2023 ANNUAL REPORT

HARRIS INVESTMENT GROUP

APRIL 2024

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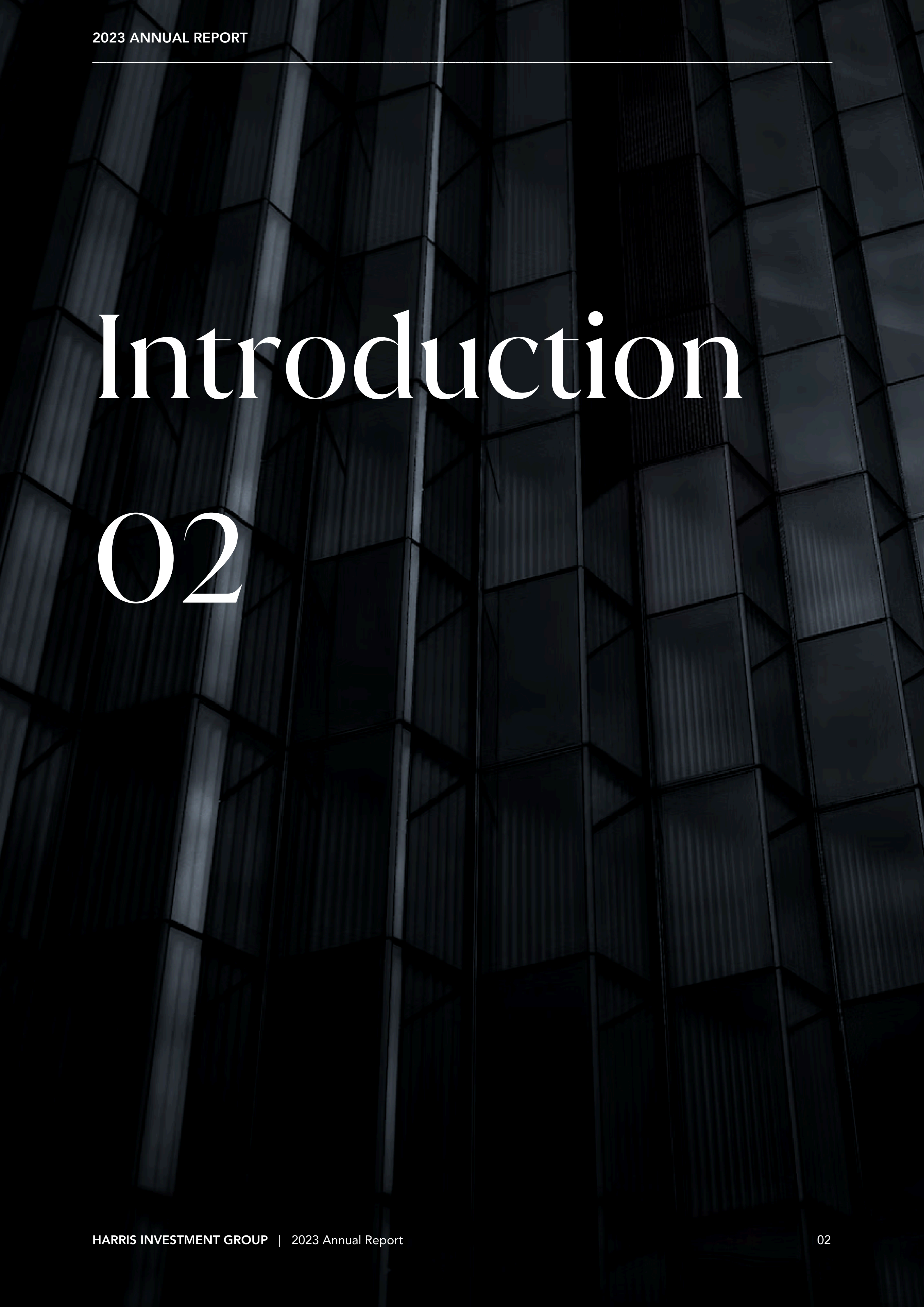


Introduction

02

LETTER FROM OUR CEO

JASON HARRIS
Founder & CEO

Dear Investor Partners,

As I reflect on the past year, 2023 marked another significant chapter in the growth of our firm. It was a year of resilience, growth, and strategic adaptation in the face of evolving market dynamics. We are grateful for your continued trust and partnership as we navigate through challenges and opportunities together.

In 2023, we witnessed remarkable milestones and transformations within our firm. It was a year of consolidation and expansion, where we fortified our position as stewards of your investment capital while embracing change and new strategic and operational opportunities.

Below I will highlight a few learnings from this past year:

- Our team, now comprising 15 corporate employees, continued to evolve in expertise, ensuring that we are well-equipped to navigate the complexities of the ever-changing investment landscape.
- We adapted our acquisition model, refining key variables and optimizing investment criteria to protect against downside risks inherent to the current market landscape.
- Our disciplined approach to asset selection coupled with a challenging market resulted in 7 total asset acquisitions, much less than what is typical.
- Despite market volatility and economic fluctuations, we upheld our unwavering focus on executing our value-add strategy across our portfolio, offsetting market cap rate expansion with forced appreciation through our value-add process.
- We remained committed to our investment principles, diligently pursuing good assets at great prices using active management strategies that can outperform across market cycles.
- Our investment thesis remains anchored in the enduring strength of real estate assets and value-add execution strategies to generate optimal risk-adjusted returns and long-term value for our investor partners.
- As we look ahead to the future, we are optimistic about the opportunities that lie ahead, both within our existing portfolios and in the broader market.
- We are unwavering in our commitment to excellence, transparency, and accountability, ensuring that we uphold the highest standards of integrity and fiduciary responsibility in managing your capital.

We extend our deepest gratitude for your continued trust, support, and partnership. Your confidence in our team and our shared vision propels us forward as we strive to deliver strong returns and enduring value for our investor partners.

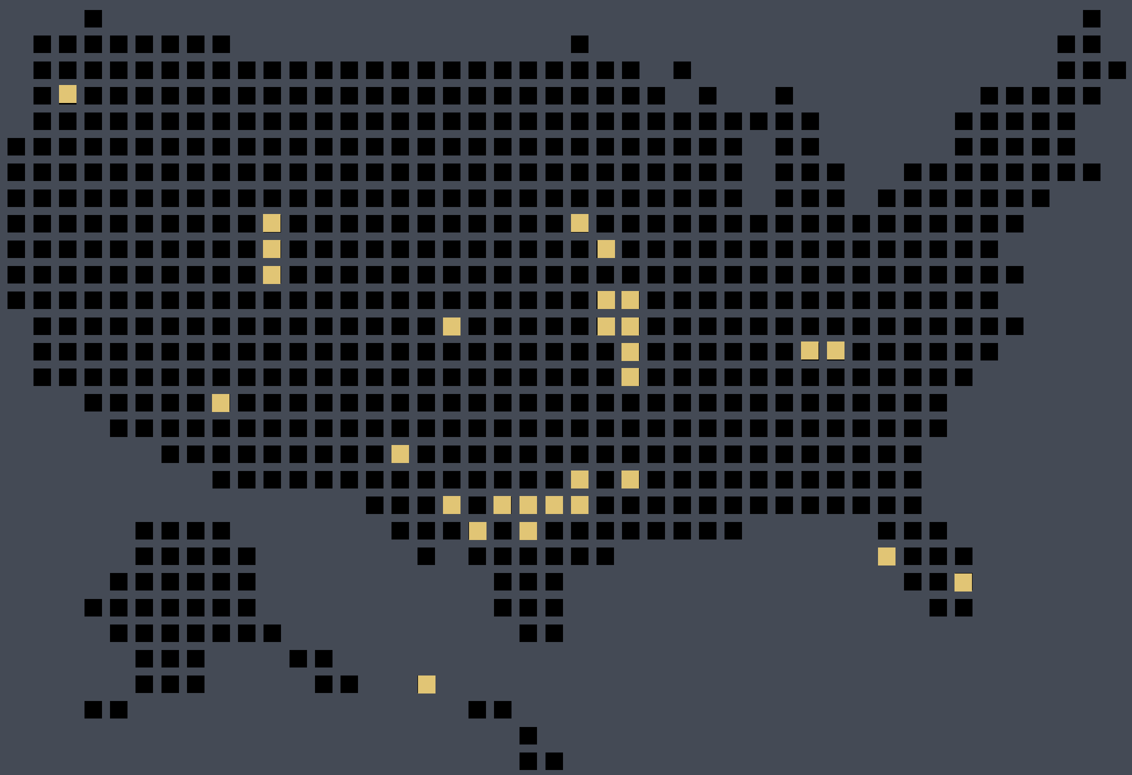
Jason Harris
Founder & Chief Executive Officer

