

LDR Capital Management, LLC

Form ADV - Part 2A

Investment Adviser Brochure

March 11, 2022

Item 1 – Cover Page

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This Investment Adviser Brochure provides information about the qualifications and business practices of LDR Capital Management, LLC, a Delaware limited liability company and investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this Investment Adviser Brochure, please contact us at (646) 927-5800, or by email at general@ldrcapitalmgmt.com. The information in this Investment Adviser Brochure has not been approved or verified by the SEC or by any state securities authority.

Registration of an investment adviser with the SEC or any state securities authority does not imply any level of skill or training.

Additional information about LDR Capital Management, LLC is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The last annual updating amendment to our Investment Adviser Brochure was on March 29, 2021. Since that time, we have made the following changes to our brochure, which may be considered material:

- Updated Regulatory Assets Under Management
- Reflected that we began managing a new private fund
- Included additional information about certain policies and procedures

The foregoing is solely a summary of potentially material changes that have been made to the Investment Adviser Brochure and does not summarize all changes that have been made to this brochure since March 29, 2021.

Item 3 – Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	2
Item 6 – Performance-Based Fees and Side-By-Side Management	4
Item 7 – Types of Clients.....	5
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	5
Item 9 – Disciplinary Information	14
Item 10 – Other Financial Industry Activities and Affiliations	15
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	17
Item 12 – Brokerage Practices.....	18
Item 13 – Review of Accounts.....	20
Item 14 – Client Referrals and Other Compensation	21
Item 15 – Custody	21
Item 16 – Investment Discretion	22
Item 17 – Voting Client Securities	22
Item 18 – Financial Information	23
Item 19 – Requirements for State-Registered Advisers	23

Item 4 – Advisory Business

Structure; History and Ownership

LDR Capital Management, LLC is an investment advisory firm with its principal place of business located in New York, New York. LDR Capital Management, LLC will be referred to in this Investment Adviser Brochure as “LDR,” “we,” “us,” or the “firm.”

LDR is organized as a Delaware limited liability company and has been in business since October 2011. Lawrence D. Raiman is the firm’s founder and principal owner.

Types of Advisory Services

LDR serves as an investment adviser and provides discretionary investment supervisory services to the following private funds (collectively, the “LDR Funds”): (i) LDR Preferred Income Fund, LLC, a Delaware limited liability company (the “U.S. Preferred Income Fund”), (ii) LDR Preferred Income Fund, Ltd., a Cayman Islands exempted company that invests substantially all of its assets through the U.S. Fund (the “Non-U.S. Preferred Income Fund,” and together with the U.S. Fund, the “Preferred Income Funds”), and (iii) LDR Real Estate Opportunity Fund, LLC, a Delaware limited liability company (the “Opportunity Fund”). Our services are provided to each LDR Fund pursuant to the terms of an investment advisory agreement. The LDR Funds do not offer shares/interests to the public. LDR Fund interests are offered only in private placements to qualified investors. The terms applicable to investors in the LDR Funds are detailed in the LDR Funds’ confidential offering documents and governing documents, which are provided to prospective investors.

LDR Preferred Income, LLC serves as the managing member to the U.S. Preferred Income Fund and LDR Real Estate Opportunity, LLC serves as managing member to the Opportunity Fund. Each of these entities is referred to herein as a “Managing Member” and together as the “Managing Members.”

LDR also provides discretionary investment advisory services to high net worth individuals and institutional clients on a managed account basis (such accounts, the “Managed Accounts”) pursuant to respective investment advisory agreements. References throughout this document to “clients” refer to the LDR Funds, the Managed Accounts and any other funds or accounts that we may advise in the future.

The investment strategies we employ on behalf of our clients are described in greater detail below in *Item 8* and, as applicable, in each client’s confidential offering documents, governing documents or investment advisory agreements (collectively, the “Governing Documents”). While each of our clients will follow the general strategies stated below, we may tailor the specific advisory services

with respect to each client based on the client-specific investment guidelines and restrictions, as set forth in the client's Governing Documents, as applicable.

LDR does not participate in wrap fee programs.

Assets Under Management

As of December 31, 2021, LDR managed \$710,619,759 of regulatory assets under management, all of which were managed on a discretionary basis.

Item 5 – Fees and Compensation

We are entitled to asset-based management fees from the Preferred Income Funds and the Managed Accounts. In addition, the Managing Members, our affiliates, receive performance-based compensation from certain classes of the Preferred Income Funds and from the Opportunity Fund, as the case may be. Our fees and compensation are described in our clients' Governing Documents. This Investment Adviser Brochure will only be delivered to qualified purchasers as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act").

The fees described below reflect our typical fee terms. However, we may enter into agreements with one or more LDR Fund investors or clients providing for the waiver or modification of the management fee or performance-based compensation terms without notice to the other LDR Fund investors or clients.

Management Fee

The Preferred Income Funds

The management fee paid to us by the Preferred Income Funds is calculated and accrues monthly based on a percentage of the net asset value of each Preferred Income Fund as of the beginning of each calendar month. The Preferred Income Funds' management fees are paid quarterly in arrears and are deducted directly from the assets of the Preferred Income Funds. Such fees are prorated with respect to contributions to, and withdrawals/redemptions from, the Preferred Income Funds on a date other than the first day of the calendar month. A complete description of our compensation arrangements is set forth in each Preferred Income Fund's Governing Documents.

The Opportunity Fund

We are not paid management fees by the Opportunity Fund.

