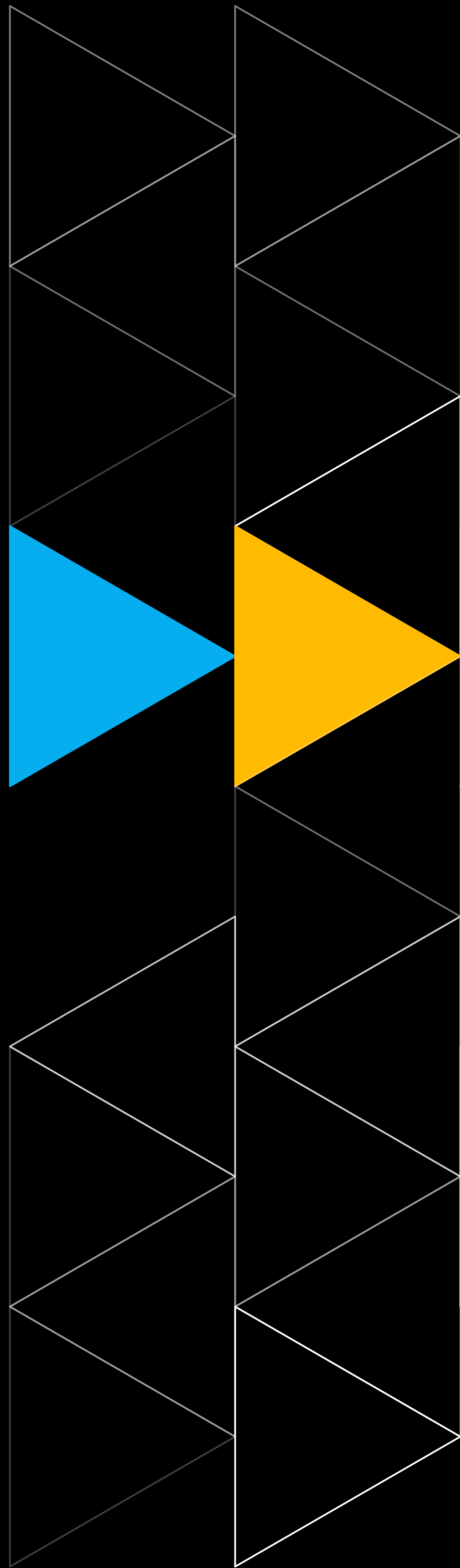




QUARTERLY REPORT

Q4 2022



PREPARED BY

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Where We Are Now

246

Units Owned

► Properties

FORD AVE ROW HOUSING PROPERTIES

In Q4 collections improved from \$45,375 in Q3 to \$51,651 proving its stabilization is almost complete.

KELLY POINTES APARTMENTS

This asset has been fully stabilized in accordance with our business plan. The market rental rates have gone up again. We are now achieving \$965 for our 1 bedrooms and \$1,125 for 2 bedroom units.

PARK EAST APARTMENTS

The Divergent Team now considers Park East to be fully stabilized. Collections ticked up from \$100,070 in Q3 to \$124,735.29 in Q4. We have now pushed financials over to our lenders and are looking to get this property refinanced. Our belief is we will be able to return a portion of investors' capital back.

Airport Apartments

Management was able to increase collections by 9.8% from Q3 to Q4. The property has been able to stay well occupied and the most recent unit has rented for \$850. The team has been able to pre-lease the last two units before they became vacant demonstrating solid demand in the area.

Brownell Apartments

The renovation project has continued to press forward as we are in various stages of renovations on 5 additional units. These are all full blown gut-job renovations. We also were able to paint the entire exterior of the building, all of the exterior doors, and replace all railings on the 4 balconies on the front of the building before the weather turned. This has dramatically improved the property's curb appeal. The parking lot also was patched and coated where needed. To date, we have spent \$146,000 on capital improvement projects. We are very happy with the progress at Brownell and believe we will be on track to really push units out during the prime leasing season this Spring.

► Properties Cont.

Hidden Valley Apartments

The management team has been able to continue to rent units for \$900 as they become vacant. As we move towards Spring we will start getting more aggressive pushing existing rents closer to market rates. We believe this property will start seeing more revenue growth as we get through Q1 and Q2 for 2023.