The Firm Today

$200M
ASSETS UNDER MANAGEMENT

53
TOTAL FIRM ASSETS

$400M
PORTFOLIO HOLDINGS VALUE



KAUAI, HI
GARDEN CITY, UT
SALT LAKE CITY, UT

WHITE HILLS, AZ
LAMAR, CO
PERMIAN BASIN, TX

HOLSTEIN, IA
KANSAS CITY, MO
DFW, TX

LOUISVILLE, KY
TAMPA, FL
MIAMI, FL

"Total Firm Assets" includes all real estate assets, development projects, multifamily, gas station, and truck stop properties.
Each gold star on the map represents one or more assets in the firm portfolio.

2023 Highlights

2023 combined exciting opportunities and new challenges in nearly every facet of our business. Despite the unique market we encountered, we were pleased to have accomplished the goals we set out to achieve.

JESSE YEATS
Head of Investor Relations

ONE OF THE MOST impactful themes of 2023 was seeing less deal flow than what was anticipated. With the unprecedented rise in interest rates, we expected a commensurate increase in distressed deals to flood the market in the second half of the year. While we were able to acquire seven new assets by year end, it amounted to only a fraction of what we expected. As deal volume is vital in building out a diversified fund, the state of the market led to the decision to not raise a new fund. Instead, we decided that we would extend our typical syndication period during the first half of the year through the later half of 2023 as well. The silver lining brought about by this market condition was the ability to shift additional focus from the Acquisitions to the Asset Management side of our business.

The first step to strengthen our Asset Management business was clear—we needed additional staff to provide our existing portfolio with greater oversight. During 2023 we added 3 new employees to the Asset Management team. This expansion of the team was part of a larger strategic shift on how we would run this division of our business going forward. In the early days of the firm, HIG ran Asset Management in-house but as the firm portfolio grew, greater levels of oversight was needed for our expanding property footprint. In response to the firm's growth in 2020 and 2021 we formed partnerships with large property management firms to provide greater breadth and efficiency to our property management process. However, while this move to partnering with outside firms improved our business operations, there were still deficiencies that needed to be solved. In early 2023 we determined that a hybrid model that combined Asset Management corporate staff and third-party property managers would incorporate the best of both models. This hybrid model would include the systems and efficiencies provided by our third-party partners with greater oversight from the HIG Asset Management team. Importantly this oversight was aided by having the new team located in one of our primary markets, Kansas City,

The growth of our team wasn't limited to only the Asset Management team. Additional hires within our Investor Relations and Acquisitions teams brought more talent to aid the firm's mission in its current stage of growth. Now with a corporate team of 15 team members, the firm is better equipped to manage our existing portfolio and take on opportunities for growth in years to come.

ACQUISITIONS

MULTIFAMILY

Beginning in Q1 we saw the closing of SunTree Apartments, a 216-unit apartment complex in Kansas City, Kansas. Later in Q1, with what could be considered a return to our roots, our Acquisition team pursued a strategic opportunity to acquire a small multifamily community in Ogden, Utah. With the successful acquisition of this asset, HIG was able to place 1031 capital from a group of investor partners that had previously sold a SLC property in late 2022. Moving into the middle of the year, we were pleased to syndicate two multifamily properties through a combined SPV. The first, South Gate Manor Apartments, a 158-unit Class C multifamily property located in DFW, Texas and the other, The Launch Portfolio, a 231-unit Class C multifamily community located in Louisville, Kentucky. In total the firm raised $20M in equity for multifamily properties in 2023, adding 644 multifamily units to the firm portfolio.

The first step to strengthen our Asset Management business was clear—we needed additional staff to provide our existing portfolio with greater oversight.

TRIPLE NET LEASE GAS STATIONS

Similar to the multifamily sector, we saw an equal level of deal flow in the gas station sector. Though depreciation benefits incrementally decrease with each passing year, investor demand for this asset type remained strong due to the Triple Net Lease model and the potential for high yield returns. In the Spring we were excited to expand our gas station footprint in Louisiana with a new operator relationship. Later in the Fall we closed on a gas station/truck stop in which the operator will be converting the brand to a TA Center. This being the third asset that we have acquired with this operator who runs this TA Center conversion strategy, we were excited to repeat the success we have seen with their other locations. The 4th quarter of the year brought along its typical level of intensity for the firm’s Acquisition team, but ultimately didn’t play out as we had expected. We were disappointed to find out in late December that a gas station we had under contract caught fire rendering it inoperable until the damaged portion was reconstructed. In discussing options with the seller and lender it became clear that it wouldn't be possible to move forward with the acquisition, disappointing the handful of investor partners that had committed investment for the deal. In total for 2023, the firm raised and closed on $9M in equity for gas station assets.

DEVELOPMENT

We were excited to take on a new development project in 2023— a luxury spec home in Kauai, Hawaii. While on the surface this project doesn't seem to include the typical characteristics of our value-add investments, this opportunity combines other points of value that we believe will deliver meaningful returns to our investor partners.

This development opportunity came about organically as Jason Harris worked on purchasing a spec home for his family in Kauai. Jason had the opportunity to get to know the builder well and was impressed with the team's unique value proposition. The builder combined three strategic advantages within their build process that allow them to build luxury homes faster, with premium-grade materials, and at a lower-than-market cost. This value proposition is accomplished through the builder's relationships and partnerships and impacts the speed and cost of construction. Through a combination of valuable municipal relationships (that expedite the build permitting process), access to low-cost, premium-grade materials from overseas, and the use of prefab modular construction (reduces labor costs) these three advantages create an attractive high-growth return profile. For this first luxury spec home the firm raised a modest $3M in equity.

DISPOSITIONS

With the aforementioned market conditions throughout 2023, we were uncertain as to how many of the assets in the firm's portfolio would be sold. With rates remaining high and steady through the first three quarters of the year, we weren't surprised by the lack of buyer activity. However, a sudden decline in the 10-year Treasury in the fourth quarter prompted a spike in buyer interest that led to the sale of 3 portfolio assets, impacting two of the firm's funds as well as our syndication portfolio.