The Managed Accounts

The management fees paid to us by the Managed Accounts are calculated and accrue monthly based on a percentage of assets under management as of the last day of trading of each calendar month and are subject to proration for partial periods. The Managed Account management fees are generally paid quarterly in arrears. Management fees for the Managed Accounts are invoiced to, and paid by, such clients. The details of how the fees are calculated for the Managed Accounts can be found in the investment advisory agreement entered into between LDR and each Managed Account.

Performance-based Compensation

The LDR Funds

Our affiliates, the Managing Members, receive performance-based compensation from certain classes of the Preferred Income Funds and from the Opportunity Fund, as the case may be. Such performance-based compensation is based on a percentage of the net capital appreciation for the relevant period and is typically subject to a high water mark or recoupment of a loss recovery account. Each Managing Member typically receives performance-based compensation from the relevant LDR Fund on an annual basis, but will receive such compensation for shorter periods under certain circumstances (*e.g.*, upon withdrawals/redemptions from an LDR Fund). Performance-based compensation is allocated to each Managing Member directly from the assets of the relevant LDR Fund.

The Managed Accounts

The Managed Accounts are not subject to performance-based compensation.

Expenses

The LDR Funds pay, or reimburse us for, their own operating and other expenses including, but not limited to investment-related expenses (*e.g.*, brokerage commissions, clearing and settlement charges, custodial fees, research expenses, interest expenses, expenses relating to consultants), legal expenses, marketing expenses, accounting, audit, tax preparation and other tax-related expenses, entity level taxes, expenses related to obtaining certain insurance for the Managing Member and its personnel, organizational expenses and fees paid to the LDR Funds' administrators. A more detailed description of the expenses borne by the LDR Funds can be found in their respective Governing Documents.

Each Managed Account will generally be responsible for all expenses incurred in connection with the transactions effected or positions held on behalf of such Managed Account pursuant to the associated investment advisory agreement with LDR. Such expenses include, without limitation, custodial fees, bank service fees, brokerage commissions, clearing and settlement fees, interest and withholding or transfer taxes incurred in connection with trading for the Managed Account, and our fees as described above.

To the extent that a client benefits from an item that is chargeable to other clients, but is not permitted to incur such expense under its Governing Documents, LDR will bear such client's *pro rata* portion of the expense.

As we consider appropriate, we may invest a portion of a client's assets in one or more money market funds, mutual funds or exchange-traded funds ("ETFs"). When any such investments are made, clients will be paying, in addition to the compensation payable to us, their proportionate share of any management fees charged by the manager of such money market fund, mutual fund or ETF.

See Item 12 of this Investment Adviser Brochure for additional information regarding the LDR's brokerage practices.

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

Performance-Based Fees

As noted in *Item 5*, the Managing Members receive performance-based compensation from certain classes of the Preferred Income Funds and from the Opportunity Fund, as the case may be. Such performance-based compensation may create certain inherent conflicts of interest with respect to LDR's management of client assets. Specifically, entitlement to performance-based compensation by the Managing Members (which are affiliates of LDR) may create an incentive for us to take risks in managing assets that we would not otherwise take in the absence of such arrangements. Additionally, since performance-based compensation arrangements reward the Managing Members for performance in client accounts that are subject to such compensation, we may have an incentive to: (i) favor these accounts over those that have only fixed asset-based fees, and (ii) favor a client account that is subject to a higher performance-based compensation rate over a client account that is subject to a lower performance-based compensation rate.

As a registered investment adviser and a fiduciary, LDR exercises due care to ensure that investment opportunities are allocated equitably among all clients. Towards this end, LDR has implemented policies and procedures to address trade allocation decisions, order aggregation and brokerage allocation decisions. These policies and procedures (discussed more fully in *Items 10 and 12*) seek to ensure fair and equitable treatment of all clients over time.

Side-by-Side Management

The simultaneous management of different accounts creates certain potential conflicts of interest arising from different compensation arrangements among these accounts. LDR has procedures designed and implemented in furtherance of its efforts to treat all accounts fairly and equitably over time. By utilizing these procedures, LDR believes that client accounts that are subject to side-by-side management will receive fair and equitable treatment over time. *See Items 10 and 12 of this Investment Adviser Brochure for additional information regarding conflicts of interest, trade aggregation and allocation procedures.*

Item 7 – Types of Clients

The LDR Funds

Investors in the LDR Funds generally must be persons who qualify as “accredited investors” as defined in Rule 501 under Regulation D under the Securities Act of 1933, as amended, and qualify as “qualified purchasers” as defined in Section 2(a) (51) of the Investment Company Act. The minimum initial capital contribution for an investor in the Preferred Income Funds is \$250,000 and the minimum initial capital contribution for an investor in the Opportunity Fund is \$100,000, although the relevant Managing Member may accept investments in a lesser amount in its sole discretion. The LDR Funds’ investors may consist of one or more of the following: individuals; pension and profit sharing plans; financial institutions (including funds of funds); trusts; university endowments; charitable organizations; and corporations or other business entities.

The Managed Accounts

LDR provides discretionary investment management services to high net worth individuals and institutional clients on a managed account basis. There is no minimum account maintenance requirement for the Managed Accounts.

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

Methods of Analysis and Investment Strategies

LDR’s investment strategies are proprietary and confidential. The descriptions below are therefore intentionally general in nature and are not a complete description of the strategies summarized or of all of the strategies that may be utilized by LDR. At any time, LDR may add, remove, or modify any of the strategies it employs and this includes any of the strategies discussed below. No guarantee or representation is made by LDR that the strategies will be successful or that the objectives will be achieved.

