

## **Terranum Capital LLC**

65 East 55<sup>th</sup> Street

Telephone: (347) 289-3262

35<sup>th</sup> Floor

New York, NY 10022

<http://www.terrانumcap.com/>

Form ADV Part 2 — August 5, 2014

### Item 1 – Cover Page

**This brochure provides information about the qualifications and business practices of Terranum Capital LLC. If you have any questions about the contents of this brochure, please contact us at (347) 289-3262. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. The firm’s status as a registered investment adviser does not imply any certain level of skill or training.**

**Additional information about Terranum Capital LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2 – Material Changes

In the future, this section of the brochure will provide you with information regarding any material changes that have been made to the brochure since its last annual update. Because we are a newly registered entity, there are no material changes to report at this time.

We will provide clients with a summary of any material changes to this ADV Part 2 and subsequent brochures within 120 days of the close of our fiscal year. We may also provide clients with additional updates or other disclosure information at other times during the year in the event of any material changes to our business.

You may request the most recent version of this brochure by contacting Daniel Grunberg, Chief Compliance Officer at (347) 289-3262.

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#### Item 4 – Advisory Business

Terranum Capital LLC (the “**Registrant**”), along with certain affiliated entities that serve as management companies and general partners (collectively, “**Terranum Capital**,” “**us**,” or “**we**”), provides investment advisory and other services to privately offered real estate investment funds (the “**Funds**”). The Registrant was founded in 2011 by its two owners, Gregorio Schneider and Daniel Grunberg. Each of our Funds’ general partners is owned in part by us, and in part by Terranum S.A.S., a full-service real estate firm headquartered in Colombia (“**Terranum S.A.S.**”). Terranum S.A.S. is in turn owned by Estrategias Corporativas S.A.S., a privately held Colombian boutique investment bank (“**Estrategias Corporativas**”), and the Santo Domingo Group, a Latin American business conglomerate.

The Funds invest, directly or through intermediary holding entities, in real estate and real-estate related interests in Latin America. To date, our focus has been primarily on residential and retail real estate investment opportunities in Colombia, Mexico and Peru. The private offering documents for the Funds provide additional details regarding their investment strategies.

We also provide non-discretionary advice to a pooled investment vehicle managed by a third party investment manager in which our principals, Gregorio Schneider and Daniel Grunberg, have a minority interest (the “**Third Party Fund**”). The Third Party Fund invests in non-performing loans and other special situations debt and real estate-related opportunities in Spain and Portugal.

As of June 30, 2014, we provide non-discretionary real estate investment services to each of our Funds and the Third Party Fund, with approximately \$407.5 million in assets (in respect of undrawn capital commitments and invested capital). We do not provide discretionary advice to the Funds due to the fact that our personnel constitute only 50% of the membership of each Fund’s investment committee. The membership of the Funds’ investment committees is discussed further in Item 10.

Throughout this brochure, we disclose conflicts of interest and provide summaries of a number of our policies and procedures designed to detect and address these conflicts and others. In addition, conflicts of interest and specific risks are identified in the offering materials of the Funds. Certain investment limitations for the Funds are also set out in their offering materials. Please request a copy of the relevant Fund’s most current offering materials for a description of other conflicts and risks that might exist, and the relevant investment limitations.

#### Item 5 – Fees and Compensation

For services provided to each Fund, each Fund pays us a management fee (a percentage of commitments and/or capital investments under management) and a performance-based carried interest (a percentage of the net profits from divestment of portfolio holdings after capital is returned and a preferred return, as described in Item 6, below). We may also receive directors’ fees, transaction fees, investment banking fees, advisory fees, monitoring fees, or similar fees, as described below.

We do not receive any direct compensation for our services to the Third Party Fund, but we do benefit through our partial ownership of the manager and general partner of the Third Party Fund.

### *Management Fees*

The Funds pay us a management fee up to the amount specified in each Fund's offering materials. Through the end of a Fund's "Investment Period," this fee is typically in an amount equal to approximately 2.0% of the aggregate capital commitment of the Fund's investors. After the end of the Investment Period (or upon such other events as may be specified in each Fund's offering materials), the fee is typically equal to 2.0% of invested capital. Our personnel and senior management of Terranum S.A.S. and its affiliates do not pay management fees with respect to their investments in the Funds. Certain of the Funds provide fee breaks for investors who contribute in excess of a specified minimum investment specified in each Fund's offering materials.

