



**LDR CAPITAL MANAGEMENT**  
**Form ADV 2A Disclosure Brochure**  
(CRD # 162329 / SEC # 801-75986)

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March 26, 2024

This Form ADV Part 2A Brochure (or "Brochure") provides information about the qualifications and business practices of **LDR Capital Management, LLC**, an investment advisory Firm registered with the U.S. Securities and Exchange Commission ("SEC"). If you have any questions about this Brochure's contents, please contact us at (646) 927-5800 or [general@ldrcapitalmgmt.com](mailto:general@ldrcapitalmgmt.com).

The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or any state securities authority. Nothing in this document is to be construed as a recommendation or an endorsement by the SEC or any state securities authority or an offer of securities; please refer to the actual investment offering and related legal documentation for complete disclosures. Registration as an investment adviser does not imply a certain level of skill or training. Investments involve risk, including the possible loss of principal. An adviser's written and oral communications provide you with information to determine whether to retain their services. This Brochure is on file with the appropriate regulatory authorities as federal and state regulations require.

Additional information about LDR Capital Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

*(Click on the link, select "Investment Adviser- Firm," and type in LDR Capital Management, LLC or CRD # 162329.)*

## Item 2: Material Changes

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LDR Capital Management, LLC ("LDR," or the "Adviser") reviews its Form ADV Part 2A Brochure at least annually to confirm it remains current. In this item, we are required to summarize only those material changes made to our Brochure since our last annual updating amendment of March 28, 2023. If you are receiving this document for the first time, this section may not be relevant to you.

Since our last annual update, revisions have been made to the following Brochure sections:

### Item 4: Advisory Business

#### *Assets Under Management*

As of December 31, 2023, LDR managed \$591,135,235 of regulatory assets under management, all of which were managed on a discretionary basis.

### Full Brochure Availability

We may, at any time, amend this document to reflect changes in LDR's business practices, policies, procedures, or updates as mandated by securities regulators. Annually and as necessary, due to material changes, we will provide clients (either by electronic means or hard copy) with a new Brochure or a summary of material changes from the document previously supplied, with an offer to deliver a full Brochure upon request. Please retain this for future reference as it contains essential information concerning our advisory services and business.

You can view our current disclosure documents at the SEC's Investment Adviser Public Disclosure ("IAPD") website at <http://www.adviserinfo.sec.gov> by searching our name or CRD # 62329. The SEC's website also provides information about any LDR-affiliated person registered or required to be registered as an Investment Advisor Representative of the Firm. You may also request a copy free of charge by contacting us at (646) 927-5800 or [general@ldrcapitalmgmt.com](mailto:general@ldrcapitalmgmt.com).

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## Item 4: Advisory Business

### Description of Advisory Firm

**LDR Capital Management, LLC** is an investment adviser registered with the Securities and Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940 (the "Advisers Act"). Organized as a limited liability corporation under the laws of the state of NY, the Firm's headquarters is located at 410 Park Avenue, Suite 910, New York, NY. LDR has been in business since October 2011 and is primarily owned by its Founder, Lawrence D. Raiman, who undertakes all of the Adviser's significant strategic and administrative decisions. *(Please refer to Mr. Raiman's Form ADV Part 2B - Brochure Supplement for additional information on his formal education and business background details.)*

As used in this Brochure, the words "we," "our," and "us" refer to LDR Capital Management, LLC and the words "you," "your," and "client" refer to you as either a client or prospective client of our Firm. Reference to "Associates" or "Supervised Persons" means LDR's Members, Officers, Directors, or other persons occupying similar statuses or performing like functions, employees, or other individuals who provide investment advice on LDR's behalf subject to our supervision and control.

LDR serves as a fiduciary to clients, as defined under the applicable laws and regulations. As a fiduciary, LDR upholds a duty of loyalty, fairness, and good faith towards each client and seeks to mitigate potential conflicts of interest. In providing investment advice and managing client assets, LDR strives to act with a degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use. LDR's relationship with each client is non-exclusive; in other words, the Firm provides advisory services to multiple clients. LDR seeks to avoid situations in which one client's interest may conflict with the interest of another of its clients.

LDR's advisory services are made available to clients primarily through its investment professionals - individuals associated with the firm as Investment Advisor Representatives ("Advisor Representatives"). Each advisory relationship at LDR is managed by one or more Advisor Representatives registered with the Firm, who serve as the primary point of contact between LDR and the client. Advisor Representatives collect financial profile information from clients and recommend specific advisory services or programs deemed appropriate for their situation, financial circumstances, goals and objectives.

Following is a summary description of advisory services covered by this Brochure. Please consult the applicable client Agreement and fee schedules for additional information regarding each service.