Investing in securities involves risk of loss that investors and clients should be prepared to bear.

Investment Strategy

The Preferred Income Funds and the Managed Accounts

The Preferred Income Funds and the Managed Accounts invest primarily with a long-only strategy in U.S. Real Estate Investment Trust (“REIT”) preferred and real estate securities that meet certain asset and dividend coverage criteria. The Preferred Income Funds and the Managed Accounts primarily invest in securities issued by companies that we perceive as high quality and presenting a high probability of sustaining and maintaining their preferred dividends over the intermediate terms. However, we may implement and employ any strategies or techniques and utilize any financial instruments (whether or not described herein) in achieving our investment objectives for these clients. Key considerations in the security selection process will primarily relate to identifying high credit quality entities capable of passing certain asset and dividend coverage tests, and accomplishing asset class diversification and liquidity.

The Opportunity Fund

The Opportunity Fund’s investment objective is to capitalize a potential recovery opportunity offered by displaced sectors of the REIT and real estate-related markets related to the COVID-19 pandemic. The Opportunity Fund will primarily invest in common stock, preferred stock and unsecured debt securities issued by companies perceived by us as high quality and presenting a high probability of demonstrating a recovery pattern over the near to immediate term. The Opportunity Fund seeks to purchase securities at a discount to their intrinsic value, focusing on a combination of capital appreciation over time with attractive and growing income distributions.

Investment Process Generally

LDR has implemented a systematic analytical and portfolio management process, ranging from idea generation to valuation to position taking. We employ a rigorous investment process to evaluate potential investment opportunities. Such process begins with due diligence, consisting of a thorough business review of the industry, competitive landscape, products, customers, return on capital, and management of an issuer. LDR conducts liquidity, asset coverage, and volume analysis on prospective targets, as well as technical analysis. We focus on price objectives based on intrinsic valuation. The final step in the due diligence process includes a thorough assessment of how the particular investment fits into the overall investment strategy of all client portfolios. Once due diligence is complete, LDR evaluates the investment merits and risks and will be responsible for final approval or rejection of the investment. After an investment is made by a client, we monitor the position’s performance, trading levels, and trading activity. LDR’s due diligence may not identify all risks and liabilities in respect of an investment. In performing due diligence, LDR relies in part on information from third parties as a part of this due diligence. To

the extent that LDR or other third parties underestimate or fail to identify risks and liabilities associated with the investment in question, profitability of the investment may be impacted.

Material Risks of Investment Strategies and Securities

LDR's investment strategies involve significant risks. A discussion of the material risks is provided below. Such risk factors do not purport to be a complete enumeration or explanation of the risks involved in an investment in LDR's strategies. Prospective clients should read this entire Investment Adviser Brochure and all accompanying materials provided by LDR and consult with their own advisors before deciding whether to invest in the strategies. In addition, as the strategies develop and change over time, an investment in the strategies may be subject to additional and different risk factors.

Risk Factors Applicable to all of LDR's Clients

Due Diligence. LDR's due diligence may not identify all risks and liabilities in respect of an investment. In performing due diligence, LDR relies in part on information from third parties as a part of this due diligence. To the extent that LDR or other third parties underestimate or fail to identify risks and liabilities associated with the investment in question, profitability of the investment may be impacted.

General Real Estate Risks. Real estate may, during certain periods, experience significant fluctuations and cycles in value and local market conditions which result in reductions in real estate opportunities, value of real property interests and, possibly, the amount of income generated by real property. Real estate investments are generally subject to the risks incident to the ownership and operation of real estate and real estate-related assets, and/or risks incident to the making of nonrecourse mortgage loans secured by real estate, including risks associated with both the domestic and international economic climates; local real estate conditions; risks due to dependence on cash flow; risks and operating problems arising out of the absence of certain construction materials; changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); the financial condition of tenants, buyers, and sellers of properties; changes in availability of debt financing; energy and supply shortages; changes in the tax, real estate, environmental and zoning laws and regulations; various uninsured or uninsurable risks; natural disasters; and the ability to manage the real properties. It is possible that property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value.

Special Risks Related to Preferred Securities. There are special risks associated with investing in preferred securities, including:

Deferral and Omission. Preferred securities may include provisions that permit the issuer, at its discretion, to defer or omit distributions for a stated period without any adverse consequences to the issuer.

REIT Distribution Requirements. REIT dividends are paid only as and when declared by the REIT's board of directors. REITs generally pay higher and more regular dividends than other corporations because one of the requirements for maintaining REIT status under the tax laws is that a REIT generally distribute at least 90% of its REIT taxable income (with certain adjustments) each year. Declines in the real estate market may result in some REITs having little or no REIT taxable income and little or no corresponding distribution obligation.

Subordination. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt instruments.

Liquidity. Preferred securities may be substantially less liquid than many other securities, such as publicly traded common stocks or U.S. Government securities.

Limited Voting Rights. Generally, traditional preferred securities offer no voting rights with respect to the issuer unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights.

Special Redemption Rights. In certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by a change in Federal income tax or securities laws. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by a client account.

New Types of Securities. Preferred securities have from time to time been, and may in the future be, offered having features other than those described herein. LDR reserves the right to invest in these securities if we believe that doing so would be consistent with a client's investment objectives and policies. Since the market for these instruments would be new, LDR may have difficulty disposing of them at a suitable price and time. In addition to limited liquidity, these instruments may present other risks, such as high price volatility.

