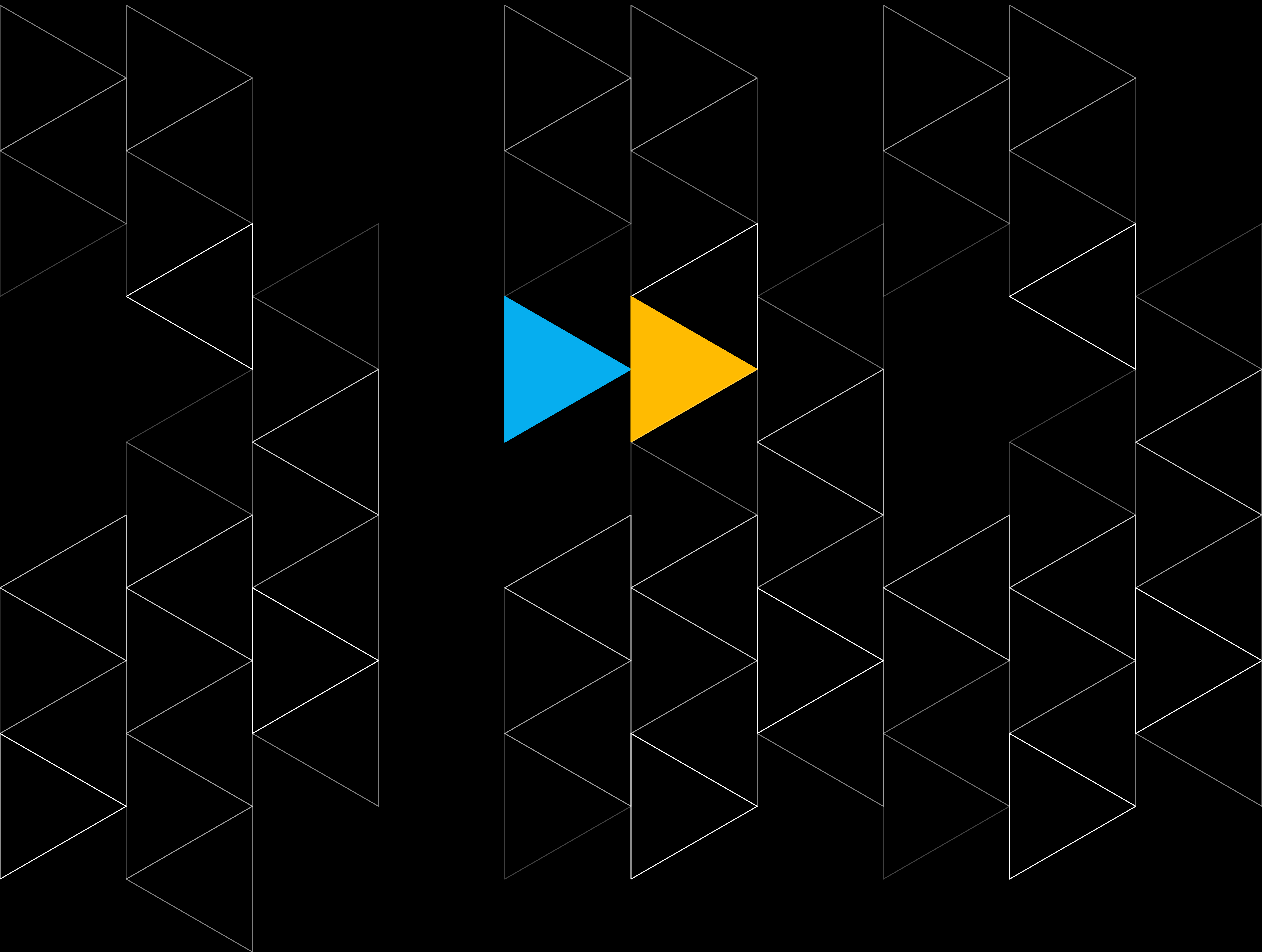




QUARTERLY REPORT

Q3 2022



PREPARED BY

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Where We Are Now

246

Units Owned

► Properties

FORD AVE ROW HOUSING PROPERTIES

All of these 1 bedroom units are at \$820 and 2 bedroom units are \$900.

KELLY POINTES APARTMENTS

These properties have continued with strong rental performance and high demand for units. The rental rate has risen an additional \$30 on our most recent vacant units that have been rented.