### Types of Advisory Services

On a largely discretionary basis, LDR's investment professionals emphasize continuous personal client contact and interaction in providing the following types of advisory services:

- Private fund investment supervisory services, and
- Investment management advisory services.

LDR's advisory services are designed and aimed to complement each client's specific needs, as described within its written Investment Advisory Agreement (the "Agreement") that will disclose, in substance, the scope of service, contract term, advisory fee - or formula for computing the fee, amount or manner of calculation of any pre-paid fee to be returned to the client in the event of contract termination, and type of discretionary power granted to LDR. Final advisory fee structures are documented within the written Agreement, which cannot be assigned without client consent.

Advisor Representatives are restricted to providing the services and fees specified within each contract, subject to the client's listed objectives, limitations, and restrictions. Contracts must be completed and executed to engage in LDR's advisory services. Clients may engage LDR for additional services at any time. *(Please refer to Item 5: Fees & Compensation and Item 16: Investment Discretion for further details on advisory services fees and account management styles.)*

The investment strategies we employ on behalf of our clients are described in greater detail in *Item 8: Methods of Analysis, Investment Strategies & Risk of Loss* and, as applicable, in each client's confidential offering documents, governing documents or Investment Advisory Agreements (collectively, the "Governing Documents").

### Client Responsibilities

LDR's advisory services depend on and rely upon the information received from clients. Advisor Representatives will rely upon the accuracy of information furnished by the client or on their behalf without further investigation. LDR will not be required to verify the information obtained from clients or other professional advisors, such as accountants or attorneys.

LDR will rely on the written and oral instructions received by the client and is not responsible for any loss arising from following such instructions. The Custodians/broker-dealers LDR uses to execute the client's account transactions must follow LDR's instructions. LDR is not responsible for losses to the client's account because of the Custodian's or broker-dealer's failure to follow these instructions.

Clients will acknowledge and agree to their obligation to promptly notify LDR in writing if any information material to the advisory services to be provided changes, information previously provided that might affect how their account should be managed occurs, or if previously disclosed data becomes inaccurate. The client or their successor shall also promptly notify us in writing of the client's dissolution, termination, merger, or bankruptcy if the client is other than a natural person and the occurrence of any other event that might affect the validity of their Agreement or our authority thereunder.

Following is a summary description of advisory services covered by this Brochure. Please consult the applicable client Advisory Agreement and fee schedules for additional information regarding each service.

### Private Fund Investment Supervisory Services

Currently, LDR advises and provides **private fund investment supervisory services** to the following funds (collectively, the "LDR Funds"): (1) LDR Preferred Income Fund, LLC, a Delaware limited liability company (the "U.S. Preferred Income Fund"), (2) LDR Preferred Income Fund, Ltd., a Cayman Islands exempted company that invests all of its assets substantially through the U.S. Fund (the "Non-U.S. Preferred Income Fund," and together with the U.S. Preferred Income Fund, the "Preferred Income Funds").

Our services are offered to each LDR Fund pursuant to the terms of an 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 each Fund's confidential offering documents provided to prospective investors. LDR Preferred Income, LLC serves as the Managing Member of the U.S. Preferred Income Fund. Each entity is referred to herein as a "Managing Member" and together as the "Managing Members."

### Investment Management Advisory Services

LDR provides **investment management advisory services** to (1) a mutual fund (the "Mutual Fund") and a series of the World Funds Trust (a registered investment company that supervises LDR's management of the Mutual Fund), and (2) high net worth individuals and institutional clients on a managed account basis (such accounts, the "Managed Accounts"). Such services are provided pursuant to each client's respective Agreement.

References throughout this document to "**clients**" refer to the LDR Funds, the Mutual Fund, each of the Managed Accounts, and any other funds or accounts we may advise in the future.

### Client Tailored Services

LDR offers the same suite of services to all its clients. However, some clients will require only limited services due to the nature of their investments. Limited services are discounted at LDR's discretion, as defined in each client's written Agreement. Although we provide advice predominately on the products listed herein, LDR reserves the right to advise on any investment product deemed suitable for a client's specific circumstances, needs, and individual goals and objectives. We may also advise on any investment held in a client's portfolio at the inception of our advisory relationship. As appropriate, we will use other securities as necessary to help diversify a portfolio when applicable.

### Client-Imposed Restrictions

While each of our clients will follow the general strategies stated below, clients may, at any time, impose restrictions on our discretionary authority according to their preferences, values, beliefs, investment guidelines, or other restrictions, as outlined within their Governing Documents, as applicable. For example, specific Managed Account clients may limit LDR's authority by limiting particular securities purchased for their account(s). All restriction requests must be submitted in writing. Reasonable

efforts are used to comply with client investment guidelines by standard industry practices. In imposing restrictions, it is essential to note that such conditions can affect a client's account performance and result in variations from a similarly managed account without restrictions. Client-imposed account constraints and variations could result in positive or negative performance differences for their portfolio compared to the investment program's performance composite. Investment structures recommended can also prevent controlling a client's specific outcome.