LAKESHORE POINTE APARTMENTS

The market rental rate we achieved in Q4 was \$1,025 (\$750 was the last owner's rate and in Q3 we placed at \$990). This property will also get a big push from management as we enter Q1 to move rents up as leases expire. We always slightly slow the business plan down as we enter the Winter months, due to it being the slowest time of year for tenant placement. The plan now is to kick the effort back up to increase the rent roll.

HOLIDAY MANOR EAST APARTMENTS

Holiday Manor East is the last property purchased by the Fund. It is a 60 unit in Roseville. To date we have turned 5 units that tenants vacated. The parking lot has been fully re-striped as well as patched and seal coated where needed. This asset has plenty of room for the rents to move up across the complex. Over the next two quarters we expect to push rents up in line with our business plan and fill vacant units at our new rental rates of \$900 for one bedrooms and \$1,050 for two bedrooms.

► Pictures of Progress at Brownell Apartments



Above is a "before" and "during" of the exterior being painted at Brownell. In this picture you can also see the top right balcony railing was replaced. Since then all 4 balcony railings have been replaced.



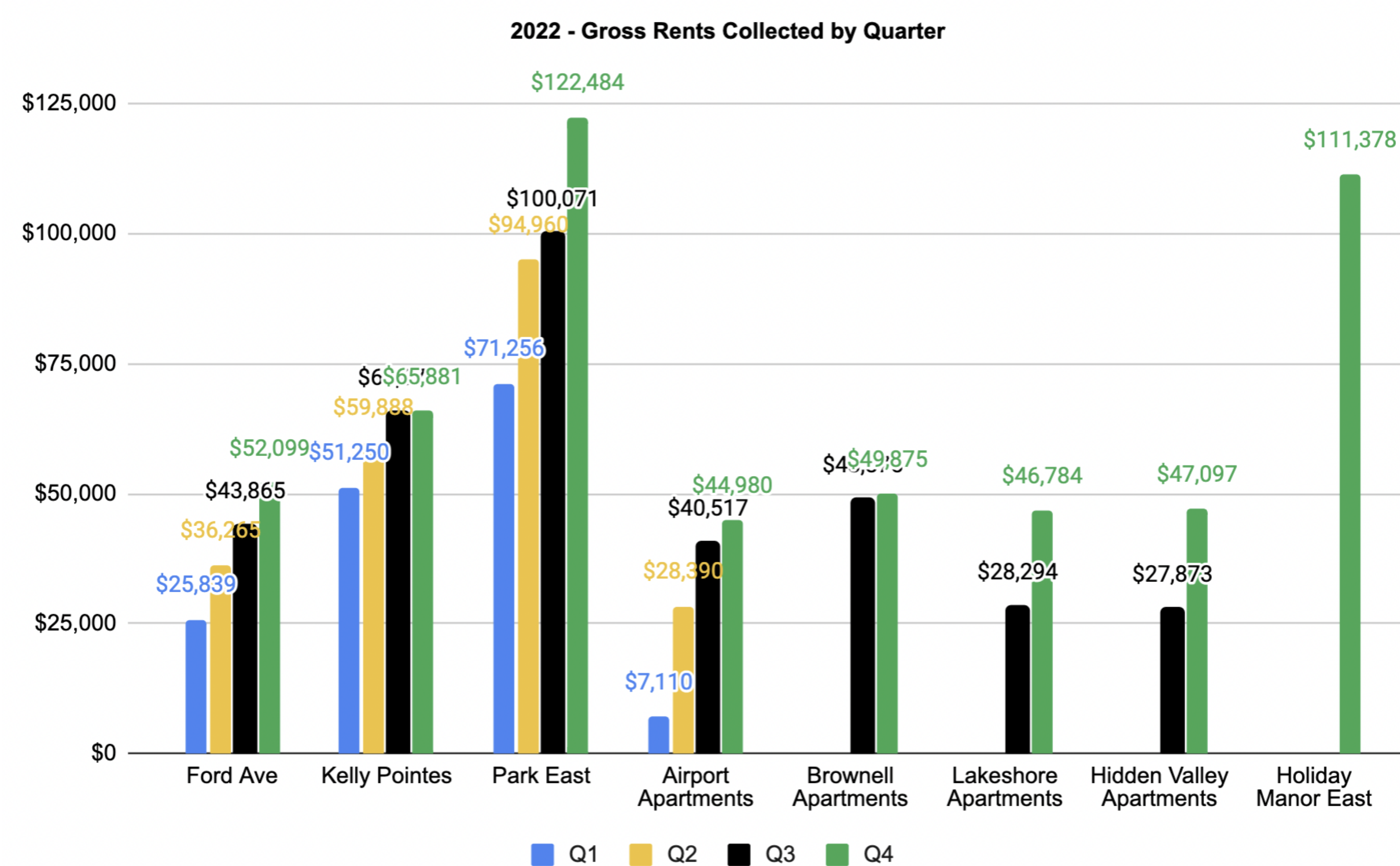
The two pictures above show the building after the paint job was complete as well as all 4 balcony railings replaced with 36 inch high, black aluminum rails.



