upright

QUARTERLY INVESTOR REPORT

Horizon Residential Income Fund I, LLC

July 1 Through September 30, 2023

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QUARTERLY INVESTOR REPORT

Introduction

In April 2023, Upright unveiled its latest investment offering: the Horizon Residential Income Fund I, LLC, referred to henceforth as HRIF or simply the "Fund." HRIF was conceived to offer passive investors an additional income source while addressing the extreme shortage of residential real estate within the U.S., providing a unique opportunity for accredited investors to enter the Residential Transition Loans (RTL) asset class. Through the Fund, we are now able to offer accredited investors the enhanced benefits of leverage and distinctive tax advantages. The primary objectives of HRIF are to diversify portfolios and generate steady income streams for its members. In the second and third quarters of 2023, HRIF's Fund Managers and Investment Committee evaluated more than 150 properties across the eastern U.S. to identify optimal opportunities for portfolio growth.

Today, the HRIF team is delighted to present the Quarterly Investor Report for 23Q3. This report provides members with a comprehensive overview of HRIF's investment strategy, the composition of its portfolio, financial performance, and an outlook for the end of the year.

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COMPANY OVERVIEW

About Upright

Established in 2014, Upright embarked on a mission to establish itself as the preeminent technological real estate investment platform, empowering both active and passive investors to create wealth and improve communities through real estate. The Upright team has since successfully originated more than $2.6B in short-term residential mortgages throughout 35+ states. Distinguished by a rigorous underwriting process that is continuously refined to adapt to changing economic and market conditions, Upright's portfolio has historically provided investors with a 9%–10% annual return.

Since its inception, Upright has successfully connected active real estate developers to capital from passive investors. Prior to the advent of Upright, developers often encountered formidable obstacles in accessing funding for short-term construction projects beyond the confines of conventional bank financing and private funding channels. Through Upright's Borrower Dependent Notes (BDNs), passive real estate investors have been able to purchase fractional ownership of the mortgages originated by Upright. While BDNs afford passive investors the latitude to scrutinize and evaluate individual underlying assets across diverse markets, the onus of conducting this meticulous analysis one project at a time is not always optimal for these stakeholders. Seeking to address these drawbacks, Upright introduced the Horizon Residential Income Fund, thereby granting investors access to a diversified portfolio with markedly less effort. With a wealth of industry acumen, the HRIF team ensures investors can rest assured in the knowledge that their capital is being deployed into assets facilitated, underwritten, and serviced by the Upright team.

Lending in more than 35+ states

HIGH-LEVEL DETAILS

About HRIF

What is the Horizon Residential Income Fund I, LLC?

The Horizon Residential Income Fund I, LLC (HRIF) is an investment vehicle specializing in short-term, first-lien mortgage loans against residential properties throughout the eastern U.S., and underwritten and originated exclusively by Upright. HRIF is meticulously crafted to furnish its members with a trifecta of advantages: an ongoing stream of current income at a fair risk-adjusted return amplified through leverage, a diversified portfolio, and the substantial tax advantages made available through its sub-REIT structure. By embracing an investment opportunity in HRIF, individuals are poised to gain passive exposure to residential real estate assets dispersed across diverse geographical landscapes and markets. In doing so, HRIF contributes to alleviating the housing scarcity prevalent in the United States while also uplifting local communities.

Horizon Residential Income Fund I Investment Strategy

Through the purchase of short-term residential bridge mortgages, HRIF is pursuing an 8% preferred return per annum, with a target return between 10%–13%. The Fund is subject to a 1% management fee of HRIF's monthly net asset value. Any earnings surpassing the 8% preferred return threshold will result in a 20% interest carry for the manager, with the remaining 80% directed back to the HRIF membership. While these management fees ensure incentives remain aligned, it is important to note that a waiver or reduction of accrued management fees and carry will be considered quarterly.