MULTIFAMILY

Impacting the firm's Syndication and Fund I portfolios, we were pleased to see the disposition of Parkville Place, a 164-unit fourplex community syndication property located in Kansas City, Missouri, and Riverside Heights, a 108-unit apartment complex owned by Fund I, also located in Kansas City. Both properties were held for less than 3 years, ahead of the investment duration targets. HIG's Asset Management was able to finish the full scope of the value-add plan which included exterior and interior renovations for all property units. These renovations along with the high 95% occupancy rate made both assets very attractive to the buyer who wanted to acquire fully stabilized assets.

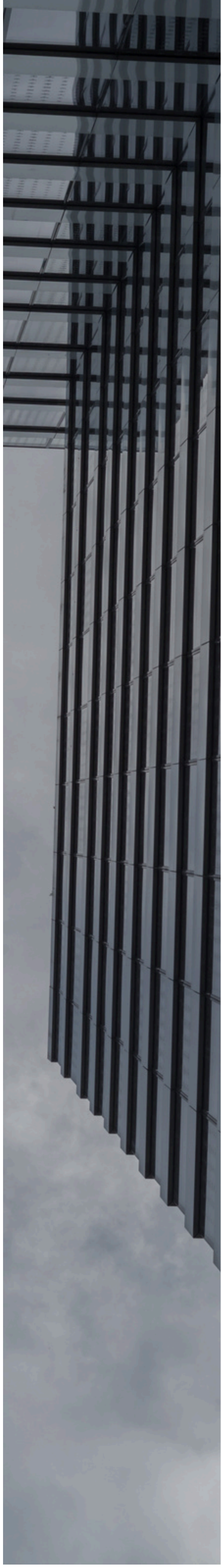
Hindsight would label our entry point as a peak of the real estate market and our exit as a trough —a classic "buy high sell low" timeframe. However due to our forced appreciation (value-add) strategy we were able to generate high returns despite the down market.

The highlight for both of these properties were the realized returns which act as the perfect case study for the value-add strategy we run at HIG. We achieved a 16.5% and 18.5% gross IRR for Parkville Place and Riverside Heights respectively. From an absolute return basis, these returns lag our guidance of 20% (our standard IRR target for multifamily assets of our typical vintage, class, and strategy). However, from a relative return basis, we couldn't be more pleased with the realized returns relative to the performance of other asset classes during the same investment period. Both assets were acquired in Q2 2021 and sold in Q4 2023. Hindsight would label our entry point as a peak of the real estate market and our exit as a trough —a classic "buy high sell low" timeframe. However due to our forced appreciation (value-add) strategy we were able to generate high returns despite the down market. This downside protection is one of the primary reasons why multifamily has such an attractive risk/return profile and why we consider it our favorite sector within real estate.

TRIPLE NET LEASE GAS STATIONS

The Special Opportunity Fund was able to see the first portfolio disposition in the fourth quarter — Trestle Station, a gas station located in Lake Stevens, Washington. The investment period of this disposition largely overlapped that of the multifamily assets discussed before, and was heavily impacted by the rise of interest rates. Similar to most asset classes and investment vehicles, gas station assets are interest rate sensitive. However, due to the strong performance of the operator during the investment period, we were thrilled to sell the asset for a modest gain. This exceeded our expectations and was a real win for the fund.

The majority of the sale proceeds were used towards a refinance of the 2nd tranche of the Jack Store loans and will be recouped upon the sale of the assets as the funds went towards principal pay down. A small portion of the proceeds were reinvested into a multifamily property, The Carriages, an apartment complex located in DFW, Texas. This investment marked the first reinvestment in the fund as part of the asset rotation strategy that will continue as we rotate out of the original assets acquired in the portfolio.

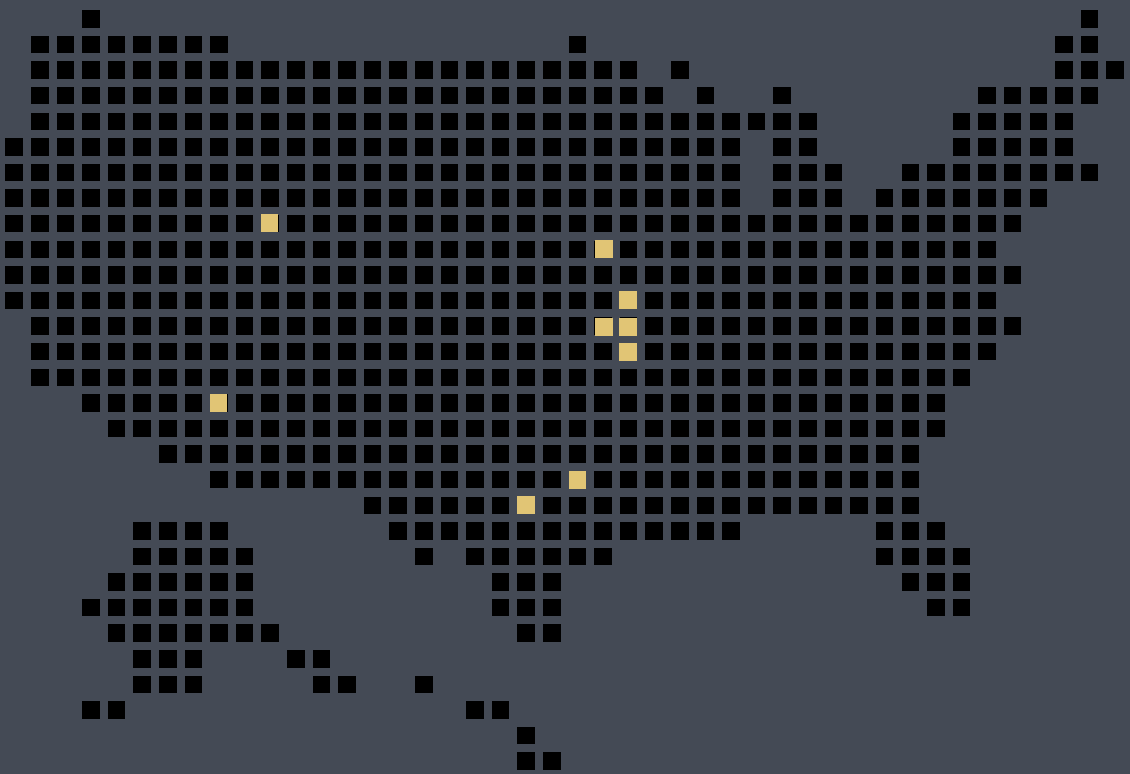


Investment Funds

09

HIG RE Fund I

$23M	9	2
TOTAL FUND EQUITY	REMAINING FUND ASSETS	ASSET DISPOSITIONS



GARDEN CITY, UT
WHITE HILLS, AZ
KANSAS CITY, KS

KANSAS CITY, MO
JOPLIN, MO
HAMPTON, IA

DALLAS, TX
FORT WORTH, TX

FUND I

As is the case with each year, Fund I saw both growth and challenges across its portfolio throughout the year. Now entering the third year of the fund, we are working to position the stabilized fund assets so they can be marketed for sale during 2024.

18.5%

Riverside Heights gross realized internal rate of return (IRR)

SUCCESSES

In the face of challenges, Fund I has achieved many notable successes throughout the year. Riverside Heights, a 108-unit apartment complex in Kansas City, MO, exceeded pro forma targets by completing renovations, stabilizing the property, and selling before the 3 year mark. Moreover, the sale of Riverside Heights in Q4 generated an impressive 18.5% IRR, demonstrating the effectiveness of our investment strategy even in down markets.