Depicted above is a before/after of the rear entrance on the front building. We rebuilt the overhang, painted the exterior brick and vinyl, and cleaned up the wiring. Also, in both pictures the doorway entrance as well as the windows above the overhang are all brand new, replaced by us.

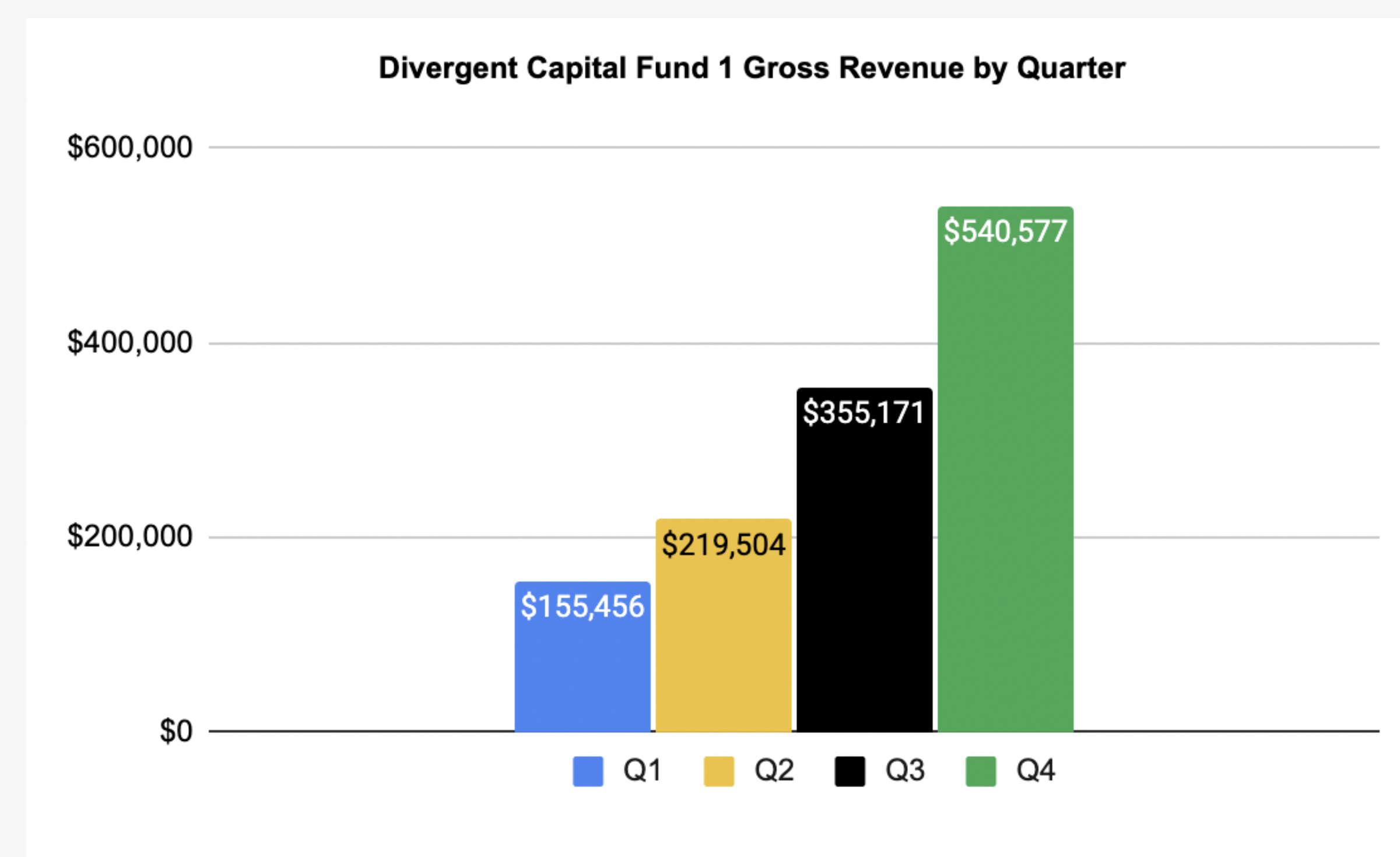
Q4 Revenue

The chart below shows the rent growth our properties have seen from Q1 to Q4. As indicated, most of the properties continue to see substantial growth in collections quarter over quarter. Kelly Pointes and Brownell are the only two that barely had an increase. Kelly Pointes did not, due to it being fully stabilized in Q3. Brownell's did not experience growth due to its extensive renovations and aggressive repositioning, helping it unlock its value.