PARK EAST APARTMENTS

Park East is almost fully stabilized. We have two units that are vacant which will get filled at our new market rate of \$930 for our 1 bedrooms. There are only two occupied units not currently at our standard rates. As a slight reflection of further stabilization, total rent collected went from \$94,960 in Q2 to \$100,070 in Q3.

Airport Apartments

Management has been hard at work to get this property's rent roll up to market rates. We now have 16 out of 20 units at \$800 or more (\$150-300 increase on these). Also, management has been able to work with a few of the tenants who were behind from the prior owner and collect their unpaid balances.

Brownell Apartments

The renovation project here has been well underway. Our team has fully renovated our first unit upon a tenant vacating. It was a 1 bedroom and we installed new cabinets, granite countertops, all new interior doors + hardware, and new LVP flooring thru-out. Upon completion we secured a tenant for \$1,050. There was an old unit on premises that was being used as a material storage room for years. We have started to fully renovate this unit also and are getting close to completion. The exterior landscaping has been cleaned up and new signage installed. The common hallway has been painted, new carpet installed, and new trim installed. Electric panels in one of the buildings have also been upgraded. So far we are very happy with the progress on this renovation project and the property's performance trajectory.

► Properties Cont.

Hidden Valley Apartments

We have strategically given out increases based on certain metrics. So far we have 8 units who have accepted increases up to \$800-825. The management team has also leased out 3 units to new tenants at \$900. Currently, there is one vacant unit on site which has an approved applicant we believe will be signing within the week. Another part of our value-add here was to get tenant debris and "stuff" off premises, which has already happened, and continues to be enforced. This enables the exterior of the property to be a lot more appealing. This property is in the early stages of stabilization, but is well on its way, and we are pleased with its current progress.

LAKESHORE POINTE APARTMENTS

This asset was also purchased this quarter. We have had 1 unit turn and the tenant was placed at \$990 (\$750 was the previous rate). Management has also painted the garage, re-stripped the parking lot, and painted the large exterior wall of the apartment. We feel confident that we will continue to place new tenants at \$900+ (we underwrote the property with \$850 rents).

HOLIDAY MANOR EAST APARTMENTS

Holiday Manor East is the last property purchased by the Fund. It is a 60 unit in Roseville. We are in the process of turning our first two units. One is now rent ready and the other is still being renovated. This asset was bought September 15th so it has only been in the portfolio for a few weeks, but we are very excited for this property's potential.

► Pictures of Progress



A picture of the shower after demo and also a picture of after rough install. This is in the unit that was used as storage and is being turned back into a unit at Brownell Apartments (pictured above).