25%+

Average rent rate growth across all multifamily properties in the Fund I portfolio

With the exception of two of the fund's assets (Bear Lake Vistas and Marabella) all other properties progressed into Phase 4: Stabilization, marking another milestone in the fund's progress. Phase 4 represents the final stage in our business plan and will allow each property to be listed for sale on the market. For our northern Utah development project, Bear Lake Vistas, we were able to complete the marketing package that will allow for our start of pre-selling luxury townhomes, first to our investor partners, then to the general public.

Rent growth across Fund I properties has been a significant success in 2023, playing a crucial role in maximizing net operating income. Eagle Manor, Indian Creek, Marabella, Village O & Parkway Terrace, and Fox Creek have all seen a 25% or more increase in post-renovation rental rates. These rental bumps all exceed our pro forma targets which underscore the effectiveness of our value-add strategy and our ability to acquire undervalued properties.

SETBACKS

Supply chain disruptions and labor shortages impacted renovation pace across properties such as Indian Creek, Marabella, and Village O & Parkway Terrace. While these delays are not fatal to the long-term viability of these assets, these delays have impacted renovation timelines which in turn impact internal rate of return (IRR), a time-weighted return.

Apart from delays caused by labor and materials, third-party insurance companies and municipal authorities also played a role in causing timeline delays. After an apartment fire impacted 24 units of Marabella in Q4 2022, we have worked tirelessly with the insurance company to take next steps in reconstructing the impact part of the property. Unsurprisingly the insurance company has not acted promptly through this process which has led to the delay in beginning reconstruction throughout 2023. Concurrently the HIG Asset Management team has been working with city officials on permitting which has also taken longer than expected. With our current status in mind we expect to start seeing progress with Marabella mid-2024.

Lastly, Bear Lake Vistas experienced delays in the horizontal work through the early and mid part of 2023. These delays coupled with the sequential nature of development projects ultimately led to postponing the first phase of vertical construction until 2024. Delays to the Bear Lake Vistas development are not new and are common in ground-up development. Notwithstanding timeline setbacks already experienced, we believe the project will yield meaningful returns to Fund I investor partners.

OUTLOOK

Looking ahead, our outlook for Fund I remains optimistic. While the returns will be impacted by interest rates and the sentiment of the broader economy, as well as the timing of remaining asset dispositions, we know that focusing on what is in our control will yield the highest returns. In 2024 we will remain steadfast in our commitment to maximizing value through this third year of the fund.

Special Opportunity Fund

$43M

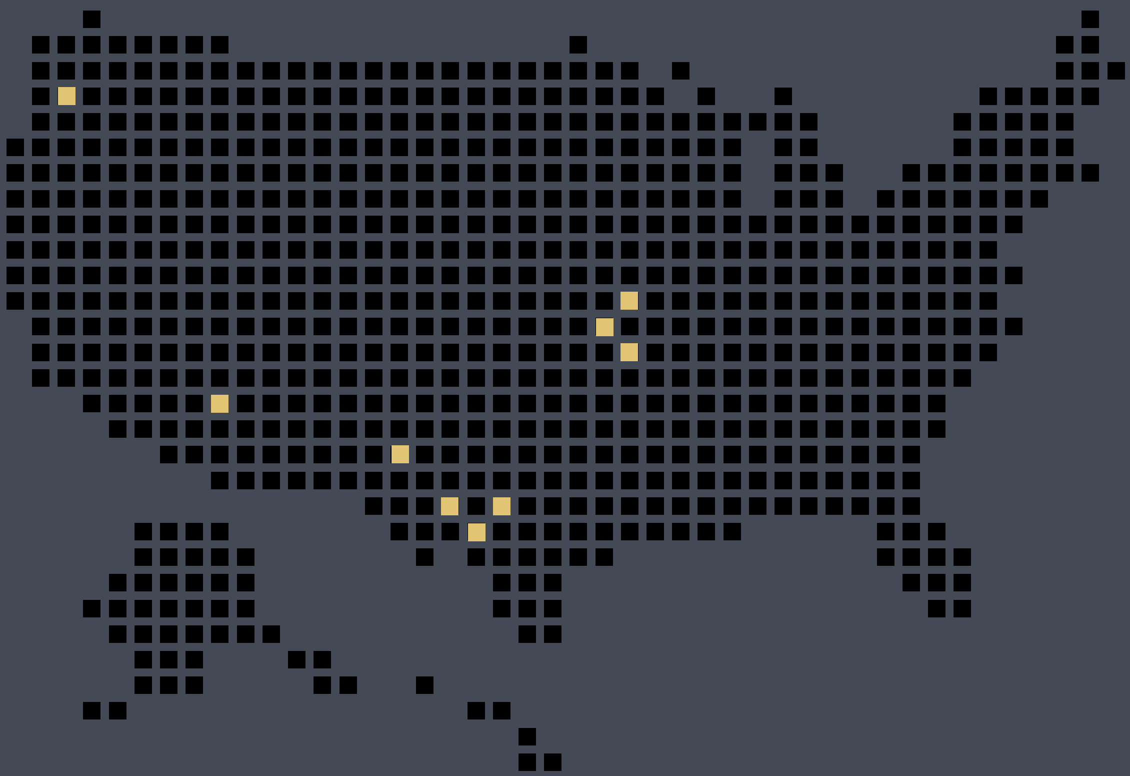
TOTAL FUND EQUITY

6

TOTAL FUND ASSETS

1

2023 ASSET DISPOSITIONS



WHITE HILLS, AZ
KANSAS CITY, KS
KANSAS CITY, MO

MIDLAND, TX
SAN ANGELO, TX
ODESSA, TX

ALMOGORDO, NM
LAKE STEVENS, WA

"Total Fund Assets" includes asset portfolios that include multiple separate assets.

SPECIAL OPPORTUNITY FUND

2023 was the second year for the five-year Special Opportunity Fund (SOF). Given the interest rate environment through 2023, much of the year required patience in executing our strategy. While there was some progress throughout the year, now that we are beginning our asset rotation strategy out of the fund's original portfolio in 2024, we expect many more success stories moving forward.

Fox Creek, a 144-unit apartment complex in Kansas City, Kansas, began the year with 70%+ occupancy and ended the year with a trending occupancy of 91%.

SUCCESSES

Fox Creek and Somerset Villas each shared the spotlight throughout the year as these multifamily properties surpassed pro forma projections in rental rates and occupancy levels. Fox Creek, a 144-unit apartment complex in Kansas City, Kansas, began the year with 70%+ occupancy and ended the year with a trending occupancy of 91%. This was the result of management changes and resilience in leasing execution by our on-site property management team. Similarly, Sommerset Villas in Missouri demonstrated robust cash flow throughout the year due to its above pro forma rents and 90%+ occupancy. These stabilized properties are expected to sell sometime in 2024.

Late in Q2, the fund initiated its strategic asset rotation into multifamily, listing the first gas station assets for sale. Unfortunately our listings weren't met with genuine buyer interest, primarily due to the persistent increase of interest rates until the beginning of Q4. As mentioned previously, the dip in rates that began in late October stimulated a spike in buyer activity that led to sale of Trestle Station, the first SOF asset sold in the portfolio. This sale was important as it was part of the overarching plan to rotate existing properties into new assets, but it also satisfied a critical cash need for the fund— a refinance of a portion of the West Texas Jack Store gas stations. By using the majority of the sale proceeds for the refinance, we were able to refinance into long-term debt with the proceeds applied to principal pay down.