Upon receiving a client's written restrictions, we will discuss the request's feasibility to ensure expectations are met and confirm the client's acknowledgment and understanding of the imposed restrictions' possible outcomes. If client-imposed restrictions prevent a client's account's proper servicing or require substantial deviations from recommendations, LDR reserves the right to end the client relationship. In no event and regardless of the advisory service provided are we obligated to make any investment or enter any transaction we believe in good faith would violate any federal or state law or regulation.

### Wrap Fee Programs

A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's Account are charged for investment supervisory services, which may include portfolio management or advice concerning the selection of other investment advisers and the execution of client transactions. LDR does not offer a wrap fee program as part of its advisory services.

### Assets Under Management

As of December 31, 2023, LDR managed \$591,135,235 of regulatory assets under management, all of which were managed on a discretionary basis.

## Item 5: Fees & Compensation

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### Description of Advisory Fees & How We Are Compensated

We are entitled to **asset-based management fees** from the Preferred Income Funds and Managed Accounts. The Managing Members, our affiliates, receive **performance-based compensation** from certain classes of the Preferred Income Funds, 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").

### Fee Negotiation Availability

All LDR client fees are subject to negotiation. While we seek to facilitate advantageous agreements for clients, to the extent fees are negotiable, some clients may pay higher (more) or lower fees (less) than others for services depending on factors such as total assets under management, the number of related investment accounts, inception date, or other considerations, than if they had contracted directly with another provider. Lower fees for comparable services can sometimes be available from other sources, so clients must understand the fees they pay for our services.

At our discretion, we may enter into agreements with one or more LDR Fund investors or clients providing for waiving or modifying the management fee or performance-based compensation terms without notice to the other LDR Fund investors or clients.

Regardless of fee negotiation availability, a client will not be required to pre-pay an LDR advisory fee more than six months in advance in excess of \$1,200.

### Management Fees

The fees that follow reflect our typical fee terms. Clients or prospective clients should consult the Governing Documents and their Agreement for complete details.

### The LDR Funds

The **Preferred Income Funds management fee 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 range

from 0.60% to 1.50%. A complete description of our compensation arrangements is outlined in each Preferred Income Fund's Governing Documents. Please consult the Fund's Government Documents for complete details.

#### *The Managed Accounts*

**Managed Accounts management fees are calculated and accrue monthly or quarterly** based on a percentage of assets under management as of each calendar month's last day of trading. The fees range from 0.125% to 1.15% and are subject to proration for partial periods. Generally, the Managed Account management fees are paid either monthly or quarterly in arrears. Management fees for the Managed Accounts are invoiced to and paid by such clients. Clients may choose to have the fees directly debited from the account assets held at their custodian or billed directly to them by LDR. (See "Item 15: Custody" for additional details.)

The final fee structure can be found in the Agreement between LDR and each Managed Account. If, for any reason, a client wishes to terminate their Agreement with us within the first five business days after Agreement execution, the client will be entitled to a full refund of any fees paid under the contract. After that, the client or Adviser may terminate services at any time by notifying in writing following the agreed-upon termination provisions reflected in their Agreement. In all cases, clients are responsible for paying all their state and local taxes and will reimburse LDR for any expenses advanced on their behalf (as applicable).

#### *The Mutual Fund*

**LDR receives a fee from the World Funds Trust** (not the Mutual Fund) computed and accrued daily and paid monthly at an annual rate of 0.90% of the Mutual Fund's average daily net assets. The World Funds Trust pays management fees for the Mutual Funds which are not deducted from the Mutual Fund. In some cases, LDR may agree to waive all or a portion of such management fees so that the annual Mutual Fund operating expenses do not exceed a certain predetermined percentage of the Mutual Fund's average daily net assets.

#### *Agreement Terminations & Fee Payment Refunds*

Terminations can be made to LDR Agreements without penalty within five (5) business days after the Agreement execution date. After that, the contracts between LDR and the client will continue and be terminated according to the Agreement's provisions. Terminations become effective on receipt of such notice and will not affect:

- the validity of any action previously taken by the Adviser under the Agreement,
- liabilities or obligations of the parties from transactions initiated before termination of the Agreement, or
- the client's responsibility to pay management and other fees due, pro-rated through the termination date.

Any fees collected in advance for services not yet rendered will be refunded, pro-rata, according to the remaining days left in the quarter.