While committed to maximizing returns, the HRIF team will prioritize adherence to stringent investment directives designed to manage and alleviate portfolio risk. The composition of HRIF's portfolio will consist of a blended balance of rehab, new construction, and land assets that can vary between single-family and multi-family assets. The mortgages purchased will be predominantly located in the eastern United States, with a pronounced emphasis on key metropolitan areas within the Ohio Valley region, the Carolinas, the Southeast (Florida, Georgia, Alabama), and Texas. HRIF's leadership has identified a need for an increased housing supply to keep up with demand within these markets, mainly due to total household growth outpacing new housing starts, an aging housing stock, economic expansion, and population growth.

HRIF will also target mortgages structured with a Dutch interest component, as opposed to Non-Dutch. Dutch interest loans enable HRIF to accrue interest on the gross loan amount from the outset, regardless of whether the total principal balance has been fully disbursed to the developer.

In pursuit of heightened returns and diversified portfolio holdings, HRIF will employ conventional leveraged financing. This approach grants HRIF the capacity to secure leverage of up to four times the cumulative equity amassed. The mortgages purchased through equity investments will subsequently serve as collateral, against which HRIF can secure supplementary debt from its financing partner(s). This is vital to HRIF's overall performance as it will allow for more loans to be purchased, increasing the overall principal balance that is actively earning interest, thereby elevating HRIF's overall returns and increasing portfolio diversification.

ROI OVERVIEW

Financial Performance

Since its inception, HRIF's objective has been twofold: to introduce a novel product that not only amplifies portfolio diversification for its members but also generates a new avenue for wealth via quarterly income from an alternative asset class. For HRIF's members, the Fund aspired to attain an annualized preferred return of 8%, while targeting annualized returns ranging between 10%–13%.

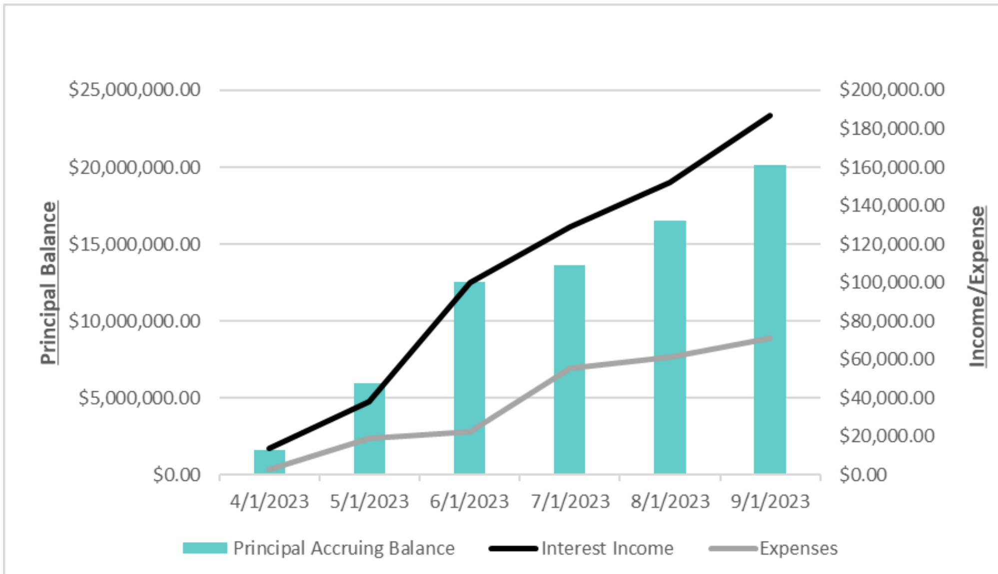
An inherent challenge encountered by all nascent funds involves striking a balance between the prudent deployment of capital to generate income and the immediate onset of monthly expenditures. While this was an initial challenge during the Fund's ramp-up period in the prior quarter, the Fund experienced steady economies of scale throughout Q3 to better offset monthly expenses.

Comparing 23Q2 to Q3, HRIF was able to grow its total quarterly income from $151K to over $470K, an increase of over 200%. While a large part of the increase can be attributed to interest earned on new loans purchased throughout 23Q3, the accruing principal balance on Non-Dutch loans originally purchased in 23Q2 significantly increased as well. As these loans progressed through construction in Q3, HRIF disbursed additional capital, accounting for a $1.04MM increase in the total principal accruing balance for the Fund. The increase in the accruing balance for Non-Dutch loans will also continue to increase in future quarters as these projects progress through construction. Additionally, HRIF was able to achieve these revenue figures without yet earning any additional revenue for Marginal Penalty Interest and Term Extension Fees. We expect to see an increase in these revenue sources as we move into 23Q4.