SETBACKS

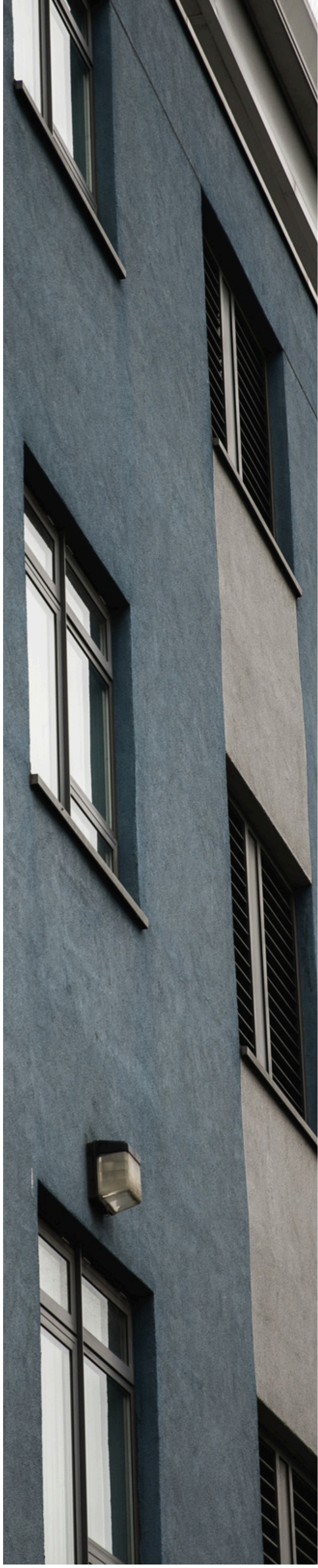
The impact of interest rate hikes that persisted through most of 2023 necessitated the continued suspension of distributions through most of the year, having only made a modest distribution in the Q1. Additionally we prioritized cash reserves for upcoming refinances and asset rotations and will continue to operate judiciously

While these decisions were necessary to ensure the long-term stability and growth of the fund, they underscored the dynamic nature of the real estate market and the need for conservative risk management in response to changing market conditions.

as we move into 2024. While these decisions were necessary to ensure the long-term stability and growth of the fund, they underscored the dynamic nature of the real estate market and the need for conservative risk management in response to changing market conditions.

OUTLOOK

Looking ahead, the outlook for the Special Opportunity Fund remains promising. Our multifamily properties continue to serve as strong pillars of performance and value creation. With the Fed having reversed from their hawkish stance on interest rates, it is likely that the worst is behind us in terms of interest rate increases and its correlated cap rate expansion. This bodes well for the fund's portfolio as we move into 2024 and look to rotate the current positions into new assets. As we sell fund assets throughout 2024 we expect to find appropriate growth and income opportunities that we can acquire using the sale proceeds via a 1031 exchange.



HIG RE Fund II

$25M

TOTAL FUND EQUITY

9

TOTAL FUND ASSETS

893

MULTIFAMILY UNITS

KANSAS CITY, KS
KANSAS CITY, MO
LOUISVILLE, KY

DALLAS, TX
FORT WORTH, TX
LAMAR, CO

TAMPA, FL
MIAMI, FL

FUND II

Fund II commenced in the late Spring of 2022 and successfully concluded its fundraising efforts by the end of the year, making 2023 the first full operating year of the fund. The core strategy of Fund II comprises a balanced asset mix, with approximately 75% allocated to multifamily properties and 25% to gas stations. This strategic allocation enables us to pursue our dual objectives of achieving growth of investor capital and optimizing tax efficiency for our investors. With a broad portfolio of assets across multiple markets, 2023 saw both successes and setbacks that warrant mentioning.

110%

1st year depreciation loss achieved, 10% over the 100% target

SUCCESSES

In the first quarter of 2023 we closed on the acquisition of Suntree Apartments, a 216-unit complex in Kansas City, Kansas. This acquisition not only expanded our portfolio but also enhanced our market diversification, adding more weight to the Kansas City market which balanced our existing allocations of Dallas Fort-Worth and Louisville.

Phase I work makes up the focus of value-add efforts during the first year of multifamily assets. On the renovations front, this includes focusing on exterior renovations and landscaping. Additionally, since Phase I efforts focus on improving the property without needing to impact tenant occupancy, common areas like hallways and other shared spaces are also included. These efforts began in 2022 immediately upon takeover of each of the fund's six multifamily properties and continued into 2023. Apart from renovations, Phase I always includes the eviction of long-term delinquent or unruly tenants. While this effort to maintain a healthy tenant base continues throughout the entire duration we own a property, the largest lift of this effort is during Phase I.

In addition to the exterior projects we were pleased to see a decent pace in renovation progress in interior renovations throughout 2023. Apart from Riverside View which is already renovated, we expect that the other five multifamily properties will exceed >40% in total units renovated by mid 2024. By Q4 Fund II had progressed into Phase 2 with all fund properties having moved on to interior renovations. This period will include lower occupancy which will be monitored by the Asset Management team.

>40%

Projected percentage of total units in the Fund II portfolio that is expected to be complete by mid 2024

SETBACKS

Fund II faced a number of challenges throughout 2023. Due to the triple net lease nature of the fund's gas station assets, these challenges were specific to the fund's multifamily assets.
Property management personnel was at the forefront of setbacks faced by the properties in the fund II portfolio. These staffing issues varied by location but the reduced level of on-site attention caused by personnel disruption manifested itself in many ways. At Luna Blanca the frequent turnover of onsite staff was a catalyst for mismanagement of the tenant base. Over time this led to greater than expected vacancy rates due to unqualified tenants being allowed to live at the property. At SunTree Apartments, staffing problems led to delays with local construction crews which prolonged renovation progress. While these problems have been addressed by the Asset Management team, the delays in our value-add plans for these properties had to be overcome throughout the year.

Unfortunately there were also setbacks to the Fund II portfolio that were outside our direct control. One of the most impactful setbacks experienced by the Fund II portfolio (and more broadly, the DFW market as a whole) was the rise of insurance costs across the portfolio. These increases are material, sometimes to the tune of 3x increases in annual insurance premiums at the property level. As we started to see these nationwide increases materialize across our portfolio we began the process of setting up a firm captive insurance program so we can keep insurance premium costs under control. This insurance initiative will move into 2024 as we work on deploying the program. In addition to insurance costs, Property taxes also had a sizable impact on the fund's properties. Similar to insurance, the increases in property taxes seemed to disproportionately impact the firm assets in the DFW market.

OUTLOOK

Looking ahead, our focus remains steadfast on executing value-add strategies across the Fund II portfolio. For the fund's multifamily properties, this means driving interior renovations forward at a quick, albeit stabilized pace, as we also manage the higher vacancy that accompanies interior renovation efforts. As we have worked hard at getting the right onsite management in place, we will also be focusing on enhancing tenant satisfaction which will drive retention as we work on implementing new rent rates across the fund portfolio.

With only one full year into running the Fund II portfolio we are pleased with the progress we have made and look forward to seeing the impact of our value-add plans in 2024.