If the client is a natural person, the client's death, disability, or incompetency will not terminate or change the terms of an Agreement. However, the client's executor, guardian, attorney-in-fact, or another authorized representative may terminate the client's Agreement by providing written notice to us. Before termination, all directions given or actions taken or omitted by the Adviser before the effective Agreement termination shall be binding upon the client and any successor or legal representative.

Upon the termination of the agreement, LDR will not be obligated to recommend or take any action concerning the securities, cash, or other investments in a client's account and will no longer be entitled to receive fees from the termination date. Clients should refer to their Agreement for complete details.

#### *Performance-Based Compensation*

##### *The LDR Funds*

The **Managing Members receive performance-based compensation** from certain classes of the Preferred Income Fund is 10%. Such performance-based compensation is calculated 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 will typically receive performance-based compensation from the relevant LDR Fund annually but will receive such compensation for shorter periods under certain circumstances (i.e., 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. Please consult the Governing Documents for complete details.



### *The Managed Accounts & Mutual Fund*

Neither the Managed Accounts nor the Mutual Fund is subject to performance-based compensation.

### **Expenses**

#### *The LDR Funds*

The LDR Funds **pay or reimburse us for their own operating and other expenses**, including, but not limited to, investment-related expenses such as brokerage commissions, clearing and settlement charges, custodial fees, research expenses, interest expenses, consulting, legal and 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.

#### *The Managed Accounts*

Each **Managed Account will generally be responsible for all expenses incurred** 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 herein. Clients should note that LDR's fees are exclusive of bank, custodial or brokerage fees, commissions, trading and transactional costs, liquidation/transfer/termination fees, and other related costs for trades conducted in their accounts; they are exclusive of and in addition to the Adviser's fees. Other securities fees or expenses can also incur and will vary considerably.

Clients are responsible for paying the preceding and all applicable third-party fees unless otherwise noted in their Agreement. *Clients are encouraged to review all documentation their custodians, managers, and issuers provide for complete details regarding their practices.*

#### *The Mutual Fund*

The **Mutual Fund will generally be responsible for its operating and other expenses, subject to an expense cap**. This cap does not apply to distribution fees pursuant to Rule 12b-1 plans, brokerage commissions, taxes, interest, dividend expenses on short sales, acquired fund fees and expenses, other expenditures capitalized following generally accepted accounting principles or other extraordinary expenses not incurred in the ordinary course of business. 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.

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.

Before acting on LDR's analysis, advice, or recommendation, clients should consult with their legal counsel, tax, or other investment professionals, as necessary, to aid in due diligence as proper for their situation and decide the risk suitability of the investment under consideration. Investment products are usually not FDIC insured, insured by any federal government agency, or a deposit, other obligation of, or guaranteed by LDR. Clients are encouraged to direct any questions regarding risks, fees, and costs to LDR and their Advisor Representative.

### **Compensation For The Sale of Securities or Other Investment Products**

Outside of the items listed herein, neither LDR nor our Associates accept compensation for the sale of securities or other investment products.

LDR does not represent that the products or services offered are provided at the lowest cost. Clients may be able to obtain the same or similar at a lower price from other providers and will choose whether to act on recommendations to purchase investment products. If they decide to purchase a recommended investment product, they can purchase the same or similar through any broker or agent, including those not affiliated with LDR. Clients are encouraged to speak with their Advisor Representative directly about any questions. *(See Item 8: Methods of Analysis, Investment Strategies & Risk of Loss and Item 12: Brokerage Practices for additional information.)*



## Item 6: Performance-Based Fees & Side-By-Side Management

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### Performance-Based Fees

Performance-based fees are based on a share of capital gains or capital appreciation of a client's account. As indicated in the previous section, LDR pays performance-based fees. The **Managing Members receive performance-based compensation from certain classes of the Preferred Income Fund**. Such performance-based compensation can create inherent conflicts of interest concerning LDR's management of client assets. Specifically, entitlement to performance-based compensation by the Managing Members (affiliates of LDR) may incentivize 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 (1) favor these accounts over those that have only fixed asset-based fees and (2) 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, we have implemented policies and procedures to address trade allocation decisions, order aggregation and brokerage allocation decisions to seek to ensure fair and equitable treatment of all clients over time.

### Side-by-Side Management

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. The simultaneous management of different accounts creates certain potential conflicts of interest arising from different compensation arrangements among these accounts. **LDR practices side-by-side management.** LDR has procedures designed and implemented in furtherance of its efforts to treat all accounts fairly and equitably over time. By utilizing these procedures, we believe client accounts subject to side-by-side management will receive fair and equitable treatment over time. *(See Items 10: Other Financial Industry Activities & Affiliations and Item 12: Brokerage Practices for additional details on conflicts of interest, trade aggregation and allocation procedures.)*

## Item 7: Types of Clients

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### Clients

#### *The LDR Funds*

Investors in the LDR Funds generally must be persons who qualify as "[qualified purchasers](#)" as defined in Section 2(a) (51) of the Investment Company Act. 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 **minimum initial capital contribution** for an investor in the Preferred Income Funds is \$250,000, although the relevant Managing Member may accept investments in a lesser amount at its sole discretion.