In regards to the Fund's expenses, the total grew from $44K at the end of 23Q2 to $162K by 23Q3's end. The largest monthly expense continues to be the interest owed on leveraged capital drawn from the Fund's partnering credit facility. In 23Q3, the Fund paid $132K in Interest expense, which accounted for 81% of total expenses. While this will continue to be the Fund's largest expense moving forward, having the ability to draw additional leveraged funds is a vital piece to ensuring an overall increase in returns and diversification.

In the table below, a comparison can be seen between the Fund's principal accruing balance, interest income, and total expenses. Notice the significant upward trend in interest income as the Fund's principal accruing balance grows. On the opposite side, the Fund's total expenses grew by a much smaller amount, allowing the Fund to see a steady increase in returns in 23Q3.

HRIF Interest Accruing Balance vs. Interest Income & Expense



With the Fund accumulating heightened returns in 23Q3, the Fund Manager decided to retain its 1% management fee for the quarter. The management fee is calculated at a fixed annualized 1% of the Fund's net asset value, and the total management fee retained for 23Q3 was $26K.

After all expenses and management fees, net income for 23Q3 totaled $280K. Needing to earn $205K in quarterly income to reach an 8% preferred return, the Fund was able to exceed this by roughly $75K. As stated earlier, if a quarterly preferred return of 8% is met, the Fund Manager then has the discretion to retain an interest carry fee equal to 20% of any additional income above the preferred return. The Fund Manager decided to retain the full 20% interest carry fee, which totaled $15K for the quarter.

Final income available for distribution to investors in 23Q3 totaled $265K. Please find full details surrounding HRIF's final net income and quarterly returns below.

1. HRIF 23Q3 Financial Performance

Horizon Residential Income Fund I REIT Profit & Loss For Period Ended September 30th, 2023	7/31/2023	8/31/2023	9/30/2023	23Q3
Ordinary Income/Expense				
Total Interest Income	***128,714***	***152,332***	***186,935***	***470,411***
Interest Expense	*37,936*	*42,595*	*51,777*	*132,308*
Net Interest Income	***90,778***	***109,737***	***135,158***	***338,103***
Operating Expense				
Total Operating Expenses	***10,361***	***10,038***	***8,999***	***29,398***
Management Fee	*7,123*	*8,301*	*10,369*	*25,793*
Net Income	***73,294***	***91,398***	***115,789***	***280,482***
Total Income Available for Distribution	***73,294***	***91,398***	***115,789***	***280,482***
Preferred Return to Investors (8%)	*56,987*	*65,947*	*81,853*	*204,787*
Income Available Above Preferred Return	***16,307***	***25,451***	***33,936***	***75,695***
Carried Interest Fee to Fund Manager	*3,261*	*5,090*	*6,787*	*15,139*
Additional Income for Distribution to Investors	**13,046**	**20,361**	**27,149**	**60,556**
Total Income Distributed to Investors	***70,033***	***86,308***	***109,002***	***265,343***

2. HRIF 23Q3 Monthly & Quarterly Returns

Horizon Residential Income Fund I REIT	7/31/2023	8/31/2023	9/30/2023	23Q3
Period Return	0.86%	0.92%	0.93%	2.71%
April Cohort - Quarterly Annualized Return				10.33%
May Cohort - Quarterly Annualized Return				10.33%
June Cohort - Quarterly Annualized Return				10.33%
July Cohort - Quarterly Annualized Return				10.33%
August Cohort - Quarterly Annualized Return				10.51%
September Cohort - Quarterly Annualized Return				10.53%

**Please note that the above results are HRIF's ACTUAL figures used to calculate each member's monthly and quarterly returns.*

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HORIZON RESIDENTIAL INCOME FUND I, LLC

Schedule of Investments

After a successful capital raise in 23Q2, HRIF began Q3 by raising an additional $1.4MM of new equity in July. As in 23Q2, the team worked to analyze and purchase new loans as quickly as possible at the start of 23Q3 to minimize the drag caused by unused equity. Within the first week of July, HRIF purchased an additional five loans for $1.29MM. The HRIF team was immediately able to pledge these new assets to its credit facility, which increased the Fund's overall buying power after July's equity was fully deployed. To end July, HRIF purchased an additional four loans, bringing July's total to nine loans purchased for $2.35MM.