Syndication Investments

$48M

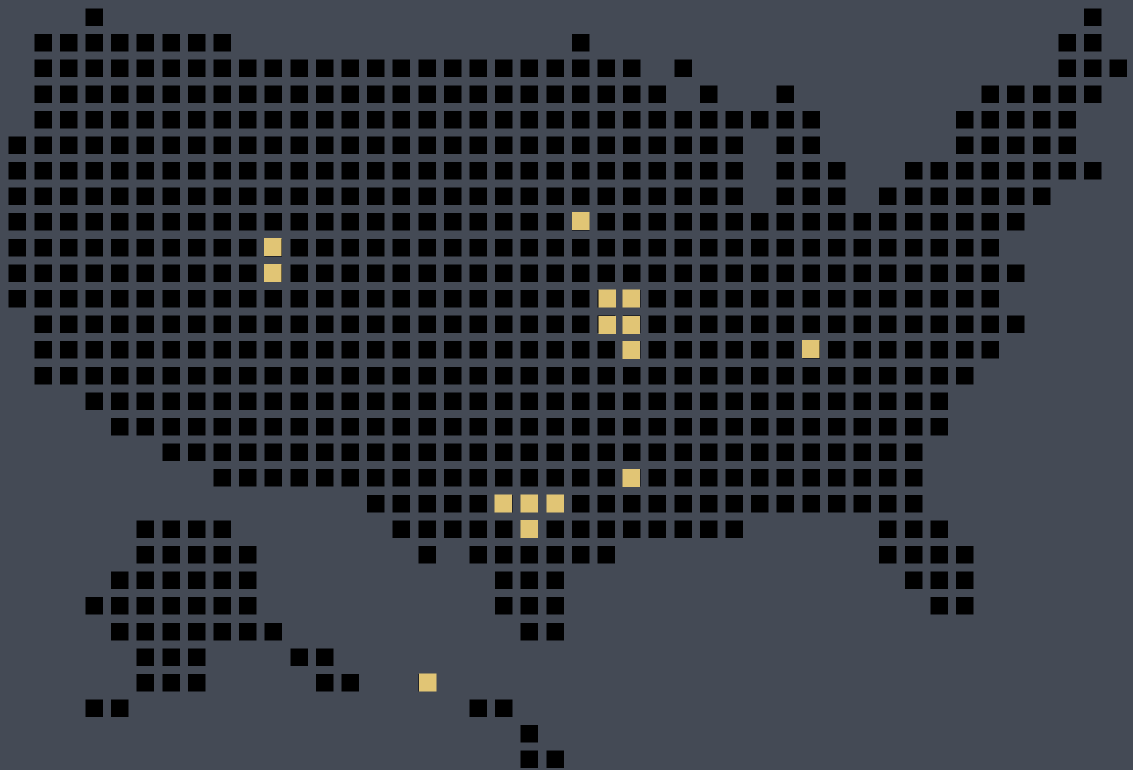
ASSETS UNDER MANAGEMENT

15

TOTAL SYNDICATIONS

10

TOTAL MARKETS



KAUAI, HI
SALT LAKE CITY, UT
OGDEN, UT
MIRA, AR
FORT WORTH, TX
DALLAS, TX
HOLSTEIN, IA
KANSAS CITY, MO
KANSAS CITY, KS
LOUISVILLE, KY

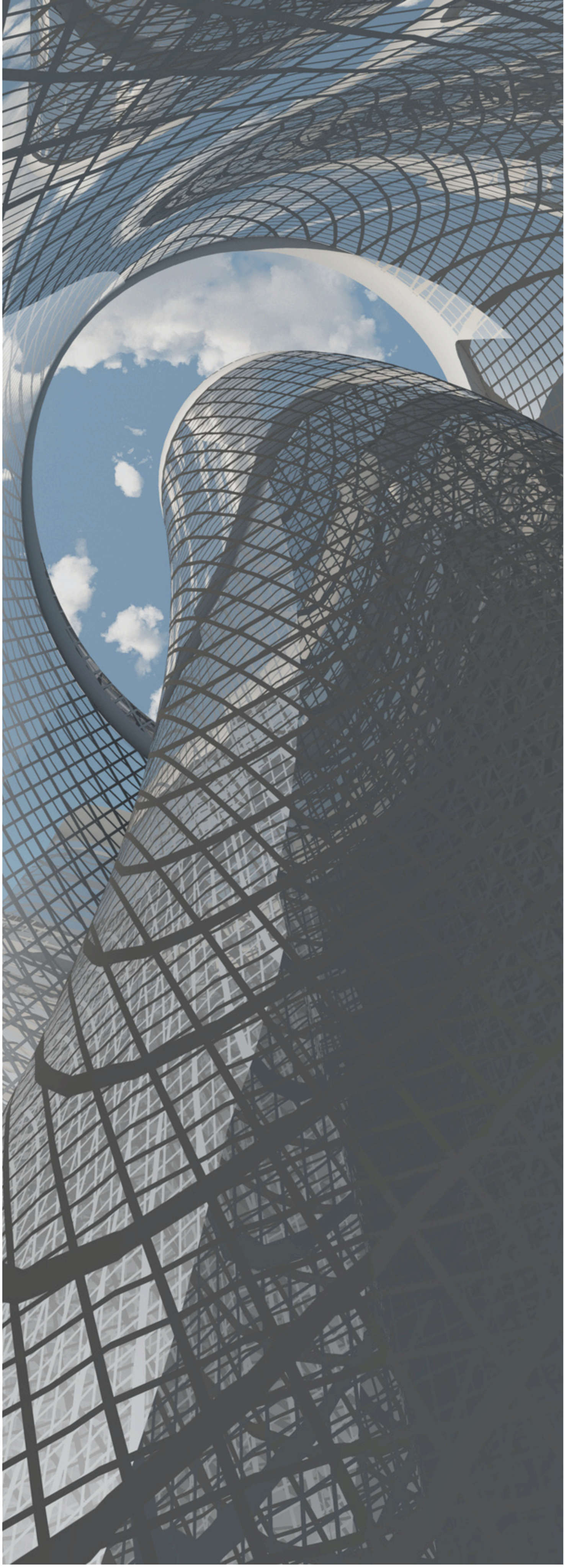
"Total Syndications" include multiple types of real estate assets including development, multifamily, gas station, and truck stop properties.

SYNDICATIONS

At HIG we provide direct investment opportunities in addition to our traditional private equity fund model. These direct investment vehicles include syndications, where we work with a group of individual investors in acquiring a single property (opposed to a fund that includes multiple assets). Additionally we offer co-investment opportunities, also known as sidecar investments, where investors can invest directly into a property which is being included in a broader fund offering. Both syndications and co-investment opportunities include three features that distinguish them from fund offerings. First, as direct investments, investors are direct-on-title owners of the underlying property. Second, as a direct owner, 1031 exchange flexibility is guaranteed when the asset is sold. Third, direct investments on title can facilitate incoming 1031 funds.