The management fee is accrued and payable quarterly or semi-annually in advance. In the event of an early termination of a Fund, we will return to the Fund the proportionate amount of the management fee attributable to the period after the termination date. Management fees are not negotiable.

### *Other Fees*

We may also receive directors' fees, transaction fees, investment banking fees, advisory fees, monitoring fees, or similar fees in connection with consummated transactions or as compensation for certain of our principals and employees serving as directors or advisors to portfolio companies (collectively referred to below as "**Other Fees**").

These Other Fees are determined on a transaction by transaction basis, and are generally calculated based on the total enterprise, transaction or financing value of the portfolio company involved in the transaction. To the extent these Other Fees are paid directly to us by companies owned by a Fund, they would effectively result in an indirect fee paid by the Fund and its investors. However, our management fees are offset by 100% of the Other Fees we receive, which we believe aligns our interests with those of the Funds.

### *Additional Expenses*

The investment strategies we employ for the Funds generally do not involve the purchase or sale of publicly offered securities, and as such, do not typically entail expenses related to brokerage commissions, although other expenses may arise. Please refer to Item 12 for additional information regarding the factors we consider in selecting broker-dealers and other service providers for transactions, and in determining the reasonableness of their compensation.

In addition, the investment strategies we employ for the Funds may involve expenses paid by each of the Funds that are related to legal, tax, regulatory and other issues, as well as the costs of other service providers and intermediaries, such as investment banks, that may be involved in the purchase or divestment of each Fund's portfolio holdings.

Our fees are exclusive of these costs, as well as other transaction fees, custodial fees, organizational costs, and other related costs and expenses, all of which are incurred by the Funds (either directly, or indirectly if the expenses are paid by the Fund's portfolio companies). In addition, each Fund also bears expenses of its administrator(s) and certain other service providers. We encourage you to review the offering materials for each Fund which contain additional disclosures regarding expenses borne by it.

*Related Matters:*

Side Letters. We may negotiate specific terms of investment for certain prospective investors of the Funds that will differ from the terms applicable to other investors. For example, such terms may include priority co-investment rights and access to more detailed reports on the Funds.

Alternative Investment Vehicles. Sometimes certain Fund investors, for legal, regulatory, or tax reasons, would be disadvantaged if an investment was made directly in a portfolio investment by their Fund. In these circumstances, we may permit these investors to invest alongside each of the Funds, on the same terms as each Fund, through an alternative investment vehicle ("AIV"). Fund investors that invest through an AIV pay the same portion of fees and expenses as they would have if they had invested through each of the Funds, and have their capital commitment to each of the Funds reduced by the amount of assets invested through the AIV(s).

Parallel Funds. Sometimes instead of creating AIVs, we may determine to create parallel funds that provide investors with the same economic experience as they would have had they invested in the main fund to which it relates, except as required to differ based on legal, regulatory or tax reasons (each a "**Parallel Fund**"). Except as specifically noted in this brochure or the offering documents of each Fund, we treat Parallel Funds, and the Funds to which they relate, equally in all respects.

Item 6 – Performance-Based Fees and Side-By-Side Management

As noted in Item 5 above, the Funds pay us certain performance-based fees in the form of carried interest—typically 20% of the net proceeds from the divestment of Fund portfolio holdings after the return of capital, allocable fees and expenses and a preferred return thereon. Our receipt of performance-based fees is subject to certain limitations set forth in the constituent documents of each Fund, which generally require that Fund investors must first receive a return of invested capital and allocable fees and expenses plus a preferred return before carried interest is paid to us. Our personnel and senior management of Terranum S.A.S. and its affiliates do not pay performance-based fees with respect to their investments in the Funds. All performance-based income is calculated and paid in accordance with Section 205 and Rule 205-3 under the Investment Advisers Act of 1940.