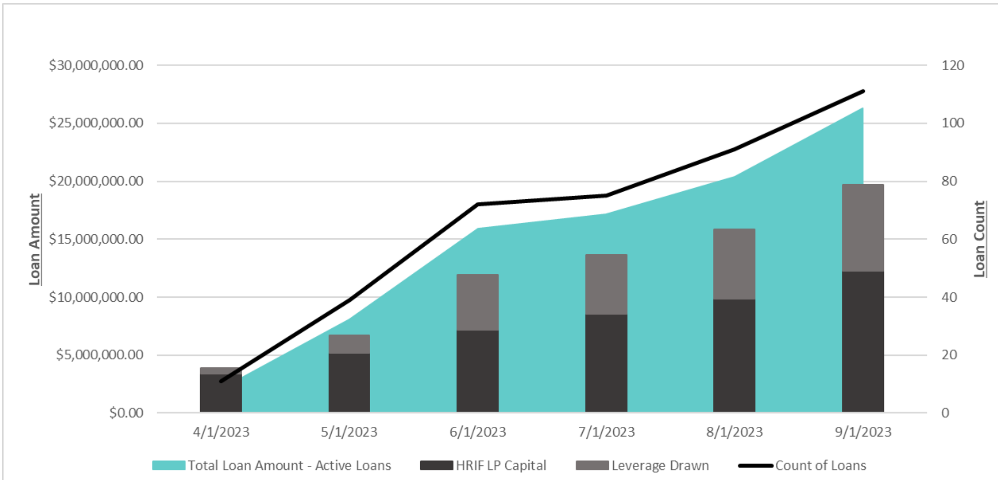
In August 2023, HRIF received new equity investments totaling $1.34MM and took on additional leverage from its credit facility, bringing its total leveraged capital to $5.94MM. With the influx of cash from August's equity investments along with additional leveraged capital, HRIF purchased 17 new loans for $3.42MM. The Fund held 91 loans for $20.38MM at the end of August. Similar to previous months, these mortgages were predominantly located in Ohio, Florida, North Carolina, Indiana, and South Carolina, with ~81% of the portfolio being single-family assets, ~10% being two-family assets, and the remainder being three or more units.

For the final month of the quarter, HRIF received an additional $2.39MM in equity investments, bringing the Fund's total equity to $12.28MM, with its leveraged capital increasing to $7.45MM to close 23Q3. In September, HRIF purchased 28 additional mortgages totaling $7.63MM. This brought the active portfolio at the end of 23Q3 to 111 active mortgages for a total loan amount of $26.32M. In September, HRIF also purchased its largest loan to date, a fix-and-flip project in Alexandria, VA for $875,000. HRIF's portfolio held to similar concentration levels seen in the previous quarter, with the majority of loans being secured to residential real estate in Ohio, Florida, South Carolina, North Carolina, and Indiana, and with ~82% of the portfolio being single-family assets.

A further breakdown of HRIF's 23Q3 investment schedule can be found on the next page:

HRIF Monthly Equity Admittance & Capital Deployment

	6/30/2023	7/31/2023	8/31/2023	9/30/2023
Fund Equity	$7,148,000.00	$8,548,000.00	$9,892,000.00	$12,278,000.00
Active Loans	72	75	91	111
Total Loan Amount	$15,947,000.00	$17,131,000.00	$20,375,000.00	$26,317,000.00
Funds Disbursed	$11,347,249.94	$12,602,310.84	$15,350,992.91	$19,154,266.95
Construction Holdback Remaining	$4,599,750.06	$4,528,689.16	$5,024,007.09	$7,162,733.05
Loans Repaid In Period	1	6	3	6
Total Loan Amount Repaid in Period	$133,000.00	$1,167,000.00	$401,000.00	$1,462,000.00