Liquidity Risk. LDR expects to invest primarily in preferred securities that are liquid. Under certain market conditions, however, such as during volatile markets or when trading in a security or market is otherwise impaired (such as an insolvency or bankruptcy hearing of a company whose preferred securities are held by a client account), the liquidity of a client's portfolio positions may be reduced. During such times, LDR may be unable to dispose of certain assets, which would adversely affect LDR's ability to rebalance a client's portfolio or to meet withdrawal/redemption requests. In addition, such circumstances may force LDR to dispose of assets at reduced prices, thereby adversely affecting the client account's performance. If there are other market participants seeking to dispose of similar assets at the same time, LDR may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if a client account incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, a client account's counterparties could incur losses of their own, thereby weakening their financial condition and increasing such account's credit risk to them. Many non-U.S. financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced for such client investments.

Credit Risk and Lower-Rated Securities Risk Related to Preferred Securities. Credit risk is the risk that a preferred security in a client's portfolio will decline in price or fail to make dividend, interest, or principal payments when due because the issuer of the security experiences a decline in its financial status. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater credit risk than debt instruments. The prices of lower grade securities are more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher grade securities. Lower grade securities tend to be less liquid than investment grade securities. The market values of lower grade securities tend to be more volatile than investment grade securities. Preferred stock will be considered to be investment grade if, at the time of investment, such security has a rating of "BBB" or higher by S&P, "Baa" or higher by Moody's, or an equivalent rating by a nationally recognized statistical rating agency, or, if unrated, such security is determined by LDR to be of comparable quality.

Lower-rated securities may be considered speculative with respect to the issuer's continuing ability to make principal and interest payments. Analysis of the creditworthiness of issuers of lower-rated securities may be more complex than for issuers of higher quality debt securities, and a client's ability to achieve its investment objectives may, to the extent such client is invested in lower-rated securities, be more dependent upon such creditworthiness analysis than would be the case if such client were investing in higher quality securities. An issuer of these securities has a currently identifiable vulnerability to default and the issuer may be in default or there may be present elements of danger with respect to principal or interest. Lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher grade securities. The prices of lower-rated securities have been found to be less sensitive to interest-rate changes than more highly rated investments, but more sensitive to adverse economic

downturns or individual corporate developments. Yields on lower-rated securities will fluctuate if the issuer of lower-rated securities defaults, a client may incur additional expenses to seek recovery. The secondary markets in which lower-rated securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect the price at which LDR could sell a particular lower-rated security when necessary to meet liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the issuer, and could adversely affect and cause large fluctuations in the net asset value of a client account. Adverse publicity and investor perceptions may decrease the values and liquidity of high yield securities. It is reasonable to expect that any adverse economic conditions could disrupt the market for lower-rated securities, have an adverse impact on the value of such securities and adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon. New laws and proposed new laws may also adversely impact the market for lower-rated securities.

Interest Rate Risk. Interest rate risk is the risk that fixed-income securities such as debt, and to a lesser extent dividend-paying securities such as REIT preferred shares, will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities may generally fall. An investment in such securities means that the net asset value and market price of securities may tend to decline if market interest rates rise. Because investors generally look to REITs for a stream of income, the prices of REIT shares may be more sensitive to changes in interest rates than other equity securities. During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled which is generally known as call or prepayment risk. If this occurs, LDR may be forced to reinvest in lower yielding securities. This is known as reinvestment risk. Preferred securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration, and reduce the value of the security. This is known as extension risk.

Uncertain Exit Strategies. Due to the illiquid nature of some of the positions in which LDR typically invests, we are unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political, or other factors.

Equity and Equity-Related Securities and Instruments. Clients are expected to take positions in equity securities. Clients may also purchase equity-related securities and instruments, such as convertible securities, warrants, and stock options. There are not any absolute restrictions in regard to the size or operating experience of the companies in which a client may invest (and relatively small companies may lack management depth or the ability to generate internally, or obtain

externally, the funds necessary for growth). The value of equity securities varies in response to many factors such as certain decisions by management, lower demand for products or services, or even the loss of a key executive, among other things, increased competition or costs of production or consumer or investor perception, can have a similar effect. Value can also be adversely affected by changes in financial markets generally, such as an increase in interest rates, may be favorably impacted by the same factors. As a result, a client account may suffer losses if it invests in equity securities of issuers whose performance diverges from LDR's expectations or if equity markets overall or equities comprising a particular industry sector, capitalization level, or other grouping generally move in a single direction.

In addition, certain options and other equity-related instruments may be subject to additional risks, including liquidity risk, counterparty credit risk, legal risk, and operations risk, and may involve significant economic leverage and, in some cases, be subject to significant risks of loss. These factors and others can cause significant fluctuations in the prices of the securities in which a client invests and can result in significant losses.

Debt Securities. LDR expects to make investments for its clients in debt and other debt-related instruments, which are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default on the payment of principal and/or interest on a debt instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument directly (particularly in the case of instruments the rates of which are adjustable) and indirectly (particularly in the case of fixed rate securities). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Small-Capitalization and Mid-Capitalization Issuers. Clients may invest in securities of small capitalization and mid-capitalization companies. Compared to large-capitalization companies, small-capitalization and mid-capitalization companies are less stable and more susceptible to adverse developments, and their securities can be more volatile and less liquid. While smaller companies generally have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification, and competitive strength of larger corporations. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, a client may have

to sell securities at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

Investments in ETFs. ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds or other instruments, which are designed to generally correspond to the price and yield performance of an underlying index. A primary risk factor relating to ETFs is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of various sources of tracking error, including their expenses and a number of other factors.