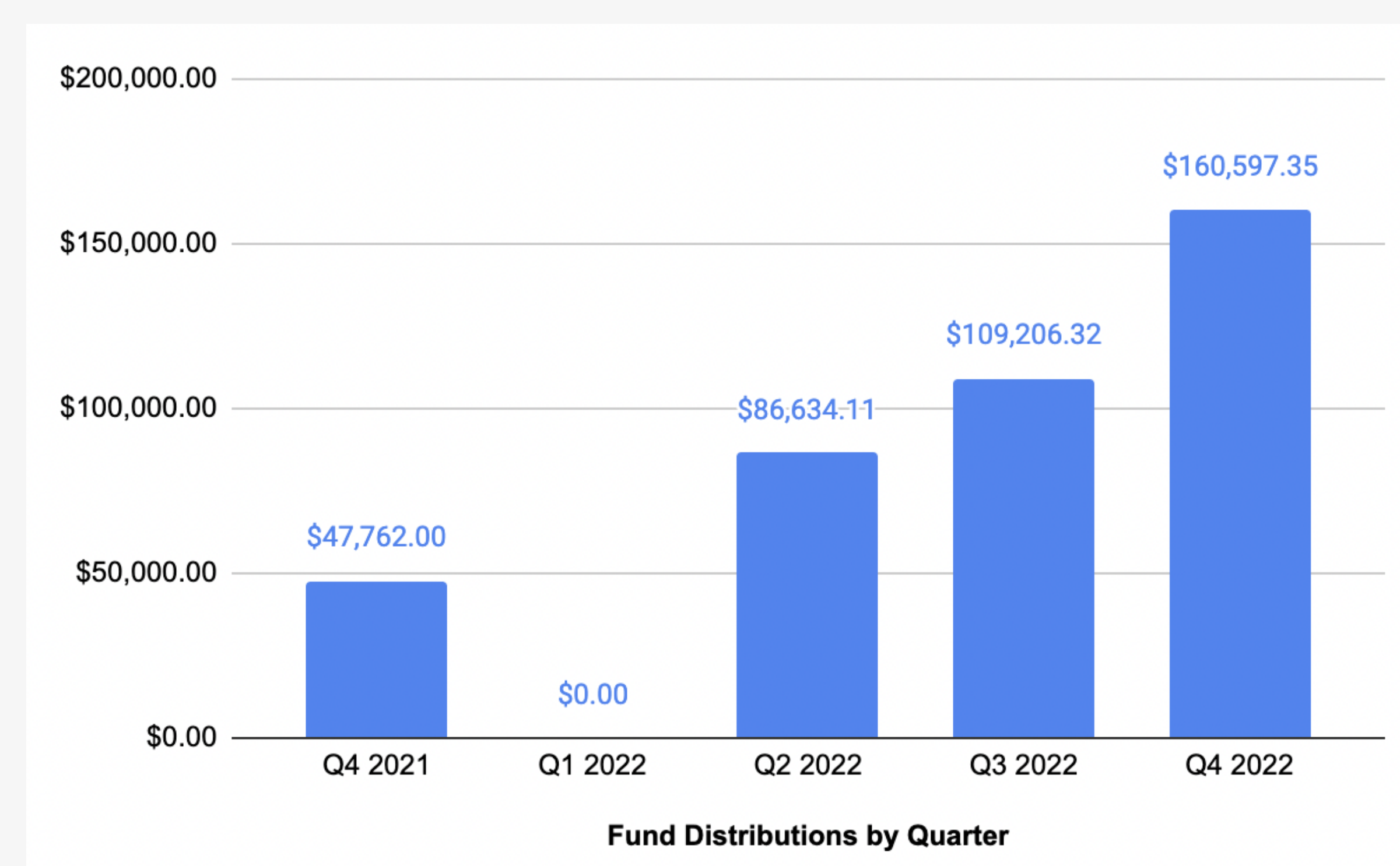
Growth of the Fund's Gross Revenue

The chart to the right portrays the growth of the company's gross revenue from Q1 to Q4 showing the growth at the overall fund level. These increases are from a combination of factors; (1) adding assets to our portfolio. (2) from increasing rents at each property (3) increasing overall collections. Now that all the Fund's capital is deployed, and no further properties are to be purchased, we will continue to see growth over the next few quarters by getting further into our plans for stabilization at each property.