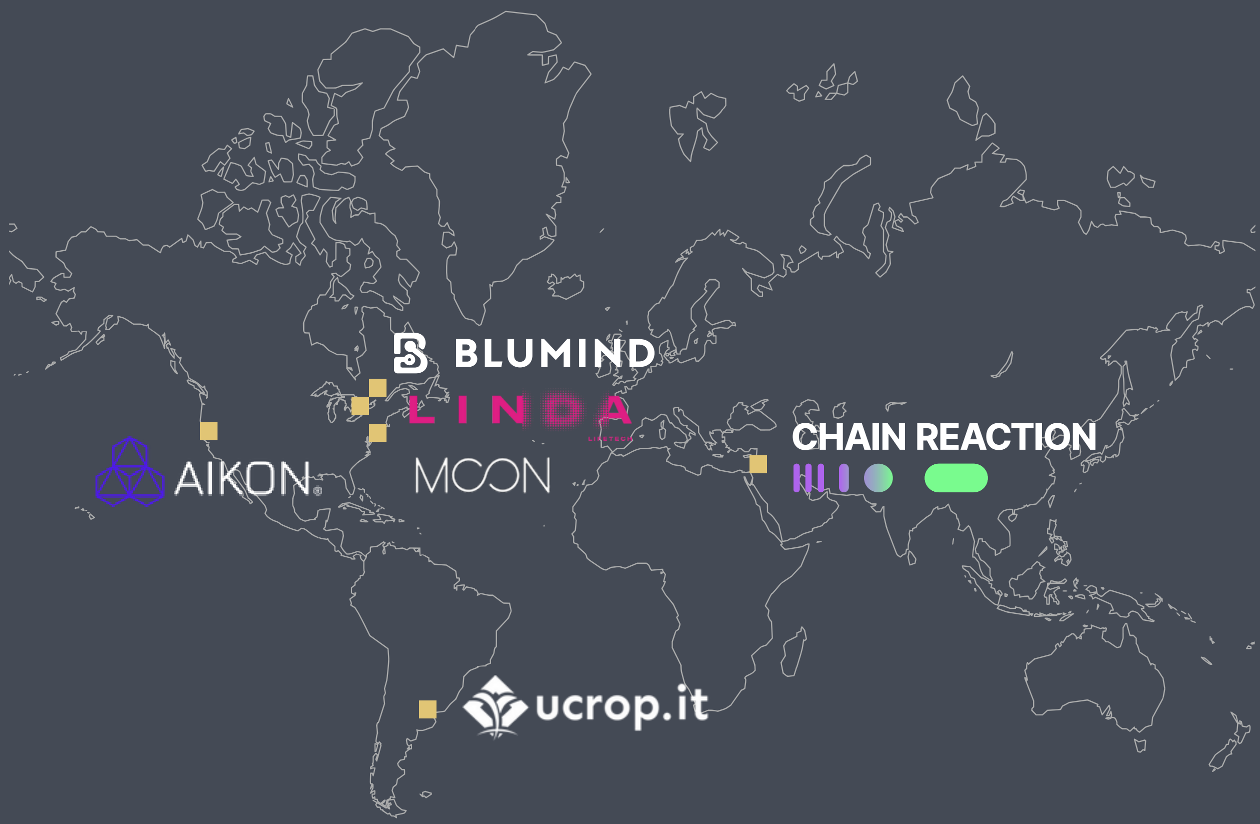
Four multifamily properties were acquired during 2023, expanding our syndication footprint. Altogether the firm's syndication portfolio varies in its goals and objectives. Each property has its own investment duration timeline, value-add phase, and investment objective. While each property has a unique operating directive, we purposefully syndicate properties that are in our core markets. This allows our Asset Management team to incorporate them into the local ecosystem so each property can benefit from operation efficiencies within property management, renovation construction, and corporate oversight.

Though no one knows what the 2024 real estate market will look like, we can say definitively that we will continue to offer direct investment opportunities to our investor partners throughout the year.



Harris Yugen Venture Fund

6	88%	2
PORTFOLIO COMPANIES	COMMITTED CAPITAL INVESTED	2023 INVESTMENTS



SAN FRANCISCO, US
NEW YORK, US

ONTARIO, CA
BUENOS AIRES, AR

YOKNE'AM ILLIT, IL

Harris Yugen Venture Fund

MATT DENNING
Chief Investment Officer

2023 was not the year many thought would unfold across the entire investment landscape. Many markets saw a decent rally in the first half of the year unravel in Q3, retracing those gains, followed by a Q4 which led to meaningful returns in many markets.

BITCOIN BUCKED THE TREND, and almost tripled in Value during 2023. Many of the Top 25 tokens had similar gains, although the striking difference is whereas Bitcoin was within distance of regaining all-time highs, almost all other cryptocurrencies, including the Top 25, were well below all-time highs reached in Q4 of 2021.

The resilience of Bitcoin provided strong support to the blockchain market. This is in contrast to the signals sent by the U.S. regulatory bodies surrounding the cryptocurrency market. The "weeding out" of the industry that we discussed in our last annual report continued at a modest pace, by the SEC in particular bringing charges against crypto brokerage firms, alleging them of allowing for trading of unregistered securities. Genesis/Gemini, Celsius, Kraken, and Nexo were some of the major US-based firms where charges or settlements occurred. Coinbase (NASDAQ: COIN) started the year at a multi-year low, but was able to climb in value during the year. Of course the FTX debacle which started in Q4 2022, fully unraveled in 2023 with its repercussions being felt, including a heightened sense of urgency by regulators to discipline the industry. Internationally, China continued their crackdown of cryptocurrency and mining, with other countries refining their framework for the industry. Central Bank Digital Currency (CBDC) continued to gain focus and bandwidth of large governing bodies to be utilized as a tool for settlement of money.

Some of the major firms that we had hoped for continued progress and momentum, did not materialize. This may have in large part been related to the failure of Silicon Valley Bank (SVB) and Signature Bank in Q1 2023, with many believing that some behind-the-scenes scheme by regulators were targeting banks with cryptocurrency exposure, trying to influence the infrastructure within the industry. These events had meaningful impact on our portfolio and the enterprise blockchain system, as the financial institutions which were hopefully "playing nicely" within the broader financial ecosystem, were literally shut down. If you look at the stock prices of some of the publicly-traded firms that we were excited to see forward progress from, like Paypal and Block, stalled. This was in part due to broader concerns on consumer-health/retail spending, but the closures of SVB and Signature were highly impactful. Most of these trends above will be touched on in the summaries of how our portfolio companies performed during the year and an overview of two new investments made during H2 2023.

UCROP.IT

Ucrop.it has created software which tracks the history of crops from seed to harvest. With the desire of consumer product group buyers being able to trace the history of the products they are selling, whether it be to verify the ingredients, fertilizers utilized, or if crops have been harvested in a sustainable fashion, there is a rising demand for traceability of agricultural ingredients. Ucrop.it started in Argentina, and is entering now its third year of utilizing its production-ready application to track those crop stories.

Ucrop.it has paying clients from multiple facets of the industry, from seed companies who want to incentivize farmers to use authentic goods, to lenders who have a need to monitor crop growth on farms they have lent to, to end buyers that want to attach a history of the crop production in order to generate higher revenues on their product (think along the lines of organic products); Ucrop.it has paying clients in all of these areas. Ucrop.it has expanded within multiple countries in Latin America and is utilizing a recent round of financing to create a stronger foothold in Brazil and enter the US farming market.

2023 BUSINESS REVIEW

Ucrop.it saw 2023 YoY growth of 36%; although good, this did not match expectations we had hoped for. In general, agricultural companies had a difficult year, with droughts and the ongoing Russia/Ukraine conflict impacting the market. In spite of these issues which would theoretically support higher commodity prices, many commodities like wheat and corn were down 25%+ for the year. Given the backdrop for UCrop.it, although revenues did not match expectations, the strong growth was welcome.

Digging deeper into the revenue figures, the transition of 1-time revenue contracts vs. multi-year contracts were extremely encouraging. Whereas in 2022 only 9% of revenues were associated with multi-year contracts, in 2023 this number skyrocketed to almost 60%, a great sign of companies truly implementing a new process instead of just testing a new technology for a short time period. The number of corporate clients also more than doubled in 2023. US revenues also grew to a meaningful percentage, accounting for ~1/3 rd of 2023 revenues; Argentina is now less than half of revenues. Strategically, given the growth in the US and strategic investors brought in during their last fundraising round,

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UCrop.it is focusing more on US growth rather than Brazil, which was thought to be their next big area to penetrate.