METRICS AND DEEP DIVE INTO OUR PROCESS

Portfolio Composition & Risk Management

When looking at portfolio composition and risk management for HRIF, the main portfolio metrics the HRIF team considers are:

1. Geographic Location

- State and MSA (by gross loan and outstanding principal)

2. Weighted Average Leverage Metrics

- Loan to As-Is Value (LTAIV)
- Loan to Cost (LTC)
- Loan to After Repair Value (LTARV)

3. Project Type

- Rehab
- New Construction
- No Rehab/No Construction

4. Individual Deal Exposure Relative to Total Book Size

5. Individual Developer Exposure Relative to Total Book Size

6. Developer Creditworthiness

- Credit score & history
- Current liquidity
- Previous project experience
- Project viability, profitability, and exit strategy

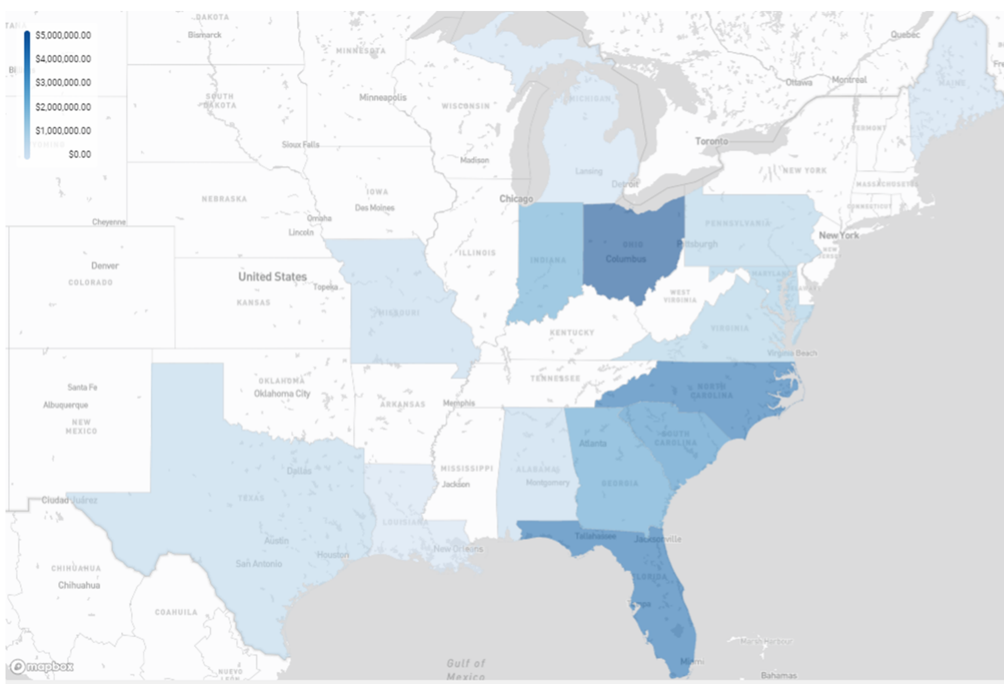
We underwrite and monitor these different metrics to ensure we are maintaining a balanced portfolio that aligns with our overall investment strategies. To help mitigate risk to the Fund as new loans are purchased and previously held assets are repaid, the team is constantly evaluating changes to our weighted portfolio metrics to ensure that our portfolio composition remains aligned with set benchmarks.

First looking at the portfolio's geographic concentration, HRIF has a set max exposure to any one state at 20%. Additionally, HRIF looks to keep any given MSA to a concentration below 8%.