However, because all Funds pay us roughly equivalent performance-based fees, we generally believe that we do not face conflicts related to the side-by-side management of accounts which do pay performance-based fees along with accounts that do not. With respect to Parallel Funds, this potential conflict is addressed because each Parallel Fund invests pro rata alongside the main Fund to which it relates.

This potential conflict is also mitigated by each of our Fund's investment cycle: our Funds generally follow a cycle of 1) capital sourcing, 2) investment, and 3) disposition of portfolio holdings. We do not organize a new Fund until the prior Fund (including any related Parallel Funds) is at the end of its "investment phase" or has invested a substantial portion of its committed capital, thus effectively eliminating the possibility that we would favor one Fund over another. As such, we believe that we rarely face conflicts that would raise the possibility of unfair treatment among our Fund clients.

From time to time we may, if we determine in our reasonable good faith discretion, permit certain strategic investors (which may include existing Fund investors, third party funds and advisers, lenders, and other strategic investors) ("**Co-Investors**") to invest in a potential investment alongside a Fund. We will typically seek out Co-Investors if we do not believe that a Fund should purchase the entirety of the current investment opportunity based on various factors, such as: the risk level of the potential investment; capital available for investment; portfolio diversification; capital requirements; or other reasons.

Generally, we strive to ensure that the Funds purchase the underlying investment on terms that are no less advantageous than the terms on which such Fund's Co-Investors make their investment (subject to any relevant legal, tax, regulatory or other considerations that may impact investment terms). However, to the extent consistent with the offering materials of a Fund, in circumstances where we believe that a strategic Co-Investor would add unique value or expertise to the portfolio investment, such co-investment may be permitted on terms and conditions that are more favorable to the Co-Investor than to each of the Funds (and any other Co-Investors).

Although we do receive administrative fees and performance-based fees from Co-Investors, these fees are generally lower than those paid by each of the Funds, which we believe mitigates our incentive to favor Co-Investors over the Funds, or to provide investment opportunities to Co-Investors in amounts greater than we believe necessary or appropriate in light of the Fund's investment or potential investment. Nonetheless, we may develop goodwill through making co-investment opportunities available to new investors, including goodwill with current Fund investors who may be solicited to invest in any new Funds we organize in the future.

With respect to the Third Party Fund, we generally do not believe we face conflicts of interest between the Third Party Fund and our Funds because of the lack of overlap between their respective investment strategies. The Third Party Fund focuses on a specific geographic location outside of Latin America, and generally does not involve any counterparties that are active in Latin America.

#### Item 7 – Types of Clients

As noted in Item 4 above, we provide portfolio management services to the Funds and the Third Party Fund (which are generally organized as foreign limited partnerships). The Funds often require capital commitments of at least \$5 million, although a Fund's constituent documents may allow for exceptions to these minimums in our discretion.

Generally, each of the Funds' investment advisory is contracted with Terranum Capital (or an affiliate thereof). This contract may be terminated upon the removal of Terranum Capital (or an affiliate) as the general partners of the Funds.

#### Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

##### *Investment Strategies*

As noted above, Terranum Capital advises its client Funds regarding real estate investments in Latin America—specifically, to date, in Colombia, Peru, and Mexico. We focus our investment strategies on low-to-middle income residential developments and, selectively, neighborhood or convenience store strip center developments that service areas nearby such residential developments. An important aspect of our strategy is that we focus on for-sale developments, which we believe present a lower risk profile (with a lower upside as well) due to (1) the self-liquidating nature of the projects, providing an automatic exit; and (2) the pre-sale aspects of the strategy which help reduce risk (through mechanisms such as requiring a minimum percentage of pre-sales prior to breaking ground) and provide an embedded form of leverage because of the lower equity capital requirements resulting from the receipt of pre-sale installment payments during construction.

Typically, our clients take controlling, equity investments in these real estate developments, but occasionally our clients will make use of debt or other instruments that provide exposure to real estate.

Further information regarding the investment strategies and limitations of each Fund is provided in its offering documents.

