their payment is coming on a set schedule, should not be lower than the proffered rate, and in the event the fund is unprofitable for a period, will be made up before other equity holders or the fund enjoy a profit. This structure is fantastic for someone looking for passive income and a lower risk profile.

- **EQUITY** is a return structure that is a combination of a lower preferred rate of return combined with a profit share of total fund returns. Investors who elect this relationship purchase shares of the overall fund and are equity stakeholders. As income and profits are generated by the fund those profits are split between the fund and the investors. There is the potential for a higher return on investment because these investors share the risk of the underlying investments. Once the preferred return is paid an investor may experience large returns from the sale of multiple assets. If market conditions deteriorate, assets must be held until conditions improve, and the fund may not provide anticipated returns for some time.

WHAT RETURNS SHOULD I EXPECT & WHAT ARE THE FEES?

Every fund sets its own profit share and management fee structure. These involve a profit share ratio and a management fee structure. Most funds know what profit margins they need to maintain profitability. They will then advertise a "target rate of return." This is generally a safe number the fund can use to set expectations based on past performance and current market conditions. Capital Partners always seeks to "under promise and over deliver." This targeted rate of return is a general expectation of the net return to the investor on their money. Under favorable market conditions the fund may outperform, and under adverse market conditions the fund may underperform this number, but investors should generally expect this ballpark for returns.

The amount of manpower and labor required to administer all the underlying investments and projects in a fund is significant. Consequently, private equity funds typically have a management fee that appears higher than that of a publicly traded security. However, what many conventional investors with money managers do not realize is they may already be paying almost as much for investments that have lower returns. A majority of money management companies take commissions out of investors assets, charge a management fee, and invest in funds that also take a significant fee. In the end a private equity fund may return much greater profits with a much more transparent (and similar) total cost.

The most important thing to investors should be their net return. A fund may have a smaller or larger management fee, return a larger or smaller profit split to the investor, or have any number of other revenue sharing schemes. In the end, it is the net return on principal that goes back into an investor's bank account. These fees and profit structures are uniform for all investors in the fund as they are all pro rata owners and are treated equally.

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