Uncertain Economic, Social, and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. Furthermore, such confidence may be adversely affected by local, regional or global health crises including but not limited to the rapid and pandemic spread of viruses or other diseases. Such health crises could exacerbate political, social, and economic risks previously mentioned, and result in significant breakdowns, delays and other disruptions to important global, local and regional supply chains affected. A climate of uncertainty, including the contagion of infectious viruses or diseases, may reduce the availability of potential investment opportunities, reduce market liquidity and increases the difficulty of modeling market conditions. In addition, limited availability of credit for consumers, homeowners and businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of an LDR client to execute its strategies to achieve its investment objectives. Furthermore, such uncertainty, including the uncertainty stemming from the contagion of infectious viruses or diseases, or general economic downturn may have an adverse effect upon the strategies.

Coronavirus and Other Public Health Risks. The recent outbreak of the novel coronavirus (COVID-19) in many countries is adversely impacting global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving and has created significant disruptions in global demand and supply chains. Government and self-imposed quarantines and restrictions on travel may continue for a long period of time. In particular, such actions are adversely impacting a wide range of different industries. While the longer-term scope of the potential impact of the novel coronavirus (COVID-19) on global markets cannot be known at this time, the coronavirus outbreak and any other outbreak of any infectious disease or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, are likely to have a profound negative impact on

economic and market conditions and trigger a period of global economic slowdown. Further, the global and local shutdowns caused by the novel coronavirus (COVID-19) have impacted LDR's ability to work out of its principal place of business. As a result, the novel coronavirus (COVID-19) presents material uncertainty and risk with respect a client's overall performance and financial results may also be materially and adversely affected.

While economic disruption may present opportunities for investment, any such economic impact could also adversely affect the performance of a client's investments. The impact that COVID-19 and other public health events will have on the potential performance of a client in particular is uncertain, and it will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of the COVID-19 and other public health events, and the actions taken by authorities and other entities to contain such crisis or treat its impact, all of which are beyond LDR's control.

Operational and Information Security Risk from Cyberattacks. LDR, its affiliates and their respective service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cyberattacks affecting LDR, its affiliates and/or their respective service providers may adversely impact LDR's clients. For instance, cyberattacks may interfere with the processing of investor transactions, impact the ability to calculate an LDR Fund's net asset value, cause the release of private investor/client information or other confidential information, impede trading, subject clients and their service providers to regulatory fines or financial losses, and cause reputational damage. Similar types of cybersecurity risks are also present for other market participants, which may have material adverse consequences for the clients and may cause clients' investments to lose value. Clients and their service providers may incur additional costs relating to cybersecurity preparations, and such preparations, though taken in good faith, may be inadequate. Cyberattacks are viewed as an emerging risk and the scope of the risk and related mitigation techniques are not yet fully understood and are subject to continuing change.

Risk Factors Applicable to the Opportunity Fund Only

Concentration Risk; Lack of Diversification. The Opportunity Fund may at certain times hold large positions in a relatively limited number of investments. The Opportunity Fund generally expects to limit its holdings in any single issuer to no more than 10% of its net asset value. However, the Opportunity Fund could be subject to significant losses if it holds a relatively large position in a single issuer, industry, market or a particular type of investment that declines in value, and the losses could increase even further if the investments cannot be liquidated without adverse market reaction or are otherwise adversely affected by changes in market conditions or circumstances. Since the Opportunity Fund is expected to primarily invest in REITs and real estate

related securities, the Opportunity Fund's investments could potentially be concentrated in relatively few strategies, issuers, industries or markets.

Options Risks. Clients may engage in options trading. Options trading involves certain risks which trading in the underlying securities, stock indices and/or stock index futures listed on a national securities exchange or traded in an over-the-counter market alone does not. The effectiveness of engaging in stock index options as a hedging technique will depend on the extent to which price movements in assets that are hedged correlate with price movements of the stock index selected. Successful use of options on stock indices may depend on the ability of LDR to predict correctly movements in the direction of the stock market generally or of a particular industry or market segment. This ability requires skills and techniques different from those used in predicting changes in the price of individual stocks.

There are a number of unique risks associated with the sale and purchase of options. The holder of an option runs the risk that the option will expire "out of the money" (*i.e.*, worthless), in which case the holder will lose its entire premium. The holder of an option also runs the risk that the amount gained on exercising an in-the-money option will not be sufficient to cover the premium paid by the holder for the option. Option holders also incur opportunity costs on the premiums they pay for their options. There are additional risks involved in writing covered call options, in which the writer of the option owns the underlying interest. The writer of a covered call option forgoes the opportunity to benefit from an increase in the value of the underlying interest above the option exercise price, but the writer continues to bear the risk of a decline in the value of the underlying interest. If the option is exercised, the writer may be forced to sell the underlying interest at a price that is well below the then-current market price of the underlying interest. There is theoretically no limit to how high that market price could be, and therefore theoretically no limit on the lost opportunity for profit. The difference between the sales price and the price at which the writer initially purchased the underlying interest may greatly exceed the amount of premium received when the writer sold the option, resulting in a substantial loss for the writer.