##### *Investment Principles*

Our investment strategy is based on our core set of investment principles:

**Value Investor** — We are fundamentally a value investor, as distinguished from a momentum- or leverage-driven investment approach, and we invest with a philosophy that financial engineering is not a substitute for understanding underlying asset value. We analyze asset value through objective criteria, such as the historical pricing achieved in comparable transactions and the supply/demand dynamics within a given market.

**Capital Preservation** — We believe that preservation of capital is an important priority and minimizing the risk of loss on investments is a critical step to deliver attractive returns to investors. Our investment team is willing to structure transactions with more speculative upside potential for incremental downside protection where appropriate. Accordingly, we tend to focus on ways to reduce downside risk through transaction structuring and other tools as well as limit clients' exposure to the market and other external risks. Prior to any investment, we conduct sensitivity analysis including worst case scenarios.

**Regional Insight** — Our investment team works closely with other investment professionals at our affiliate, Terranum S.A.S., to source, underwrite and execute transactions. This cooperation extends to sharing of information, industry and locational expertise, relationships and transaction experience. We seek to leverage Terranum S.A.S.'s real estate experience in the region to

anticipate industry and investment trends. We believe that such integration provides our clients with insight into risk and returns levels across different investment classes as well as different investment structures within real estate in the region.

**Local Expertise** — We believe local knowledge and networks are vital to sourcing, underwriting and managing successful investments. Our investment team has spent the vast majority of their careers focused on investments in Latin America and other emerging markets. In addition, we have established sourcing partnerships with leading local groups. These partners provide local knowledge and execution capabilities that we believe will enhance our clients' investment platform.

**Disciplined Approach** — We take a highly-selective, patient and disciplined approach to investing, screening numerous potential transactions for every closed investment. Our investment team intends to rely on its deep experience in the region as a gauge of each opportunity's risk/reward profile, likely exit and relative weighting vs. other opportunities in the pipeline. As a result, the investment team expects to be able to move quickly on desirable opportunities because we know each country's market dynamics intimately.

**Stringent Partnership Selection Guidelines** — We believe that selection of local operating partners is of paramount importance in order to navigate the risks/rewards of investment opportunities. We use the following framework in the selection of local partnerships, generally seeking:

- Established partners with deep local operating experience and capabilities;
- Partners that make a significant capital contribution to the project in order to align interests between such partner and our clients.
- To retain investment discretion on each potential investment opportunity, including discretion over capital commitment, operating decisions and exit; and
- To carefully negotiate exit provisions and dispute mechanisms in the relevant agreement designed to resolve potential conflicts of interests.

#### *Risks of Investing:*

Investing in real estate and real estate-related securities involves risk of loss that Fund investors should be prepared to bear. Some of the primary risks involved in the investment strategies we employ for the Funds include:

**Risks of Investing In Real Estate.** Real property investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including (i) changes in the general economic climate or in national or international economic conditions, (ii) local conditions (such as an oversupply of space or a reduction in demand for space), (iii) the quality and philosophy of management, (iv) competition based on rental rates, (v) attractiveness and location of the properties, physical condition of the properties, and changes in the relative popularity of commercial properties as an investment, (vi) financial condition of tenants, buyers and sellers of properties, (vii) quality of maintenance, insurance and management services, (viii) changes in

real estate tax rates and other operating costs and expenses, (ix) energy and supply shortages, (x) changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, (xi) uninsured losses or delays from casualties or condemnation, (xii) government regulations (including those governing usage, improvements, zoning and taxes) and fiscal policies, (xiii) potential liability under changing environmental and other laws, (xiv) risks and operating problems arising out of the presence of certain construction materials, (xv) structural or property level latent defects, (xvi) acts of God, and (xvii) other factors beyond our control. If portfolio investments do not generate sufficient revenues to meet their operating expenses, including debt service and capital expenditures, a Fund's cash flow and ability to pay distributions to investors will be adversely affected. Certain significant expenditures associated with each equity investment (such as mortgage payments, real estate taxes, lease obligations and insurance and maintenance costs) are generally not reduced when circumstances cause a reduction in income from such portfolio investment. Real estate historically has experienced significant fluctuations and cycles in value and a Fund may buy and/or sell portfolio investments at less than optimal times.