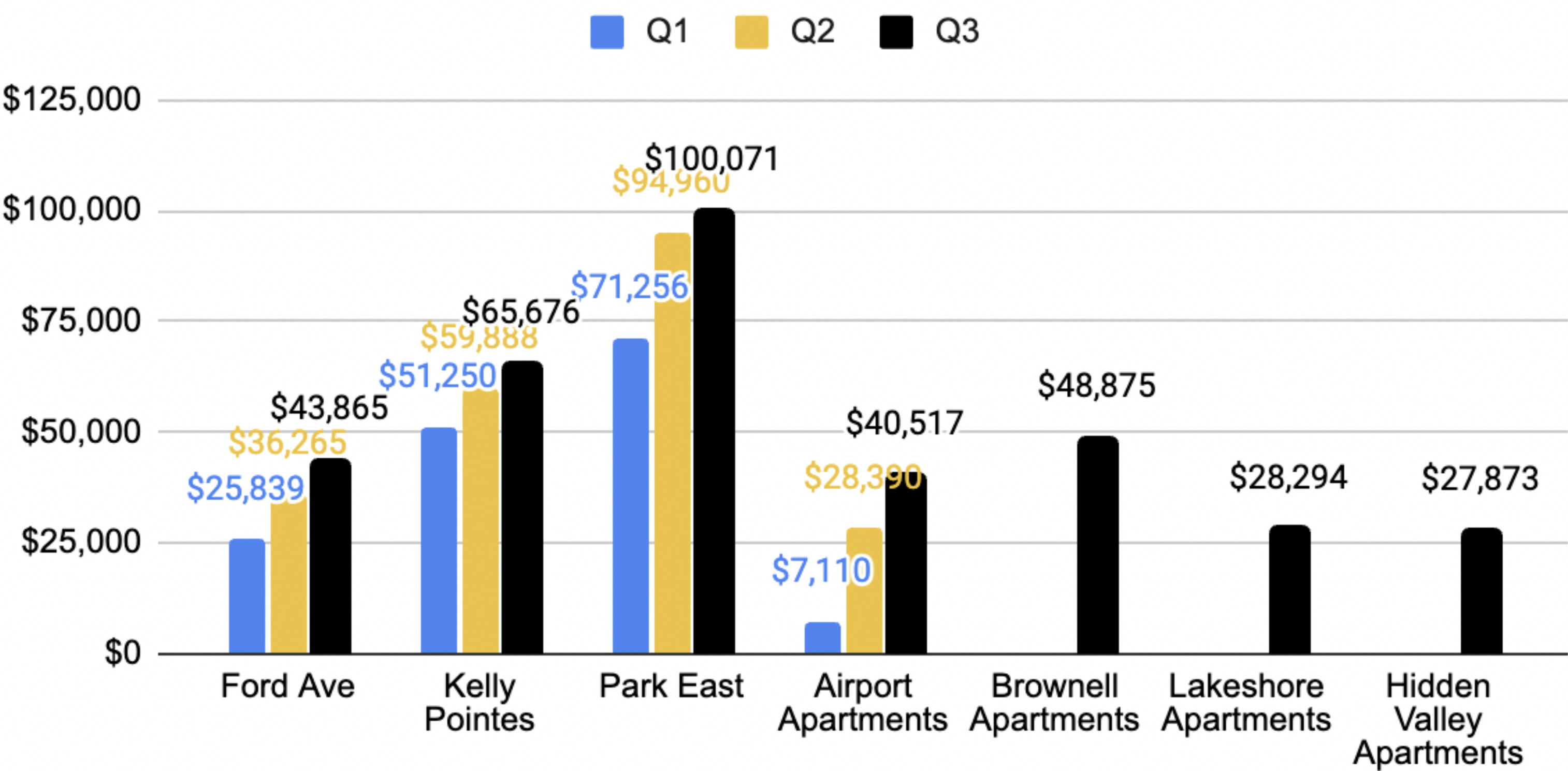


Above is a before and after of the first unit turn at Brownell. Brand new cabinets, sink, faucet, granite countertops, and new LVP floors were installed. This level of renovation will happen as units become available.

Q3 Revenue

The chart below shows how much rent growth our properties have seen from Q1 to Q3. As indicated, all the properties have continued to see substantial growth in collections quarter over quarter. As we continue to drive rent collection at each property we push up our net income and the values of our properties. We are still in early stages of stabilization at Lakeshore, Brownell, Hidden Valley and even Airport. Also, Holiday Manor East is not depicted due to it being purchased at the end of the quarter.