Although various methods may be used to limit potential losses to the writer of an option, there can be no assurance that such strategies will be effective, and such strategies may incur their own costs and risks. Strategies used to limit potential losses also generally limit potential gains.

Item 9 – Disciplinary Information

We are not aware of any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Item 10 – Other Financial Industry Activities and Affiliations

Material Financial Industry Affiliations of the Firm

As noted above, LDR Preferred Income, LLC serves as the managing member to the U.S. Preferred Income Fund and LDR Real Estate Opportunity, LLC serves as managing member to the Opportunity Fund.

Conflicts of Interest

Our clients will be subject to a number of actual and potential conflicts of interest involving LDR, the Managing Members, and their respective affiliates. Any such conflict of interest could have a material adverse effect on our clients. When a conflict of interest arises, we will endeavor to ensure that it is resolved fairly.

Other Future Clients. We may provide investment advisory services to other clients in the future. Other future clients may have investment objectives, programs, strategies and positions that are similar to or may conflict with those of our current clients, or may compete with, or have interests adverse to, our current clients. This conflict could affect the prices and availability of financial instruments in which the current clients invest. However, there can be no assurance that other future clients with similar investment objectives, programs or strategies will hold the same positions, or perform in a substantially similar manner as our current clients. Furthermore, our activities with respect to the other future clients could conflict with our activities relating to our current clients.

We may give advice or take action with respect to the investments and transactions in one client account that may differ from the advice given or the timing or nature of action taken with respect to financial instruments and transactions for other client accounts due to a variety of factors such as regulatory and tax issues and differences in investment programs. As a result, even though our clients may have similar investment objectives and pursue similar investment strategies, they may have substantially different portfolios and investment returns. Conflicts of interest may also arise when we make decisions on behalf of clients where the interests of some clients differ from the interests of others.

We will devote as much of our time to the activities of our clients as we deem necessary and appropriate. We are not restricted from forming additional investment funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with our clients and/or may involve a substantial amount of our time and resources. These activities could be viewed as creating a conflict of interest in that the time and effort will not be devoted exclusively to our current clients, but will be allocated among all of our then-current clients. In the event additional products and services are launched, LDR would look to add personnel in order to resource all endeavors appropriately.

Possession of Material, Non-public Information. While we are in possession of material, non-public information about a company, we may not trade for our clients or for our own benefit in such company, recommend trading in such company, or disclose such inside information to any person not entitled to receive it. Accordingly, there may be certain cases where we may be restricted from effecting purchases and/or sales on behalf of our clients. There can be no assurance that we will not receive inside information and that such restrictions will not occur. At times, we, in an effort to avoid restrictions for our clients, may elect not to receive inside information that other market participants may have received, which may be relevant to client portfolios.

Trade Errors. We may, on occasion, experience errors with respect to trades executed on behalf of our clients. We endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a counterparty, such as a broker, we will strive to recover any loss associated with such error from such counterparty. We will reimburse each client account for net losses resulting from trade errors in accordance with the terms of the exculpation provision in such client's Governing Documents.

Allocation of Investment Opportunities. We will allocate investment opportunities among the clients in a manner which we believe to be fair and equitable over time. When we determine that it would be appropriate for one or more of our clients to participate in an investment opportunity, we will generally seek to allocate such investment on a *pari passu* basis among such client accounts. However, we consider a number of factors in allocating investments that could result in a different allocation methodology, in our discretion. Such factors that include, but are not limited to, the relative amounts of capital available for new investments, capital inflows and outflows, relative exposure to short-term market trends and the investment programs and portfolio positions of clients for which participation is appropriate.

While we have no obligation to obtain for clients a particular investment opportunity, we may be precluded from offering to clients particular securities in certain situations including, without limitation, where we have a prior contractual commitment with other accounts or clients.

There is no assurance that clients will hold the same investments or perform in a substantially similar manner as other clients with similar strategies. We do, however, make all such allocations in accordance with applicable regulatory requirements, internal policy, client guidelines, and principles of fiduciary duty.

Aggregation of Trades. Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. When client accounts purchase and sell the same securities, LDR will generally aggregate such trades, subject to best execution.

Instances in which orders will not be aggregated include, but are not limited to: (i) LDR must effect transactions differently due to regulatory reasons or (ii) contractual provisions or other

restrictions relating to a client prevent or limit trading with a particular broker with which LDR wishes to execute a transaction. When trades are not aggregated between accounts, prices and transaction costs borne by such accounts may differ.

To the extent that an aggregated order is only partially filled for participating clients, LDR will allocate the partially filled order among such clients on a fair and equitable basis, taking into the account the factors described in *Allocation of Investment Opportunities* above. LDR will generally allocate “bunched” orders on an average price basis among participating client accounts and each participating account will bear a *pro rata* share of commission and ticket charges. There is no assurance that clients will hold the same investments or perform in a substantially similar manner as other clients with similar strategies.

Cross-Trades. A cross-trade occurs when an investment adviser effects a trade between two or more of its advisory clients. If LDR were to cause a cross-trade between two clients, it may result in a conflict of interest because the transaction may result in benefits to one client that may be greater than the benefits to the other client. LDR does not generally expect to make cross-trades between its advisory clients. To the extent that it does so on a limited basis, a cross-trade will only be made when LDR determines that it is in the best interests of, and is fair and equitable to, the participating client accounts. All cross-trades between clients require the prior approval of LDR’s Chief Compliance Officer. Cross-trades, if any, would generally be made at the closing price for the applicable security on such day or, if no closing price is available, at a price for the relevant security that is determined in accordance with LDR’s valuation policy and procedures. No brokerage commission, transfer fee or other commission will be paid to LDR or its affiliates in connection with any such transaction.