Latin American Investments. Latin American real estate-related investments involve certain factors not typically associated with investing in real estate-related investments in the United States, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the Fund's portfolio investments may be made, and costs associated with conversion from one currency into another, (ii) differences between U.S. and foreign real estate markets and (iii) certain economic and political risks, including potential exchange-control regulations, potential restrictions on non-U.S. investment and repatriation of capital and the possibility of expropriation or confiscatory taxation.

Latin American Real Estate Markets. Some Latin American countries present risks due to fragmented and still developing real estate markets. With fewer institutional sources of capital, the capital markets tend to be relatively shallow. The real estate markets in some Latin American countries are just now beginning to develop the diversified sources of capital that are found in the United States, where debt and equity capital flow from both the public and private markets. Many Latin American real estate markets are also less transparent than more developed markets, and reliable information is often difficult and/or expensive to obtain.

Investments in Real Estate Development. A Fund may acquire for development direct or indirect interests in undeveloped land or underdeveloped real property (which may often be non-income-producing), real estate developments or redevelopments and/or businesses that engage in real estate development or redevelopment. To the extent that a Fund invests in such assets and activities, it will be subject to the risks normally associated with such assets and development activities. Such risks include those relating to the availability, expense and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks beyond the control of the Fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of a Fund and on the amount of funds available for distribution to its investors. Properties under development or properties

acquired for development may receive little or no cash flow from the date of acquisition through the date of completion of development and may still experience operating deficits well after the date of completion. In addition, market conditions may change during the course of development that make such portfolio investments less attractive than at the time they were commenced.

Potential Environmental Liability. A Fund may face a significant environmental liability in connection with its real estate investments. In some cases, the relaxed enforcement of environmental regulation in some Latin American countries has led to high levels of pollution of air, ground and water resources. The legislative framework for environmental liability has not been fully established or implemented in some jurisdictions. The extent of the responsibility, if any, for the costs of abating environmental hazards may be unclear when a Fund is considering an investment. Environmental laws may result in delays, may cause a Fund to incur substantial compliance and other costs and may prohibit or severely restrict development in certain environmentally sensitive regions or areas. The cost of any required remediation of hazardous or toxic substances on or in a property and the owner's liability in respect thereof may not be limited and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell the real estate or to borrow using such property as collateral. It is also possible that the owners of properties with significant contamination could be exposed to property damage in personal injury claims by adjoining or nearby landowners or residents. We can give no assurance that the countries in which a Fund invests will not impose additional regulations through enactment of new legislation, promulgation of new regulations, or interpretative enforcement actions that would require additional expenditures on environmental matters or otherwise adversely affect the Fund's portfolio investments.

Latin American Legal Systems. Local laws affecting investments and business, including laws regarding the certainty and continuity of legal title, the rights of creditors and the obligations of purchasers or lessees of property, continue to evolve, with respect to substance as well as interpretation – at times in an uncertain and even arbitrary manner. Laws and regulations, in particular those concerning investment and taxation, may change quickly and unpredictably. Inconsistencies and discrepancies among the vast number of local, regional, and national laws, the lack of judicial or legislative guidance on unclear or conflicting laws, and broad discretion on the part of government authorities implementing the laws produce additional legal uncertainties. There can be no assurance that the regulatory environments in those countries in which a Fund invests will remain stable. The burden of complying with conflicting and evolving laws may have a material adverse impact on the operations of the Funds.

Even where substantial revisions have been made to commercial laws in Latin American countries, the judicial and administrative procedures have not always been efficient. Some courts in the region lack significant experience in commercial dispute resolution, and many procedural remedies for enforcement and protection of legal rights are not available in such countries. The extent to which local parties and entities, including local governmental agencies, will recognize the contractual and other rights of the parties with which they deal may be uncertain. The Funds may therefore be unable to protect and enforce their rights against local governmental and private entities. The Funds may also encounter difficulties enforcing judgments of foreign courts in certain Latin American countries, or courts of these countries in foreign jurisdictions. Further, situations may arise in which legal actions are pursued in multiple jurisdictions.