Financially, UCrop.it successfully raised ~$4.5 million in new proceeds via a convertible note offering at a similar valuation to their last fundraising round. Given the difficult market for venture-backed companies to raise capital, doing this at a "flat round" is impressive. Given some of the new corporate strategic investors in the round (one of which led the round), this round of financing should be seen as a strong positive indicator for the company.

MOON TECHNOLOGIES

Moon allows for holders of cryptocurrency to utilize their crypto assets to pay for goods in fiat at e-commerce sites. Moon handles the conversion of the cryptocurrency, converting this into Visa gift cards, which can then be used on e-commerce websites. The e-commerce sites only see fiat, and are unaware of any ties to cryptocurrency that this money may have had. Currently Moon is linked to Coinbase, and the Lightning network to access crypto funds to move onto these virtual gift cards, which can be used online, essentially anywhere Visa is accepted.

2023 BUSINESS REVIEW

Moon had arguably the biggest impact from the major news stories of 2023, as the closure of Signature Bank shut down, overnight, the core business of Moon. Given the majority of US banks reluctance to offer banking accounts to those related to the cryptocurrency business, there were very few options for Moon to utilize; all of those options were eliminated by the US, with the closures of Signature Bank. Fortunately, Moon has ample liquidity to weather this storm ($3+ million in the bank with a $100k monthly cash burn), and worked during the year on a reboot of their strategy. LatAm was the largest source of revenues for Moon previously, and so the focus for the company was to ensure that a relaunch of this effort that would quickly recapture the business in the region. The relaunch is targeted for Q1 2024. Recall that during 2022, even with Bitcoin prices faltering, Moon was experiencing extremely strong growth; we expect that momentum and validation to be seen as the relaunch gains momentum in 2024.

CHAIN REACTION

Chain Reaction is based in Israel, founded by senior members of Mellanox, a semiconductor company which sold to Nvidia in 2019 for $7 billion USD. The current focus is on a bitcoin mining semiconductor chip which holds 9-figure revenue prospects. Although this is exciting, it's actually the next product they are just now starting to develop, a homomorphic encryption chip, which could really create a profound impact in the computing market (and to revenues for the company). The Harris Yugen Fund was able to access a sliver of their last round, which was oversubscribed, given the previous investments of Yugen Partners.

2023 BUSINESS REVIEW

Given the conflict in Israel/Hamas, 2023 was a taxing year for the company. 15 members of the team were drafted into the active military reserve duty. Additionally, the majority of employees have some relative who is mourning the loss of someone close to them. In spite of this, Chain Reaction is still functioning out of both of their offices in Israel (Tel Aviv and Yokneam). Production of the first generation of chips was good, but not to the level they had hoped. A software fix increased the efficiency of their chips, but Chain Reaction is focused on launching a second generation with hardware corrections to extract the speed and efficiency desired. Although this is a setback, with 1st - generation chip sales resulting in extremely modest revenues during 2023, there was also the headwind of large sales of mining machines in the secondary market to combat. With that supply hopefully absorbed, and with Bitcoin prices currently eclipsing $50,000, the timing of the 2nd -generation chip could align extremely well with outside tailwinds. Samples of these chips (being manufactured at TSMC) are expected in May 2024, with scaled-up deliveries for Q4 2024.

AIKON

Aikon is a digital wallet company, which offers white-labeled solutions for companies to host data and digital assets. As blockchain technology continues to grow, one of the strengths of blockchain technology, decentralization, is a double-edged sword as decentralization also creates a hindrance. This is due to the need to store private keys in order to access blockchains/wallets, with the accompanying reality that losing said keys results in the loss of any assets stored by the user on the specific blockchain. As user growth within the blockchain space hopefully grows, so too will the users need to store multiple sets of private keys, which could become unwieldy, and siloed.

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Aikon had a challenging year, as multiple pilot programs which seemingly went well, did not result in follow-on contracts. The company lost momentum, and further had concerns over associations with the blockchain/ORE token utilized for capturing revenue of their wallet product. Given the SEC crackdown on distinguishing tokens vs. securities, there was a shift to distance themselves from the ORE token. Though the situation at Aikon has been difficult there are a couple of paths forward that management is working through.

LINDA LIFETECH

Linda Lifetech is an emerging company focused on screening for breast cancer in a cost-effective and efficient way, utilizing AI in order to identify is further testing is necessary. The company was originally founded in Brazil, and tested their technology in rural areas of Brazil in order to bring breast-cancer detection to communities that did not have proper screening equipment, where Linda Lifetech could perform the tests at a fraction of the cost of conventional techniques. The company has since moved their headquarters to Toronto, Canada, as they work alongside US and Canadian healthcare providers to bring their proprietary screening process to the masses in these Developed Markets. Linda Lifetech utilizes thermography to detect breast cancer, which is the process of utilizing infrared images to detect heat emissions from the area targeted in these screens. Using a smartphone, a medical professional can capture a thermal scan of the breast and utilize AI to assess the images to see if any anomalies suggest breast cancer may be forming. This low-cost/equipment-light approach allows for cheaper and more frequent screenings, and with a process more accessible by anyone with a smartphone instead of simply those who have the financial means. After proving their technology in Brazil, Linda Lifetech has raised capital through a funding round we participated in, which is being utilized to help enable studies in Canada and the US to prove the efficacy of their technology. These studies should last through 2024, with the idea that in

2025 more mainstream adoption in North America can occur. If proven successful, as it was in Brazil, this cheaper method of screening will allow for more individuals to be scanned at earlier ages and more frequently, so early detection of breast cancer can be realized. The survival rate for those with early detection is estimated to be above 95%, while those with late-stage detection is estimated to be 40-60%. This technology has the potential to not only save lives, but spare those with breast cancer painful treatments that eliminate cancer.

BLUMIND

Blumind is an analog semiconductor chip design company developing ultra-low energy consumption chips which, coupled with Blumind software leveraging AI, can provide solutions for edge computing products and "Always-on" devices which are triggered by events (like "Hey Siri"/keyword detection, or visual/motion sensor triggers). From smart devices, to wearables, to security and safety products, Blumind is allowing companies to build products which require low-battery consumption for extended life performance. Analog systems can offer up to 20x lower power consumption than digital systems, which is the leading reason why Blumind leverages this chip infrastructure build. Early customers have already successfully piloted their product, which should lead towards multiple contracts in the second half of 2024, building strongly into 2025. Revenues are anticipated to break $25 million annually in 2025, with plenty of upside and growth opportunities given the TAM of their market. We participated in a bridge round between their seed round (which has raised $9 million cumulatively) and an anticipated future funding round in 2025. This round raised ~$3.5 million in capital.

CONCLUSION

2023 did not develop as we expected, although most years do not. The anticipated weeding out of cryptocurrencies should not have a negative impact on our portfolio, as we try to avoid exposure to that space. Seeing interest pick up with some of the traditional financial powerhouses, with a financial infrastructure that allows for enterprise blockchain growth, is something we are hoping will rebound in 2024. This is especially true for Moon. Healthy Bitcoin prices will also help Moon, and Chain Reaction. Our other positions have more sensitivity to typical economic indicators, although the ability for these technologies to lower costs should insulate negative economic headwinds, if they develop. With the exception of Aikon, our companies should have the financial wherewithal to see through 2024 without the need for additional capital raises, and continue developing their products for broader adoption in their respective industries.

Firm Disclosures

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Disclosures

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