In July, HRIF's portfolio's top three geographic regions were Ohio (18.78%), Florida (16.08%), and South Carolina (12.53%). Moving into August, HRIF's top geographic location remained in Ohio (22.12%), with Florida remaining the second largest (15.12%), and North Carolina shifting to third largest (13.12%). While Ohio did move above our max state exposure of 20%, HRIF's Investment Committee decided to temporarily approve the increase above the maximum exposure of 20%, as the portfolio still contained a well-balanced mix across multiple leading MSAs in the state (Columbus, Cleveland, & Cincinnati). Additionally, we limited the amount of new loans purchased from Ohio in September, and in turn reduced the portfolio's exposure. Below you will find visuals to display HRIF's final state concentration by gross loan amount at the end of September.

As seasons change and markets adjust, we will continue to closely monitor our shifts in geographic concentrations to ensure the portfolio remains appropriately positioned.

HRIF State Exposure – % of Total Portfolio as of 09/30/2023



Ohio 17.75%
Florida 15.08%
North Carolina 14.85%
South Carolina 11.77%

Georgia 9.64%
Indiana 8.77%
Maryland 4.60%

Virginia 3.91%
Pennsylvania. 3.50%
Other 10.13%

HRIF's loan leverage metrics are also a vital piece to the portfolio's overall health. These leverage ratios are what protect each loan against any potential downside risk. Below is a quick breakdown of the importance of each:

1. Loan to As-Is Value (LTAIV): LTAIV looks at HRIF's day-one exposure to any given loan and ensures each developer has substantial equity in each property from day one. We have set a maximum LTAIV constraint per loan of 70%, and are targeting a portfolio below 65% LTAIV.

2. Loan to Cost (LTC): LTC looks at the total costs of the project (Purchase price + construction costs) relative to the total loan amount. HRIF wants to see that the total costs of the project exceed the total loan amount by at least 10% to ensure the developer has equity in the project and aligned interests. We have set a maximum LTC constraint for any loan within the portfolio at 90%, while targeting a weighted portfolio makeup below 85%.

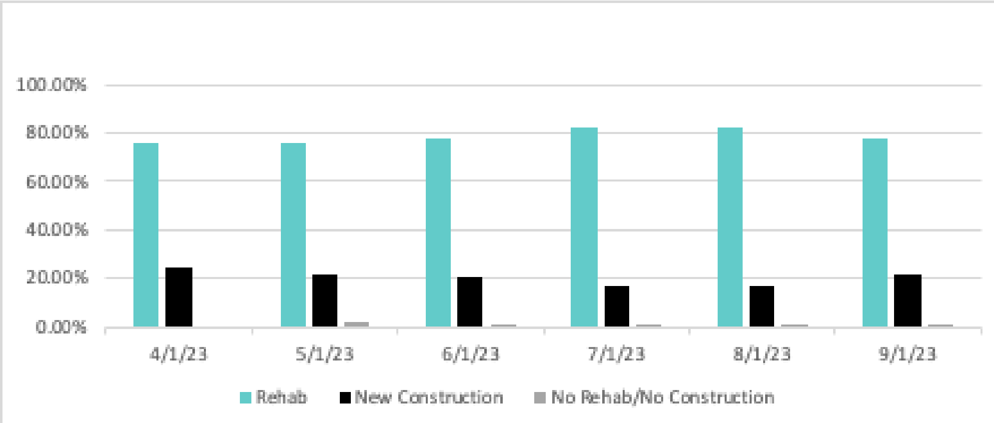
3. Loan to After Repair Value (LTARV): LTARV compares the total loan amount to the final expected value of the property after all renovations have been completed. If a developer sells a completed property below market value, or if there is any home price depreciation during the time to complete the project, HRIF wants to ensure there is enough margin at a lower price to still return full principal from sale or refinance proceeds. The HRIF team has set a 70% maximum LTARV constraint for each loan and for the entire portfolio.

In the below table, HRIF's month-over-month changes in WAVG loan leverage metrics are presented. While the portfolio saw its WAVG LTARV and LTC stay well below the desired target, it did experience an uptick in its WAVG LTAIV through July and August. HRIF's team made a conscious decision to purchase additional loans in September at a lower LTAIV to ensure the portfolio's WAVG LTAIV returned closer to the desired 65% target by 23Q3's end.