Additional Conflicts of Interest. Certain actual and potential conflicts of interest may also arise from the fact that we have sole discretion in determining our clients’ level of participation in the strategies, and personnel who provide services to us may choose to personally invest in certain, but not all, or none of the clients advised by us.

Other present and future activities of our firm and our affiliates may give rise to additional conflicts of interest. In the event that a conflict of interest arises, we will attempt to resolve such conflicts in a fair and equitable manner.

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

Code of Ethics

LDR has adopted a Code of Ethics for all employees of the firm, which is designed to enable LDR to satisfy its high standard of business conduct and its fiduciary duty to its clients. The Code of Ethics includes, among other things: (i) LDR’s policies on insider trading, (ii) a prohibition of market rumors, (iii) LDR’s policies and procedures regarding employee gifts and entertainment,

and (iv) LDR's personal securities trading procedures. All employees at LDR must acknowledge the terms of the Code of Ethics on at least an annual basis, or as amended. A copy of LDR's Code of Ethics will be provided to any client or prospective client upon request, which request may be submitted to the Chief Compliance Officer at (646) 927-5800 or by email at general@ldrcapitalmgmt.com.

Financial Interest in Client Transactions

Our employees have a greater portion of their personal assets invested in certain of our client accounts than in others. In addition, we expect to earn different compensation from each client account. To address such potential conflicts, we follow documented procedures when allocating investment opportunities, which are described in detail in Item 10 of this Investment Adviser Brochure.

LDR will not engage in any principal transactions unless it have determined that the transaction is in the relevant clients' best interests and has obtained client consent in accordance with its written procedures and applicable law.

Participation in Client Transactions and Personal Trading

LDR's employees are required to follow LDR's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of LDR and its affiliates may trade for their own accounts. The Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of the employees of LDR will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, employees are restricted from trading the securities of issuers that: (i) are held in our clients' portfolios, (ii) are REITs, (iii) are REIT preferreds, (iv) focus on real estate development, and (v) are contained on our Restricted List. In addition, the Code requires pre-clearance of certain transactions. Employee trading is monitored under the Code of Ethics to seek to reasonably prevent conflicts of interest between LDR and its clients.

Item 12 – Brokerage Practices

Selecting Brokerage Firms

We have full investment discretion with respect to the initiation of all portfolio securities transactions for client accounts, as well as full authority to select broker-dealers to execute such transactions. We may utilize a number of broker-dealers to effect transactions for client accounts.

We have an obligation to seek to obtain "best execution" for our clients with respect to their trading activity. While not defined by statute or regulation, "best execution" generally means the execution of client trades at the best net price considering all relevant circumstances. Portfolio transactions for our clients are allocated to brokers and dealers on the basis of best execution and

in consideration of such factors as price, transaction costs, a broker's or dealer's ability to effect the transactions, access to securities, reliability and financial responsibility, commitment of capital, and the provision or payment by the broker of the costs of research and research-related services which are of benefit to us or our clients, as well as other factors that are deemed appropriate to consider under the circumstances. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to our clients by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers.

We have established a Best Execution Committee, which meets on a semi-annual basis to evaluate, among other things, the execution that we are receiving from broker-dealers. During such meetings, the committee may consider the factors listed above among others, and will review gifts and entertainment received, and any known conflicts of interests (*e.g.*, directing commissions to a broker-dealer that a family member is employed).

Research and Other Soft Dollar Benefits

We have entered into a soft dollar arrangement with a broker. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, through a broker in return for directing client securities transactions to the broker. Soft dollar arrangements create a potential incentive for us to select a broker based on our interest in receiving the research or other products or services offered through such broker, rather than on our clients' interests in receiving most favorable execution. Further, soft dollar arrangements pose a possible conflict of interest for us in that such arrangements potentially allow us to pay with client commissions expenses that would otherwise be borne by us.

When engaging in soft dollar transactions, we comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising our discretionary authority to select or arrange for the selection of brokers for execution of transactions for our clients, and, subject to our duty to obtain best execution, we may consider the value of research and brokerage products and services provided through such brokers. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided through such broker, a client may pay commissions to such broker in an amount greater than the amount another broker might charge.

Items obtained using soft dollars will generally be used to service all client accounts and not exclusively in connection with the management of the client account that generated the particular soft dollar credits. In this regard, we will not generate soft dollar credits for certain clients. These clients will nonetheless benefit from research obtained through soft dollar credits generated by our other clients.

Where a product or service obtained with client commission dollars provides both research and non-research assistance to us, we will make a reasonable allocation of the cost which may be paid for with client commission dollars.

We also execute transactions on behalf of our clients with brokers that provide us with access to bundled services. These bundled products and services are made available to us on an unsolicited basis and are generally made available to institutional clients doing a certain level of business with these broker-dealers.

During our last fiscal year, we acquired research, such as proprietary research and corporate access, with client brokerage commissions.