Growth of Gross Rents Collected



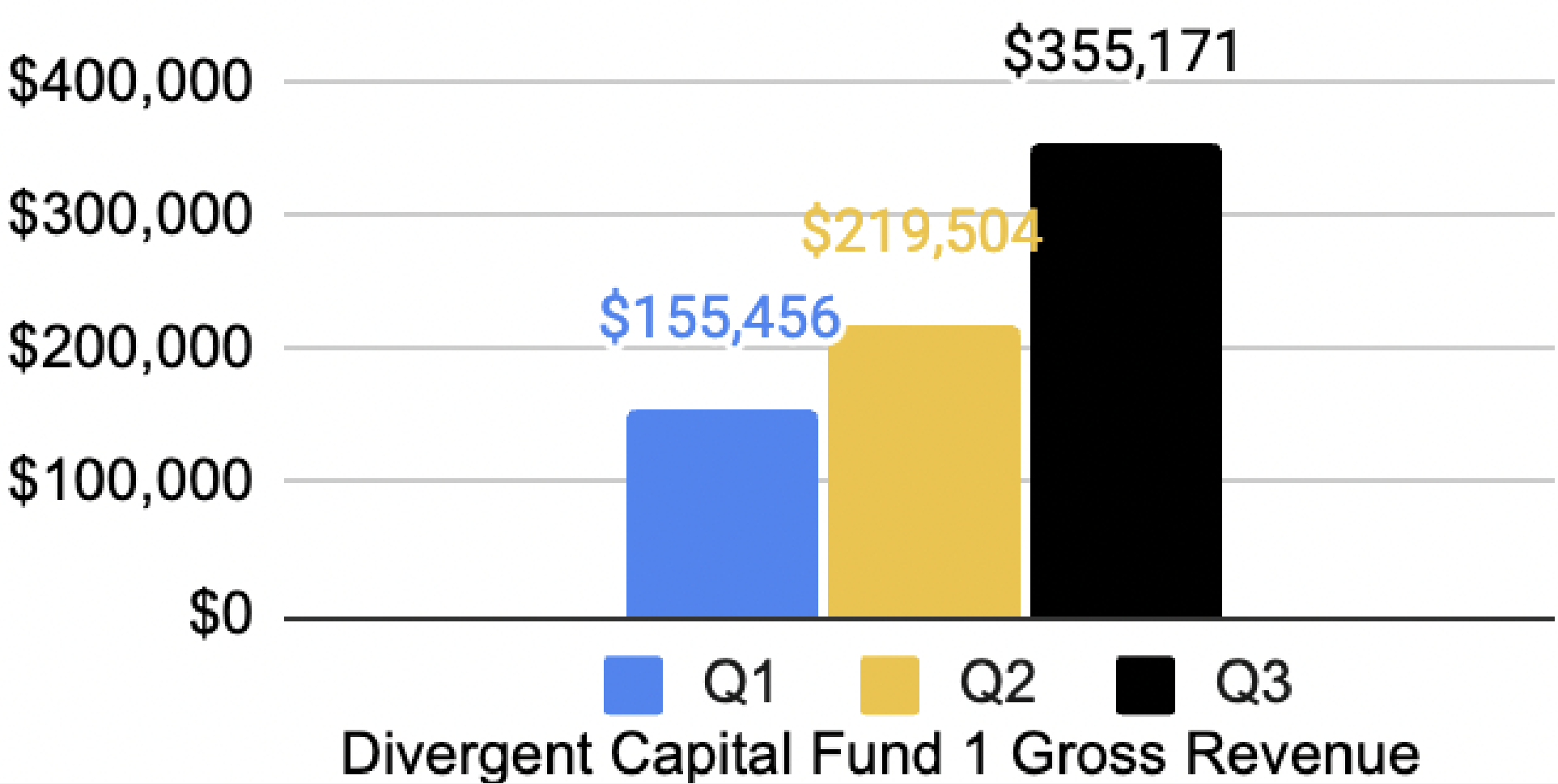
Q3 2022 - Gross Rents Collected

Growth of the Fund’s Gross Revenue

The chart to the right portrays the growth of the company’s gross revenue from Q1 to Q3 to portray how much growth is happening at the overall fund level. This is due to us increasing revenues at each property, plus adding the last few assets to our portfolio. The following shows the increases:

- 41.2% growth from Q1 to Q2
- 61.8% growth from Q2 to Q3
- 128.47% growth from Q1 to Q3