Weighted Average Loan Leverage Metrics	6/30/2023	7/31/2023	8/31/2023	9/30/2023
Loan to As-Is Value	56.33%	68.54%	69.38%	66.61%
Loan to Cost	82.70%	81.24%	81.95%	82.22%
Loan to After Repair Value	63.61%	63.89%	63.52%	63.62%

Additional HRIF Portfolio Composition

Project Type – % of Total Book (09/30/2023)



Largest 10 Loans – % of Total Book (09/30/2023)

State	Total Loan Amount	% of Total Book
VA	$875,000.00	3.32%
SC	$799,000.00	3.04%
FL	$656,000.00	2.49%
FL	$621,000.00	2.36%
OH	$575,000.00	2.18%
SC	$523,000.00	1.99%
NC	$520,000.00	1.98%
GA	$485,000.00	1.84%
NC	$401,000.00	1.52%
FL	$382,000.00	1.45%

Top 10 Developers – % of Total Book (09/30/2023)

Developer	Sum of Total Loan Amount	% of Total Book
1	$1,443,000.00	5.48%
2	$953,000.00	3.62%
3	$875,000.00	3.32%
4	$799,000.00	3.04%
5	$774,000.00	2.94%
6	$759,000.00	2.88%
7	$656,000.00	2.49%
8	$656,000.00	2.49%
9	$621,000.00	2.36%
10	$589,000.00	2.24%

HORIZON RESIDENTIAL INCOME FUND I, LLC

Key Highlights & Achievements

Below are major highlights that took place during the second quarter of HRIF's operations:

- The Fund successfully raised an additional $5.13MM of new equity from investors.
- The Fund increased its amount of leveraged capital by $2.67MM
- Throughout the quarter, HRIF purchased 61 new mortgages totaling $16.16MM.
- HRIF disbursed 133 construction draws to developers for home improvements, totaling $3MM.
- After only having one loan repay in 23Q2, HRIF had 15 additional loans repay in 23Q3 totaling $3.03MM in principal repayment.

HORIZON RESIDENTIAL INCOME FUND I, LLC

HRIF Outlook

Looking forward to 23Q4, HRIF will continue to execute its investment strategy of purchasing short-term residential RTL mortgages underpinned by a steadfast commitment to preserving a portfolio that aligns with designated risk mitigation benchmarks. At the end of 23Q2, HRIF's portfolio concentration was predominantly centered on the Ohio Valley region, the Carolinas, and the Southeast. Moving into 23Q3, the portfolio did not see any major shifts as HRIF's team continued to be bullish on these markets. Looking into 23Q4, we do not expect any large shifts here, as HRIF's team feels these markets are and will continue to be great opportunities for sustained growth. Within these promising markets, the Fund will continue to identify viable projects executed by creditworthy, seasoned developers.

At the close of 23Q3, HRIF's average loan size was $237,000, with its largest loan amounting to $875,000. Both figures were only a slight increase to the end of 23Q2 and while we do expect both to increase in 23Q4, we do not anticipate a large jump. In 23Q4, the HRIF team expects to continue to actively explore opportunities to acquire larger mortgages, entailing heightened exposure to mid-luxury, portfolio, and/or multi-family assets. Moreover, as we were in 23Q3, HRIF will remain committed to bolstering its exposure to new construction assets, aiming to cultivate a more balanced portfolio structure. The HRIF team exhibits a strong optimism for new construction, as these projects are typically pursued by more experienced operators and pose reduced execution risk. However, as the portfolio's new construction exposure grows, the team will judiciously ensure that HRIF remains insulated against an overabundance of nascent new construction projects. This measure is strategically undertaken to curtail HRIF's vulnerability to underdeveloped land, ensuring a measured and prudent approach to portfolio risk management.

From a financial performance perspective, the HRIF team expects to continue to meet and exceed the stated Preferred return of 8% each month. As the loans within the portfolio continue to mature, HRIF is expecting to see an increase in overall revenue through additional income sources, further increasing returns. These income sources can include late fees, marginal penalty interest, and term extension fees.

Additionally, at the end of 23Q3 the WAVG pass-through rate on loans purchased was 11.31%. While not all new loan purchases in 23Q4 will have pricing that will allow for a higher pass-through rate, the HRIF team will be seeking opportunities to purchase new loans with a pass-through rate between 11.50%-11.75% rate to increase monthly interest income.