#### *The Managed Accounts*

LDR provides discretionary investment management services to high-net-worth individuals and institutional clients on a Managed Account basis. The **minimum initial capital contribution for a Managed Account is generally \$10mm**. There is no minimum account *maintenance requirement* for this service. However, we have the right to terminate a client's account if it falls below a minimum size that, in our sole opinion, is too small to manage effectively.

## Item 8: Methods of Analysis, Investment Strategies & Risk of Loss

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### Methods of Analysis & Investment Strategies

LDR's investment strategies are proprietary and confidential. Therefore, the following descriptions are intentionally general and do not entirely explain the summarized strategies or all of the strategies that LDR may utilize. We may add, remove, or modify any of the strategies employed, including those discussed below.

*LDR does not guarantee or represent that our strategies will succeed or clients will achieve their objectives. Past performance is not indicative of future returns, and investing in securities involves the risk of loss that clients should be prepared to bear.*

## Investment Strategy

### *The Preferred Income Funds & 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 specific asset and dividend coverage criteria.

The Preferred Income Funds and 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 Mutual Fund*

The Mutual Fund pursues a value, yield-advantage philosophy through investment in North American public real estate securities, which may include equity REITs, mortgage REITs, REIT preferreds, and other publicly traded companies, the primary business of which is in the real estate industry. This strategy often leads to investment in smaller capitalization companies (under \$1 billion). The composition of the Mutual Fund's portfolio does not seek to mimic equity REIT indices. Under normal conditions, the Mutual Fund invests a substantial portion of its assets in equity securities of US and Canadian companies principally engaged in the real estate industry and other real estate-related investments. The Mutual Fund pursues an all-cap strategy, in which LDR makes investment decisions unconstrained by REIT indices or ws. The portfolio of securities in which the Mutual Fund invests will typically be diversified according to geographic region, property type and tenant. The Mutual Fund's portfolio may hold as few as twenty long positions. In executing the Mutual Fund's investment strategy, LDR may use leverage while maintaining investment capacity, subject to certain limitations. LDR may also take short positions. LDR would be most likely to use shorting to protect accumulated unrealized gains or to take advantage of special situations in which an individual investment's fundamental outlook is believed poor relative to its current valuation. The Mutual Fund may short either individual securities and/or index funds to pursue these strategies.

## Investment Process Generally

LDR has implemented a systematic analytical and portfolio management process, from idea generation to valuation to position taking. We employ a rigorous investment process to evaluate potential investment opportunities. Such a process begins with due diligence, consisting of a thorough business review of the industry, competitive landscape, products, customers, return on capital, and issuer management. LDR conducts liquidity, asset coverage, and volume analysis on prospective targets and 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.

We evaluate the investment merits and risks upon due diligence completion and are responsible for the final approval or rejection. After a client invests, we monitor the position's performance, trading levels, and activity. LDR's due diligence may not identify all risks and liabilities regarding an investment. In performing due diligence, LDR relies in part on information from third parties as a part of the process.

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

## Tax Considerations

Our strategies and investments may have unique and significant tax implications. However, unless we expressly agree otherwise and in writing, tax efficiency is not our primary consideration in managing your assets. Regardless of your account size or any other factors, we strongly recommend that clients consult with a tax professional regarding investing their assets.

Custodians and broker-dealers must report the cost basis of equities acquired in client accounts. The custodian will typically default to the First-In-First-Out ("FIFO") accounting method for calculating the cost basis of account investments. Clients are responsible for contacting their tax advisor to determine if this accounting method suits them. Should a client's tax advisor

believe another accounting method is more advantageous, provide written notice to our firm immediately, and we will alert the account custodian of the individually selected accounting method. Decisions about cost-basis accounting methods will need to be made before trades settle, as the cost-basis method cannot be changed after settlement.

### Material Risks of Investment Strategies & Securities

Investing in the Funds involves high risk. The offering(s) are suitable only for investors of substantial means who have no immediate need for liquidity of the amount invested and can afford a risk of loss of all or a significant part of such investment. Prospective investors should thoroughly consider the "Risk Factors" discussed in the offering documents and this Brochure. There can be no assurance that an investment will achieve its objectives, and investment results may vary substantially annually. LDR's investment strategies involve significant risks, as discussed within each offering's Governing Documents and the material risks below. Such risk factors do not purport to be a complete enumeration or explanation of those involved in an investment in LDR's strategies. As strategies develop and change over time, an investment may be subject to additional and different risk factors.