Growth of Gross Revenue



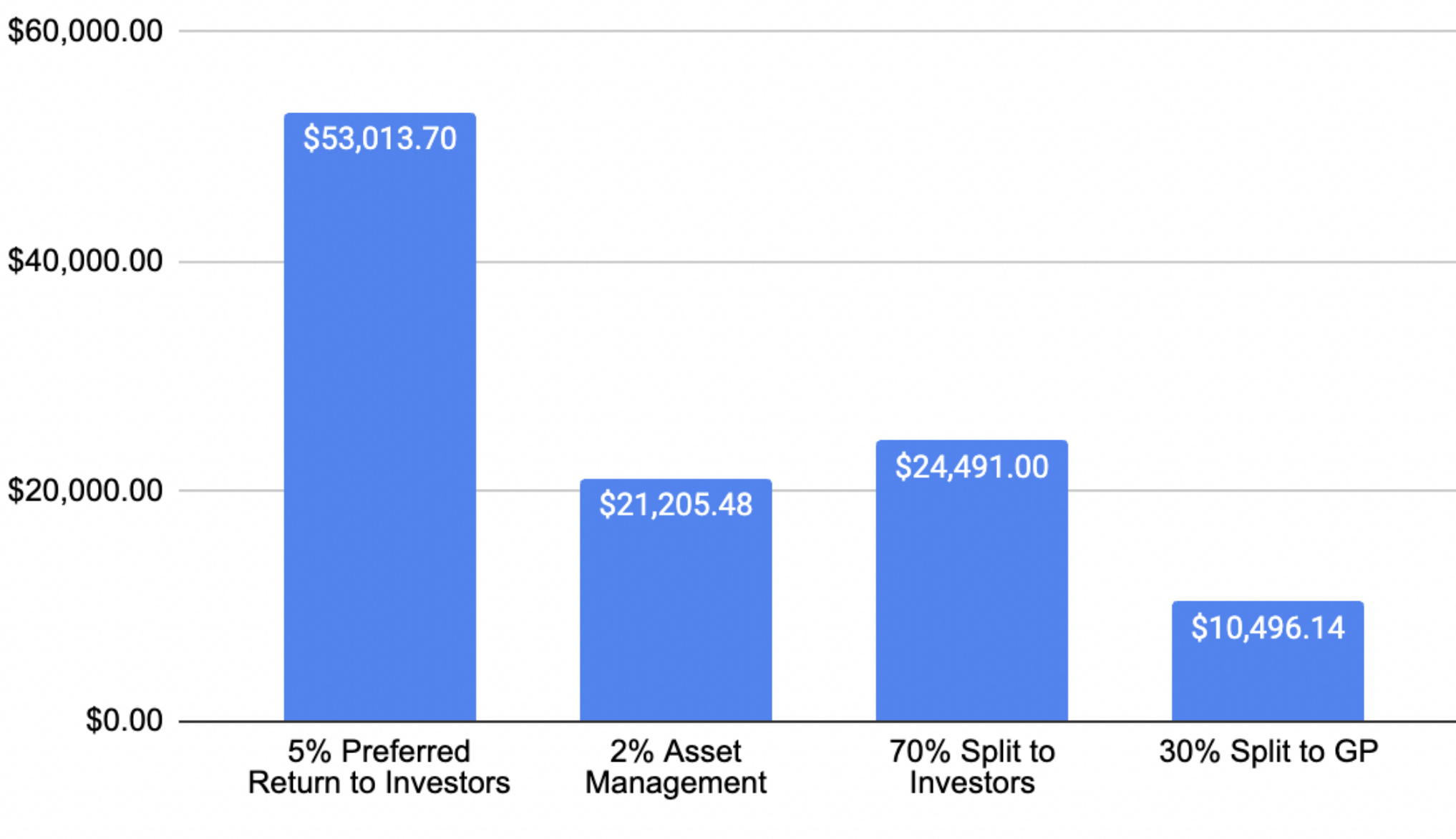
Divergent Capital Fund 1 Gross Revenue

Breakdown of the Q3 Distribution

The total distributable cash flow for Q3 2022 was \$109,206.32. The breakdown of the distribution is as follows:

- \$53,013.70 was paid out to all investors to satisfy the 5% pref.
- \$21,205.48 was paid towards the 2% asset management fee
- \$24,491.00 was paid to investors with their 70% split
- \$10,496.14 was paid to the GP team with their 30% split

Q3 2022 - Distribution Breakdown



Looking Forward

We intend to refinance Park East Apartments since almost every unit is now exceeding our expectations as far as rental rates. Capital markets have tightened up so the timing of the refinance and our decision will be dependent on what the market has to offer. We will only move forward with this refinance if it is in the best interest of our investors to do so.

Ford and Kelly Pointe Apartments are also fully stabilized and are operating with healthy cash flows. As we move into Q4 we believe we will make significant improvements to the performance of Lakeshore, Hidden Valley, Airport, and Holiday Manor by continuing to implement our systems and business plans at each property. Brownell will also make a lot of progress financially as our large renovation project continues to upgrade the building and improve its place in the market. These renovations are allowing us to command a much higher rent on each unit we turn and raise rents with existing tenants because they see all the positive changes in their building.

The team at DCP believes our portfolio's financial performance will continue to improve in Q4 and is positioned to do very well whether the economy falls into a slight recession or continues to expand.

Overall, our holdings all have very positive outlooks and will continue to improve for the foreseeable future.

► Distribution Overview and Forward Outlook

This distribution was large enough to pay all of the preferred returns, the asset management fee, and then went over another \$34,852.90 that was split 70/30. We are very happy with that performance considering Hidden Valley Apartments and Holiday Manor did not contribute any cash flow due to them being purchased late in the quarter. These two buildings comprise more than 1/3 of our portfolio and will be a considerable percentage of future cash flows.

As we move forward, each property will continue to optimize its performance and the distributable free cash flow will continue to grow through Q4.

In closing, we believe the Fund's performance has plenty of room to grow and now that all of the invested capital has been put to work, cash flows will continue to rise. The DCP team will continue to operate efficiently and drive growth within the portfolio, which is the best way we know to not only protect our capital, but to grow it.