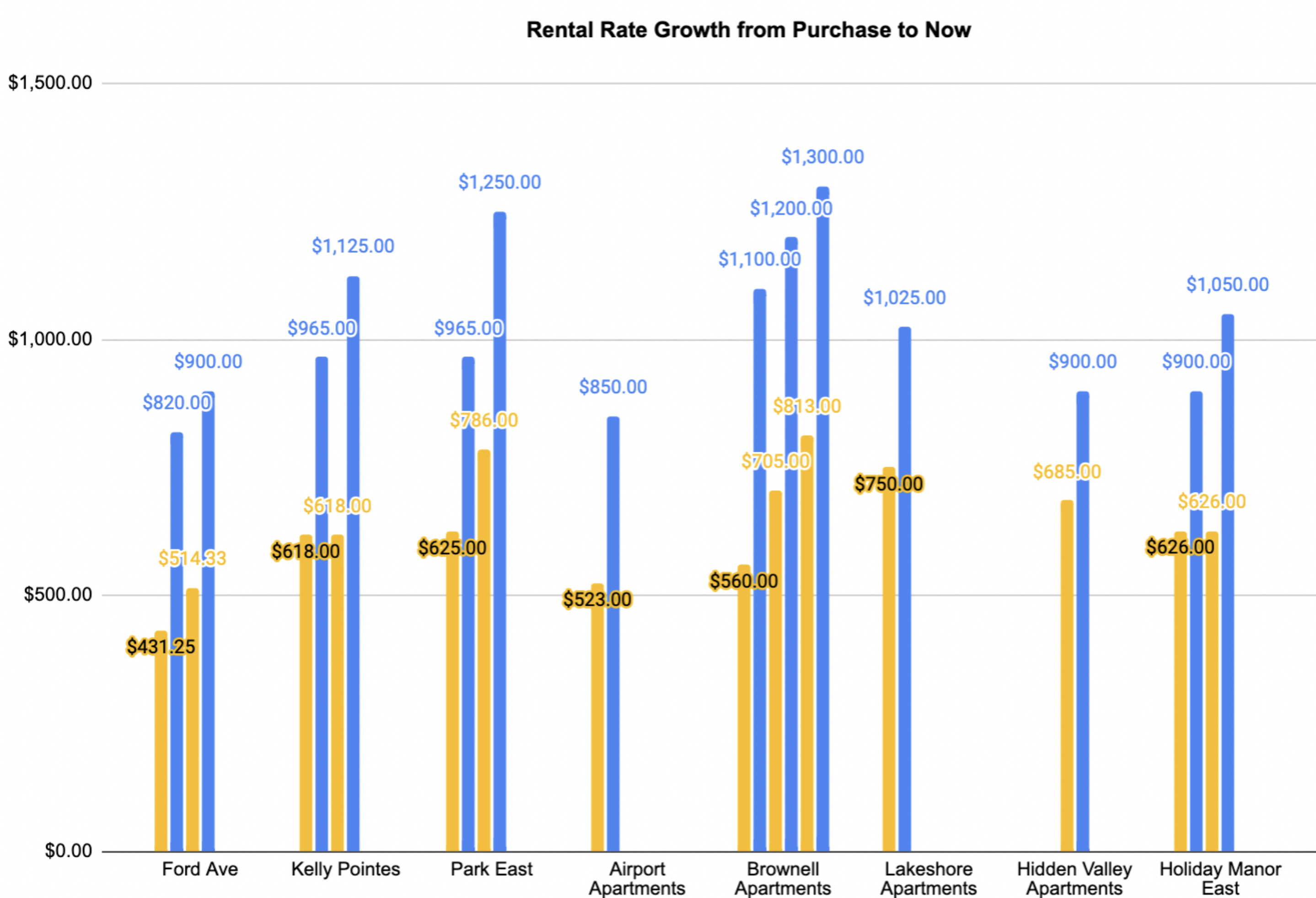


Distributions Since Inception

The chart displayed in the bottom right corner depicts each distribution made to investors quarter over quarter. The Divergent Team is very happy with the overall growth of distributable cash. We are working hard to continue to keep collections high while constantly pushing our properties to be at market rate rents across the board. One of the bigger factors contributing to the increase from Q3 to Q4 was being able to operate our largest complex, Holiday Manor, for a full quarter.