Prospective clients should read this Brochure in its entirety and all accompanying materials provided by LDR. Offering documents should be carefully examined when presented/received.

### Risk Factors Applicable to all of LDR's Clients

When evaluating risk, financial loss may be viewed differently by each client and may depend on many distinct possibilities, each of which could affect the probability and magnitude of potential losses. Depending on the type of investments selected, varying risks will exist. Client restrictions and guidelines may also affect the composition of their portfolio.

The success of our investment activities will be affected by various global, national, and local economic and market conditions and currency, political, and business risks, among others, and will not always be profitable. The outcome(s) described and any strategies or investments discussed may not be suitable for all investors. Further, there can be no assurance that advisory services will result in any particular result, tax, or legal consequence. LDR does not represent or guarantee that the services or analysis methods provided can - or will, predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. There is no guarantee of client account future performance or any level of performance, overall account management, or that any investment mix or projected or actual performance shown will lead to expected results or perform in any predictable manner. There can be no assurance that the client's investment objectives will be obtained, and no inference to the contrary should be made.

An investment could lose money over short or even long periods. Consequently, the value of the client's account can, at any time, be worth more or less than the amount invested. Even when the value of the securities when sold is greater than the price paid, there is the risk that appreciation will be less than inflation. In other words, the purchasing power of proceeds may be less than the purchasing power of the original investment. *Clients should expect their account value and returns to fluctuate within a wide range, like the overall stock and bond market fluctuations.*

The following is provided as an overview and summary of the general risks inherent to the types of investment we offer, to be supplemented by reference to the applicable offering documents: The list of investment risks, which is not all-inclusive, is provided for careful consideration by a prospective client before retaining our services or contemplating investments in general.

*(Note: The following topics are presented alphabetically for ease of reading, not in order of importance.)*

**Due Diligence Risk** - LDR's due diligence may not identify all risks and liabilities regarding 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, the profitability of the investment may be impacted.

**Coronavirus & Other Public Health Risks** - The recent outbreak of the novel coronavirus (COVID-19) in many countries adversely impacts 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 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 concerning a client's overall performance, and financial results may also be materially and adversely affected. While economic disruption may present investment opportunities, 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. It will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of COVID-19 and other public health events. Authorities took the actions and other entities to contain such a crisis or treat its impact are beyond LDR's control.

**Debt Securities.** LDR expects to invest in debt and other debt-related instruments for its clients subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default on a debt instrument's principal and/or interest payment. An issuer's financial strength and solvency are the primary factors influencing credit risk. In addition, a debt instrument's lack or inadequacy of collateral or credit enhancement 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 positively affect the price. Adjustable rate instruments also react to interest rate changes similarly, 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.

**Equity & Equity-Related Securities & 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 no absolute restrictions regarding the size or operating experience of the companies where a client may invest (relatively small companies may lack management depth or the ability to generate, internally or externally, obtain 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, which the same factors may favorably impact. 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 another 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, resulting in significant losses.

**ETF Investments** - ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds or other instruments designed to generally correspond to an underlying index's price and yield performance. 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 many other factors.

**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. Investing in such securities means that the net asset value and the market price of securities may 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 declining interest rates, the issuer of a security may exercise its option to prepay the 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 before 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 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.

***Liquidity Risk*** - LDR expects to invest primarily in liquid preferred securities. 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, adversely affecting the client account's performance. If other market participants seek to dispose of similar assets simultaneously, LDR may be unable to sell 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, weakening their financial condition and increasing such an account's credit risk. Many non-U.S. financial markets are less developed or efficient than those in the United States, so that liquidity may be reduced for such client investments.

***Operational & Information Security Risk from Cyberattacks*** - LDR, its affiliates and their respective service providers may be subject to operational and information security risks 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 cybersecurity risks are also present for other market participants, which may have material adverse consequences for the clients and 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 risk's scope and related mitigation techniques are not yet fully understood and are subject to continuous change.

***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, the 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 the 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 the 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. Property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value.

***Real Estate Investment Trusts Risk*** - a real estate investment trust ("REIT") is a corporate entity that invests in real estate and/or engages in real estate financing. REITs reduce or eliminate corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong, or the REIT must either dip into reserves, borrow to pay dividends or distribute them in stock (which causes dilution). After 2012, the IRS stopped permitting stock dividends. Most REITs must refinance or erase large balloon debts periodically. The credit markets are no longer frozen, but banks are demanding and getting harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, leading to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends. REITs have specific risks, including valuation due to cash flows, dividends paid in stock rather than cash, and debt payment resulting in the dilution of shares.

*Small-Capitalization & 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 the 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 are substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to broader price fluctuations. When making large sales, a client may have to sell securities at discounts from quoted prices or make a series of small sales over an extended period due to the trading volume of smaller company securities.