**Funds may also be subject to material risks that are not described above. Additional risks are disclosed in the offering materials of each Fund. We encourage Fund investors to carefully review the full description of risk factors presented in their Fund’s offering materials.**

*Other Related Procedures and Conflicts:*

Valuation of Holdings. Under our valuation procedures, we generally value securities held by Funds in accordance with Accounting Standards Codification No. 820 (“**ASC 820**”) (formerly known as Financial Accounting Standards Board (FASB) Statement No. 157), or the applicable accounting standards under local country regulation. Portfolio investments are held at fair value as we have determined in good faith. Pursuant to our valuation procedures, in determining fair value:

- We conduct detail due diligence on each asset prior to making an investment;
- We prepare detailed models for underwriting and investment purposes based on projected cash flows, type of asset, and geographical location, among other inputs;
- We prepare cash flow models incorporating relevant due diligence and market information;
- We obtain independent third party appraisals in support of the valuation models; and
- Final valuations are reviewed and approved by each Fund’s investment committee.

As a general matter, we value real estate investments based on a combination of (i) recent project appraisals, (ii) value added to land by obtaining permits, development and infrastructure improvements, and (iii) net present value of projected operating cash flows using the discounted cash flow method. Additional information regarding our valuation procedures is available to Fund investors upon request.

Item 9 – Disciplinary Information

Form ADV Part 2 requires investment advisers such as Terranum Capital to disclose legal or disciplinary events involving the firm or our partners, officers, or principals that are material to your evaluation of our advisory business or the integrity of our management. We have no information to report that is applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

Affiliated General Partners. As disclosed elsewhere in this brochure, an affiliated entity that is owned and controlled by our principals serves as the general partner of each of the Funds.

Relationship with Terranum S.A.S. As noted in Item 4 above, Terranum S.A.S. owns a portion of our Funds’ general partners. Terranum S.A.S. is a full-service real estate firm with principal operations in Colombia. Terranum S.A.S. is composed of six business units:

- Terranum Corporate Properties – structures, develops and manages commercial real estate projects;
- Terranum Hotels – Develops and acquires hotels;
- Terranum Investment – real estate asset manager;
- Terranum Realty – real estate leasing, real estate brokerage;
- Terranum Architecture – architectural, construction, and design services; and
- Terranum Management – property and facility management services.

Generally, the Funds’ organizational documents permit us to utilize the services of Terranum S.A.S. on behalf of the Funds, provided certain conditions are satisfied. We recognize that we face a conflict of interest in any decision to retain Terranum S.A.S. to provide services to the Funds or to a property-holding company owned by a Fund, because any fees directly or indirectly paid by the Funds will benefit our affiliate.

In addition, as of the date of this brochure, each Fund’s four-member investment committee includes one representative from Terranum S.A.S. and one representative from Estrategias Corporativas, part owner of Terranum S.A.S., in addition to two members from Terranum Capital. Each Fund’s investment committee has final decision-making authority with respect to investments undertaken by the Fund.

In order to address these conflicts of interest, we have policies and procedures in place to help ensure that all contracts with Terranum S.A.S. are on terms no less favorable than those available from a third party on an arm’s length basis consistent with industry practice. Moreover, all such arrangements must be approved in advance by the Advisory Board of each Fund (which is composed of independent investors that are not affiliated with us or with Terranum S.A.S.). In addition, we generally believe that the inclusion of representatives from Terranum S.A.S. and Estrategias Corporativas on our Funds’ investment committees does not present a conflict of interest because Terranum S.A.S. does not invest in real estate opportunities outside Colombia and does not invest in residential properties.

Incus Capital Advisors SL and Incus Capital GP Ltd. As noted in Item 4, our principals own a minority interest in two other investment advisers, Incus Capital Advisors SL and Incus Capital GP Ltd., and we provide services through the investment committee of the Third Party Fund, which is managed by Incus Capital Advisors SL and Incus Capital GP Ltd. As disclosed in Item 6, we generally do not believe we face a conflict of interest with respect to Incus Capital Advisors SL, Incus Capital GP Ltd., or the Third Party Fund due to the lack of overlap in investment strategies and geographic limitations.

#### Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

*Code of Ethics and Personal Trading.* We strive to adhere to certain standards of conduct based on principles of professionalism, integrity, honesty and trust, and we have adopted a Code of

Ethics (the “**Code**”) to help us meet these standards. The Code incorporates the following principles, among others:

- Dealing fairly and acting in the best interests of clients;
- Taking steps to help ensure that personal securities transactions are conducted consistent with the Code and in such a manner to so as to avoid actual or potential conflicts of interest or any abuse of employees’ position of trust and responsibility; and
- Complying with federal securities laws.

The Code places restrictions on personal trades by certain of our personnel. These personnel are required to pre-clear all personal securities transactions involving limited offerings and initial public offerings. Fund investors and prospective investors may receive a copy of the Code upon request by contacting us at the address or telephone number listed on the first page of this document.

*Interest in Client Transactions.* As noted in Item 10 and elsewhere, one of our affiliated entities serves as the general partner of each Fund. In addition, many of our principals and employees invest in the Funds alongside other investors—indeed, many investors might choose not to invest in our Funds if we did not put our own capital at risk. These investments in our Funds involve only a small portion of total Fund capital, but may, during the initial raising of a Fund, constitute a significant portion of committed capital before other investors are admitted.

*Gifts and Entertainment.* In an effort to provide the quality of services that we believe our Funds’ investors expect, it is necessary for us to establish, maintain and enhance relationships with Fund investors and prospective Fund investors, as well as various professionals in the real estate industry and the investment industry, such as attorneys, consultants, brokers, investment bankers, and other service providers and professionals (collectively, “**Relationship Parties**”). Establishing meaningful and long-term relationships in these and other areas can be important factors in our ability to source investment opportunities for the Funds, as well as efficiently financing, managing and disposing of the Funds’ assets. We and many Relationship Parties value important and long-standing relationships, and as such, we and our employees may invite, or be invited by, Relationship Parties to participate in activities that could be considered lavish entertainment, such as sporting events, concerts, golf and other outdoor outings and other recreational activities (collectively, “**Events**”).

The primary benefits that we and the Funds receive from our sponsorship and participation in these Events is to establish and further strengthen our relationships within Relationship Parties. We believe that working to have such relationships is important to help ensure that we are provided with the opportunity to capitalize upon active sources of dealflow and investment opportunities, as well as to receive critical and reliable services and information. While we believe employee sponsorship and participation in these Events is beneficial to the Funds for the reasons described above, our subsequent selection and retention of such Relationship Parties as service providers could be viewed as a form of reimbursement for attending such Events. We recognize and acknowledge our fiduciary duty to the Funds, and as such, no such Events or activities that we sponsor or participate in are permitted to influence our due diligence process in the acquiring, financing, managing, and disposing of investments or fulfilling our fiduciary duty to the Funds. To address this potential conflict, our policies and procedures require all of our

personnel to report their planned sponsorship of and participation in Events, and all other gifts and entertainment involving Relationship Parties in excess of certain de minimis thresholds, to our Chief Compliance Officer or his designee (“CCO”) for review. The CCO is also required to approve any Events or other gifts in excess of certain thresholds. The CCO may determine to prohibit the sponsorship or participation in any particular Event, or the giving or receipt of any gift, if he believes the Event or gift raises concerns related to the frequency, lavishness or benefit of the Event or the gift. We also have policies and procedures in place to help us monitor, and limit, the political contributions that our principals and employees make to public officials and candidates for elected office in accordance with the requirements of Rule 206(4)-5 under the Investment Advisers Act of 1940.

### Item 12 – Brokerage Practices

The investment strategies we employ for Funds do not generally involve the type of securities transactions that require the use of a securities broker or dealer. However, when circumstances warrant or otherwise require, we may make use of securities brokers or dealers in connection with purchases or sales. We seek to execute these transactions in a manner that the Fund’s total cost or proceeds in each transaction is the most favorable under the circumstances. We do not consider research provided by securities brokers or dealers in selecting broker-dealers for such transactions, and we do not have any soft dollar arrangements with broker-dealers.