Client Referrals and Directed Brokerage

From time to time, broker-dealers may assist the LDR Funds in raising capital from investors. Subject to its obligation to seek best execution, LDR occasionally considers referrals of investors to the LDR Funds in determining its selection of brokers. LDR does not require any client to direct LDR to execute transactions through a specified broker-dealer. *See Item 10 of this Investment Adviser Brochure for additional information regarding conflicts of interest, trade aggregation, and allocation procedures.*

Trade Aggregation

See Item 10 of this Investment Adviser Brochure for additional information regarding trade aggregation and allocation procedures.

Item 13 – Review of Accounts

LDR reviews client accounts on a regular basis to determine accomplishment of investment objectives, the cash balances available and/or margin debit balances outstanding, diversification of the portfolio and security positions. Such reviews are performed by Mr. Raiman and other members of LDR's investment team. Reviews also may be triggered by economic and political events, specific company information, and/or market conditions. Each LDR Fund's third party administrator also reviews such Fund's accounts on a regular basis to price its portfolio based on independent third party pricing sources or methodologies approved by LDR. In addition, LDR uses a third party account reconciliation vendor that performs reconciliations daily.

The LDR Funds

LDR Fund investors will receive the LDR Funds' annual audited financial statements. The LDR Funds will also provide unaudited performance information to investors on a monthly basis.

The Managed Accounts

Brokerage statements are generated for the Managed Accounts no less than quarterly. These statements are sent directly to the owner of each Managed Account by the account custodian. These reports list the account positions, activity in the account over the covered period, and other related information. The owner of each Managed Account is also sent confirmations following each brokerage account transaction unless the receipt of confirmations has been waived by the client. In addition, LDR provides the owners of each Managed Account, on a quarterly basis, portfolio performance information and other information related to such account. In addition, since a Managed Account investor directly owns the positions in its Managed Account, such investor has full, real-time transparency as to all transactions and holdings in such account, and will be better able to assess the future prospects of a portfolio that is substantially similar to the portfolios of the Preferred Income Funds. The owners of the Managed Accounts may have the right to withdraw all or a portion of their capital from such accounts on shorter notice and/or with more frequency than the terms applicable to an investment in the Preferred Income Funds.

In addition, clients or LDR Fund investors may be provided with certain information about LDR or the applicable account in response to questions and requests. This information may not be distributed to other clients/investors or prospective clients/investors. Each client and investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by LDR is sufficient for its needs.

Item 14 – Client Referrals and Other Compensation

We compensate third parties for certain client or investor referrals. Any cash solicitation agreements will comply with Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). The LDR Funds currently do not intend to charge any investor third party sales commissions or fees in connection with the offering of its interests. However, we enter into arrangements with placement agents to solicit investors in the LDR Funds, and such arrangements may provide for the compensation of such placement agents for their services at either our or the prospective investor’s expense on a fully-disclosed basis. As discussed above in *Item 12*, we may consider broker referrals of investors to the LDR Funds in determining our selection of brokers.

Item 15 – Custody

The LDR Funds

For purposes of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), we are deemed to have custody over the LDR Funds’ assets. LDR does not maintain physical custody of the assets in the LDR Funds. The LDR Funds’ assets are held at a third party brokerage firm or firms meeting the definition of “qualified custodians” under the Custody Rule. The LDR Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular

inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each LDR Fund investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days after the end of each LDR Fund's fiscal year end. LDR Fund investors are urged to carefully review these financial statements.

The Managed Accounts

The owners of the Managed Accounts should carefully review the account statements that they receive from the custodians to such accounts and are urged to compare these account statements to the performance reports provided by LDR directly to them or to their financial advisors. LDR's reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Any discrepancies identified by the client should be immediately reported to LDR and the custodian.

Item 16 – Investment Discretion

LDR usually receives discretionary authority from a client at the outset of an advisory relationship to select the identity and amount of securities to be purchased or sold. Unless otherwise instructed or directed by a client, LDR has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment advisory agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account.

The LDR Funds

LDR has full discretionary authority and responsibility with respect to the investment management of the LDR Funds pursuant to their respective Governing Documents. As such, LDR is generally authorized to place orders for the execution of securities transactions without prior consultation with the LDR Funds' investors.

The Managed Accounts

LDR has full discretionary authority and responsibility with respect to the investment management of each Managed Account pursuant to the investment advisory agreement governing such account and, as such, is generally authorized to place orders for the execution of securities transactions without prior consultation with such client.

Item 17 – Voting Client Securities

Where LDR has authority to vote proxies, such authority is established by the terms of each client's investment advisory agreement with LDR. LDR has established proxy voting policies and procedures, which are summarized below.

In light of its investment strategies, LDR generally believes that proxies will not have a material impact on the value of its investments. Accordingly, in the absence of specific voting guidelines mandated by a particular client, LDR generally intends to abstain from voting proxies. Nonetheless, LDR will review each proxy and will vote a proxy if it determines that voting would be in the best interests of a client.

If a material conflict of interest arises in relation to a proxy, LDR will rely exclusively in making its voting decision on the recommendation of an independent third party who is experienced in advising investment managers regarding proxy voting decisions.

Clients and LDR Fund investors may request information on how LDR voted with respect to the securities of the relevant client and obtain a copy of LDR's proxy voting policies and procedures by contacting the Chief Compliance Officer at (646) 927-5800 or by email at general@ldrcapitalmgmt.com.

Item 18 – Financial Information

No financial condition presently exists that is reasonably likely to impair LDR's contractual commitments to its clients. We are not required to include our balance sheet for our most recent fiscal year with this Investment Adviser Brochure.

Item 19 – Requirements for State-Registered Advisers

We are not a state-registered adviser.