*Uncertain Exit Strategies* - due to the illiquid nature of some of the positions in which LDR typically invests, we cannot confidently predict the exit strategy for any given position or that one will be available. Exit strategies that appear 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.

*Uncertain Economic, Social & Political Environment* - consumer, corporate and financial confidence may be adversely affected by current or future tensions worldwide, fear of terrorist activity and/or military conflicts, localized or global financial crises or other political, social or economic unrest sources. 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 the previously mentioned political, social, and economic risks, resulting in significant breakdowns, delays and other disruptions to crucial global, local and regional supply chains. A climate of uncertainty, including the contagion of infectious viruses or diseases, may reduce the availability of potential investment opportunities, reduce market liquidity and increase 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 adversely affect the economy generally and 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 adversely affect the strategies.

*Special Risks Related to Preferred Securities* - there are unique risks associated with investing in preferred securities, including:

*Credit Risk & 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 security issuer 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 adverse 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. The 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 LDR determines unrated, such security 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 significant 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, harm the value of such securities and adversely affect the ability of the issuers of such securities to repay the principal and pay interest thereon. New and proposed laws may also adversely impact the market for lower-rated securities.

*Deferral & 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.

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

*Liquidity* - preferred securities may be substantially less liquid than other securities, such as publicly traded common stocks or US Government securities.

*New Types of Securities* - preferred securities have from time to time been, and may in the future be, offered to have 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.

*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 distributes 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 no corresponding distribution obligation.

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

*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.

#### **Risk Factors Only Applicable to the Mutual Fund**

*Leverage Risk* - we may use leverage in executing the Mutual Fund's investment strategy. Leverage will increase the volatility of the Mutual Fund's performance and risk. The amount of the Mutual Fund's borrowings and the interest rates at which the Mutual Fund borrows, in particular, will affect the operating results of the Mutual Fund. There can be no assurance that a leveraging strategy will be successful.

*Short Sales Risk* - we may engage in short sales of securities and index funds in executing the Mutual Fund's investment strategy. Short sales may occur if LDR determines an event will likely have a downward impact on the market price of a company's securities. Such practices can, in certain circumstances, substantially increase the impact of adverse price movements on the Mutual Fund's portfolios.

Before acting on any analysis, advice, or recommendation, prospective investors should consult with their legal counsel, tax, and other financial investment professionals, as necessary, to aid in due diligence as proper for their situation and determine the suitability of the risk associated with any investment.

Clients are encouraged to direct questions regarding risks, fees, and costs to their Advisor Representative.



## Item 9: Disciplinary Information

Registered investment advisers such as LDR are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of the investment adviser or the integrity of its management. LDR has no disciplinary or legal proceedings to disclose. LDR encourages clients to perform their own due diligence on the topic. Visit [www.investor.gov](http://www.investor.gov) for a free and simple search tool to research LDR and its financial professionals.

## Item 10: Other Financial Industry Activities & Affiliations

LDR is an independent registered investment adviser. The Adviser offers no other services except those described herein. Neither the Firm nor any of our management persons are registered or have an application pending to register, re-register, or have any relationships or arrangements material to its advisory business or clients concerning the following entities:

- a broker-dealer, municipal securities dealer, government securities dealer or broker,
- other investment adviser or financial planner,
- a futures commission merchant, commodity pool operator, or commodity trading adviser,
- a banking or thrift institution,
- an accountant or accounting firm,
- a lawyer or law firm,
- an insurance company or agency,
- a pension consultant,
- real estate broker or dealer, or
- a sponsor or syndicator of limited partnerships.

As indicated herein, we have financial industry activities and affiliations related to "an investment company or other pooled investment vehicle including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund." We do not recommend or select other investment advisers for our clients or receive compensation directly or indirectly from such advisers.

### 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. 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. If a conflict of interest arises, we will attempt to resolve such conflicts fairly and equitably. When a conflict of interest arises, we will endeavor to ensure that it is addressed promptly and resolved fairly.

### Material Financial Industry Affiliations of the Firm

LDR Preferred Income, LLC serves as the Managing Member of the U.S. Preferred Income Fund.

### 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 the current clients invest in. However, there can be no assurance that other future clients with similar investment objectives, programs or strategies will hold the same positions or perform substantially similar to our current clients. Furthermore, our activities with respect to other future clients could conflict with our activities relating to our current clients.

We may give advice or take action for the investments and transactions in one client account that may differ from the advice given or the timing or nature of action taken for 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, entering into other investment advisory relationships, or engaging in other business activities, even though such activities may compete with our clients and/or 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. If additional products and services are launched, LDR will look to add personnel to resource all endeavors appropriately.