Nonetheless, Fund investors should expect that Fund transactions will generate certain costs related to all Fund transactions, even where we do not use a securities broker or dealer (e.g., costs incurred related to legal expenses, investment bankers, environmental experts, and other service providers), all of which are borne by the Funds, and not by us.

Moreover, under the terms of each Fund’s constituent documents, we have the power to select other service providers, including real estate brokers (which, as noted in Item 10 above, may include real estate brokers that are our affiliates). In selecting service providers, including real estate brokers, we consider a number of factors, including: execution capability, fees or commissions, knowledge of markets, experience, reputation, capitalization, and current market conditions.

#### *Trade Aggregation*

Because we typically only trade on behalf of a single Fund at any given time, we generally do not have the opportunity to aggregate the purchase or sale of securities for multiple clients. However, to the extent that we enter into a transaction on behalf of a Fund and any Parallel Funds (and one or more AIVs), the transaction is “aggregated” in that each entity participates in the transaction *pro rata* with its interest.

#### *Transactions with Fund Investors*

We and our affiliates sometimes enter into transactions with certain Fund investors (including allowing them to be Co-Investors, as described in Item 6, above). The terms of these transactions are negotiated on an arm’s-length basis. However, we and our affiliates are subject to a conflict of interest when determining such terms because we may benefit from retaining the investor or providing them an incentive to invest in future Funds.

### Item 13 – Review of Accounts

We closely monitor each Fund's portfolio investments through regular performance reports, frequent management briefings, and other informal reviews. Additionally, investment performance is discussed and reviewed informally at weekly meetings and among our investment professionals on a regular basis.

We provide Fund investors with:

- unaudited quarterly financial statements prepared in accordance with GAAP with (i) descriptive investment information for each Fund investment and (ii) narrative summary financial information for each Fund investment;
- audited annual financial statements prepared in accordance with GAAP with (i) valuations of each Fund investment as of year end, (ii) an overview of the Fund's investment activities for such fiscal year, including narrative descriptive investment information of each Fund investment and summary financial information for each Fund investment, and (iii) a report on the management fees and all offsets to the management fee;
- within 90 days after the end of each fiscal year (subject to reasonable delays in the event of late receipt of any necessary financial statements or other information necessary to prepare tax returns), the Fund's tax return and its respective investor's forms K-1; and
- Quarterly capital statements. This statement describes in fair detail the movement in each investor capital account.

### Item 14 – Client Referrals and Other Compensation

As described in Item 5 above, we may receive Other Fees that are not paid directly by the Funds, but by the subsidiary companies that hold real property. These fees may be paid pursuant to separate agreements we enter into to provide certain services to the companies that we believe will ultimately enhance the value of the companies and the underlying property and benefit the Funds. In accordance with the terms and conditions of our Funds, any fees received by subsidiaries of the Funds are offset against the management fee we receive.

### Item 15 – Custody

We are deemed to have custody of the Funds' assets because the Registrant is affiliated with each Fund's general partner. As permitted by Advisers Act Rule 206(4)-2, we generally provide Fund investors with the Fund's annual audited financial statements prepared by an independent public accountant.

### Item 16 – Investment Discretion

We generally receive and exercise discretionary authority to manage investments on behalf of the Funds. We typically assume this authority through a contract provision granted or entered into by, or through the constituent documents of, a Fund (or its general partner).

#### Item 17 – Voting Client Securities

Although the investment style we employ for the Funds does not generally give rise to any situations that would involve voting proxies, we have adopted proxy voting policies and procedures. We will consider such votes on a case-by-case basis. If in the future a Fund holds securities of a company of which we (or our personnel) do not control the management, we will adopt procedures to address how we will vote the proxies of that company. To the extent that we face any real or perceived conflicts of interest in voting on any matters, we may bring the issue to the attention of the relevant Fund's Advisory Board for its review. Clients may request a copy of our proxy policies and the proxy voting record relating to their account by contacting us at the address or telephone number listed on the first page of this document.

#### Item 18 – Financial Information

Form ADV Part 2 requires investment advisers such as Terranum Capital to disclose any financial condition reasonably likely to impair our ability to meet contractual commitments to clients. We have no information to report that is applicable to this item.