Lastly in 23Q3, HRIF's team remained intentionally conservative with the total amount of capital that was drawn from its leverage facility. As the Fund continues to grow with increased equity commitments, and loans within the portfolio continue to mature, HRIF's team plans to increase its total leveraged capital, commensurate with the Fund's total equity. Through additional leverage, the Fund will increase the portfolio's overall buying power and thus amplify portfolio diversification & returns.

SUCCESS STORIES

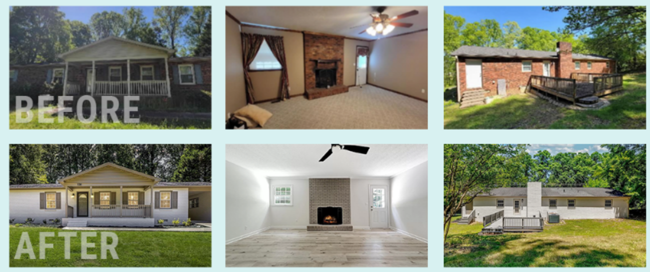
108 Gettys Dr.

Gaffney, SC 29341

- Drywall replacement and repair
- Updated flooring
- Interior and exterior paint
- New countertops and appliances
- Updated fixtures, sinks, and doors

Project origination: 05/01/2023

Project finished: 09/26/2023



Before purchasing any new mortgage into HRIF, the team follows a stringent diligence process to ensure that all new deals are a proper fit for the Fund. When analyzing any new loan, HRIF's manager and Investment Committee ensures that the developer has quality experience with projects of like-kind that have recently been completed and successfully exited. Strong credit and sufficient cash reserves are also verified to mitigate default risk in the event any unforeseen issues arise. Furthermore, we diligently assess leverage metrics for each deal, employing an independent appraiser's comparables analysis to verify that the After Repair Value (ARV) indicated for the project corresponds with the latest comparable home sales in proximity to the subject property.

At the beginning of May, HRIF was presented with a new fix-and-flip project at 108 Gettys Dr., Gaffney, SC, 29341. The developer was a repeat borrower with Upright and had successfully completed and exited three prior loans. This specific purchase loan of $153,000 was originated in order to finance light rehabilitation. The loan consisted of a construction budget of $40,000, a Loan to After Repair Value (LTARV) of 66.52%, and a Loan to Cost (LTC) ratio of 90%. While leverage metrics for this particular deal were pushing the upper constraints of our targeted LTARV and LTC metrics, HRIF's team had confidence in the deal due to the developer's proven track record of successfully progressing and exiting deals with similar construction scopes, as well as their knowledge and experience within the local market.

Given all factors listed above, HRIF purchased this loan from Upright on May 12, 2023.

As the project progressed, the developer was able to quickly and efficiently work through repairs and upgrades. Between May 25 and June 20, the Fund reviewed three third-party inspections to verify construction progress, and disbursed corresponding construction draws. The developer was able to fully complete construction in just under two months, and on September 26, the developer sold the property for $125,000 more than initially purchased and repaid our loan, adding to their list of successful projects.

As HRIF continues to grow, the team will seek similar opportunities, where the Fund can partner with a high-quality operator and bring new wealth and improved housing stock to established communities!

OTHER RELEVANT INFORMATION

What’s New?

In the third quarter, Linda Yeh resigned from her position on the Horizon Fund's Investment Committee. As the third seat is being actively filled, the committee, now comprised of Matt Rodak and Alex Goodwin, requires unanimous agreement for all investment decisions. The Horizon Residential Income Fund will promptly designate a successor for Linda and inform HRIF investors accordingly.

Horizon Residential Income Fund I, LLC

Thank you for your continued trust and support in Horizon Residential Income Fund I, LLC. We welcome all questions and look forward to a successful and rewarding journey together.

Sincerely,

Matthew Rodak
Chief Executive Officer

Contact Information:

For any inquiries, additional information, or referrals, please contact our Investor Relations department:

ir@upright.us

646-895-6090