2022 Rent Growth & Financial Health

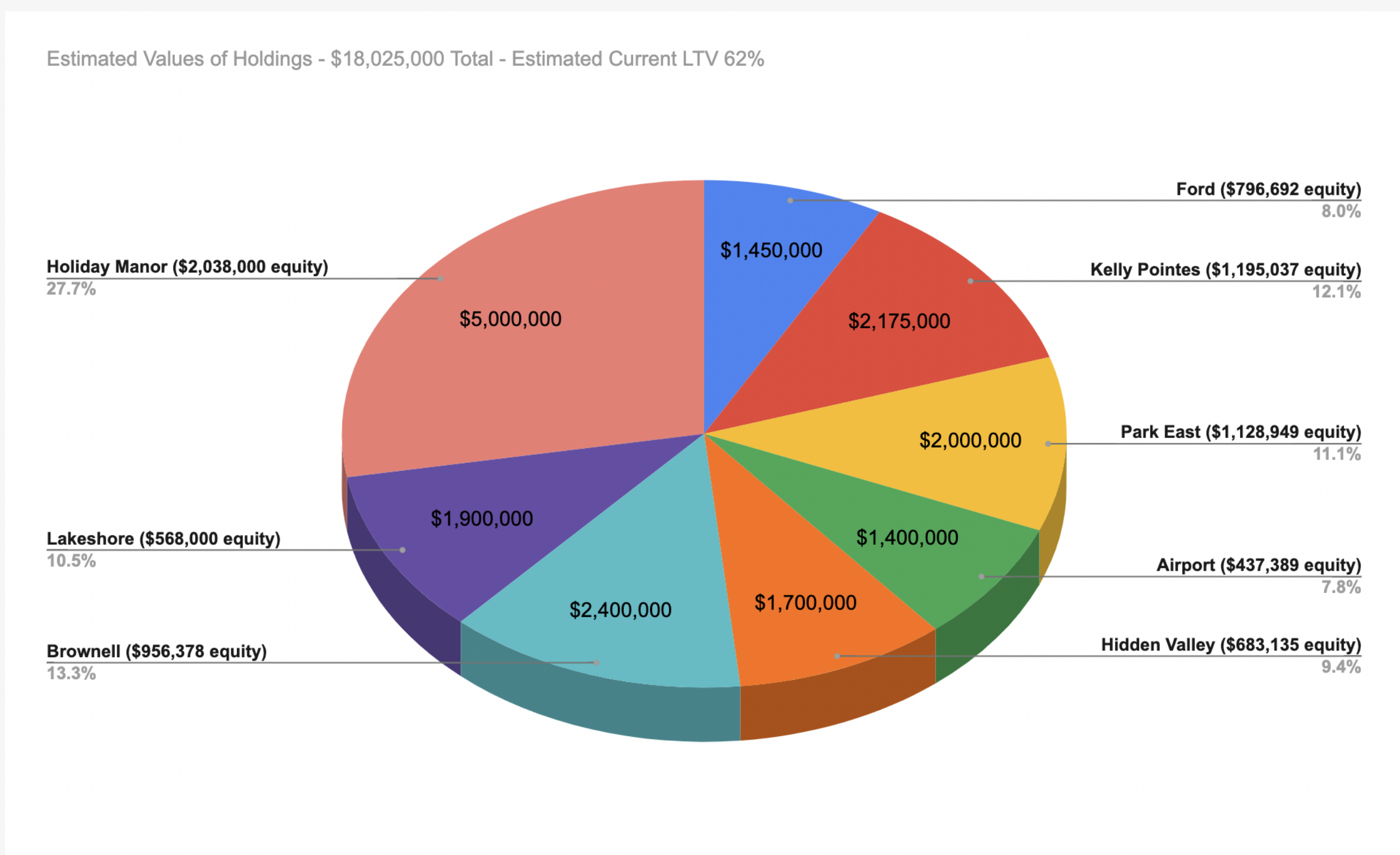


Rental Rate Growth Since Inception

The column chart to the left shows the growth of rental rates at each complex from the purchase date to now. These are the current rates we are placing tenants at each time we experience a vacancy at each property. As shown, we are placing tenants at market rents. In fact, the rates we are now achieving actually exceed our initial underwriting projections at each property.

Portfolio Financial Health

The pie chart below depicts the estimated value of each holding in the Fund. That broken down value can be found on each slice representing each property. Also, in parentheses next to each property name is how much equity we have in each property (estimated value - current loan balance = the equity amount shown). Portfolio wide we currently have a 62% loan to value, which in our opinion is a very healthy ratio of equity vs. debt. Our team believes there is still a lot of value to be created at most of these complexes as we continue with their stabilization programs.



	Security Deposits	Operating Account
Divergent Capital Fund 1		\$10,391.12
Excess Capital Reserves (4% rate)		\$491,646.43
DCP Venture 1	\$18,535.00	\$18,943.83
Park East	\$11,903.19	\$46,891.87
DCP Venture 3	\$11,036.00	\$17,160.10
DCP Venture 4	\$9,108.50	\$25,608.90
DCP Venture 5	\$14,225.00	\$17,487.18
DCP Venture 6	\$8,485.00	\$20,524.52
DCP Venture 7	\$33,975.00	\$57,442.98
Totals	\$107,267.69	\$706,096.93

The table above shows bank account balances as of December 31st, 2022. After deducting the Q4 distribution of \$160,597.35 from our total balances in the operating accounts, the Fund still has \$545,499.58 in operating/reserve accounts. Portions of this capital are budgeted to perform unit turns and other capital expenditures in order to fully stabilize the properties. Beyond those needs, we have enough capital in reserves in order to cover unforeseen expenses, as well as the ability to weather turbulent economic times should they arise. The "excess capital reserves account" that is now with Morgan Stanley is a savings account that currently is around 4%. Our healthy balance sheet puts us in a great position to continue push the portfolio in the right direction going into 2023.

Looking Forward

We have forwarded financials to lenders to start the refinance process for Park East Apartments. Capital markets have loosened up slightly since last quarter as well as rates coming down almost 100 basis points. We will only move forward with this refinance if the rate, terms, and proceeds are in the best interest of our investors. At this time we believe all of those factors are favorable to our investors so we do believe this refinance will be completed.

Ford and Kelly Pointe Apartments remain fully stabilized and cash flows improved slightly. As we move into Q1 we will continuously push renovation efforts at Brownell. These projects will transform the appearance of the property which will help with leasing efforts as fully renovated units start to come online. We expect many units to be completed as we enter prime leasing season of Spring and we expect them to rent out quickly. Airport, Hidden Valley, Holiday Manor, and Lakeshore apartments are all moving further into the stabilization process, resulting in another big push up on their respective rent rolls.

The team at DCP believes our portfolio is poised to continue to see revenue growth in 2023. Our properties are each well positioned within their markets to get qualified tenants at the rental rates we have stated.

Overall, we expect our holdings will continue to improve in 2023.

► Distribution Overview and Forward Outlook

This distribution was large enough to pay all of the investor preferred returns, the asset management fee, and then went over another \$63,334.75 that was split 70/30. This quarter's total distribution represents a 47% (\$51,391.03) increase from Q3 to Q4. We are excited about this increase and believe there is still room for distributions to grow into 2023. This quarter Park East, Hidden Valley, and Brownell apartments did not contribute any money towards the distribution. Park East is moving forward with its refinance and also has a large property tax payment due so we decided to retain its cash to be well positioned for both of these events. Hidden Valley is cash flow positive, but was not yet far enough into its business plan to have excess cash to distribute. We believe this property will start increasing revenues faster as we get into the Spring season. Lastly, Brownell Apartments did not contribute due to the large renovations underway and our aggressive approach we are taking in transforming this building.

This is all good news as far as our future distributions are concerned. As we move through these items, these assets will begin to contribute cash towards the total distributions in 2023.

In closing, we are extremely pleased with the Fund's performance in 2022. We have realized substantial revenue and appreciation growth portfolio wide. Our outlook for 2023 is also very positive. We believe we will continue to grow distributable cash flow as well as grow our balance sheet to boost our financial stability even more.