#### Possession of Material, Non-Public Information

While we possess material, non-public information about a company, we may not trade for our clients or our benefit, recommend trading in such company or disclose such information to anyone 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, to avoid restrictions for our clients, we may elect not to receive inside information that other market participants may have received, which may be relevant to client portfolios.

#### Other Business Relationships

LDR also uses third-party resources to help run its business and provide services to its clients. LDR sources these professionals acting in a client's best interest with fiduciary responsibility while focusing on finding the highest value-added providers to service clients. While we have developed a network of professionals - accountants, lawyers, and otherwise, neither LDR nor its Associates receive compensation for such use or referrals.

Outside of services and information referenced herein, neither FMW nor its management persons have any other material relationships or conflicts of interest with other financial industry participants to disclose.

### Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

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#### Code of Ethics

Rule 204A-1 of the Investment Advisers Act of 1940 requires all investment advisors registered with the Securities and Exchange Commission to adopt Codes of Ethics that set forth standards of conduct and require compliance with Federal securities laws. LDR takes its regulatory and compliance obligations seriously and recognizes its statutory duty to oversee the advisory activities of the Supervised Personnel who act on its behalf. The Adviser believes each of its advisory clients is owed the highest level of trust, fair dealing and ethical standards and holds each Associate to an elevated standard of business practices and integrity. These high ethical standards are essential for the success of the Firm, and our view is that long-term business interests are best served by adherence to the principle that the interests of our advisory clients - the private funds and separately managed accounts we manage - come first and foremost, always.

To that end, LDR has adopted a Code of Ethics ("Code") that establishes clear standards of conduct for its Supervised Persons. The purpose of the Code is "to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct," specify reporting requirements, supervision, and enforcement procedures and detail our policies regarding the treatment of confidential Firm and client information. LDR's Code imposes upon Associates the duty to deal fairly and, among others:

- exercise a high degree of care to ensure that all material facts are disclosed to clients,
- provide adequate and accurate representations of its business and other information about LDR's services and investment recommendations,
- disclose any conflicts of interest, promote fair, ethical, and equitable practices, and
- promptly report any violations of our Code to the CCO or Senior Management.

Associates must abide fully by the Firm's guiding principles as outlined in the Code and adhere strictly to these guidelines, and LDR's written supervisory Compliance Manual, including any updates. Further, it should be noted that the Code requires all Associates to promote the integrity of and uphold the rules of the governing capital markets and comply with all applicable Federal and state securities laws and other relevant regulations.

Adherence to the Code and the related restrictions is considered a fundamental condition of employment for all Associates.

Associates attest at the time of onboarding and no less than annually after that to their compliance with, and understanding of, the above matters - including confirmation and acknowledgment of the Firm's expectations regarding their conduct, given the duties, responsibilities, and principles required of them.

#### **Securities With A Material Financial Interest**

LDR does not recommend to clients and/or buys or sells for client accounts securities in which it or its related persons have a material financial interest.

#### **Participation in Client Transactions & Personal Trading**

LDR's Code of Ethics seeks to prevent conflicts of interest between LDR and its clients and assure that the personal securities transactions, activities, and interests of our Associates do not interfere with making and implementing decisions in the best interest of our advisory clients – while, at the same time, allowing Associates to invest for their own accounts. Subject to satisfying this policy and applicable laws, LDR permits its Officers, Directors, Associates, and affiliates to trade for their own accounts if done so and monitored according to the Firm Code and procedures. Pre-clearance requirements exist for certain transactions. Trading restrictions exist for securities that are (1) held within our client portfolios, (2) REITs, (3) REIT preferreds, (4) focus on real estate development, and (5) are reflected on our "Restricted List."

#### **Conflicts of Interest**

LDR's policy prohibits the Firm, its Associates, or any related person from participating in trading that may be detrimental to any advisory client or in conflict with the Adviser's written supervisory compliance policies and procedures, Code, or all applicable rules of state and Federal securities laws, including prohibitions on personal and insider trading. Associates must disclose, pre-clear, and report specific trades and maintain compliance with the Firm's policies and procedures, including providing transaction records, to ensure that neither the Firm nor any Associate receives preferential treatment over advisory clients or impacts the markets. Associates must report securities transactions to our Chief Compliance Officer for review quarterly, annually, and as needed to verify compliance with the Firm's trading policies and procedures and confirm no conflicts have occurred.

Questions regarding the Firm's practices in this area may be addressed directly with the Chief Compliance Officer. Additional details of how LDR mitigates conflicts of interest can be found in the Firm's comprehensive written compliance supervisory policies and procedures and Code of Ethics. A copy of LDR's Code will be provided to any client or prospective client free of charge upon request to the Chief Compliance Officer at (646) 927-5800 or by email at [general@ldrcapitalmgmt.com](mailto:general@ldrcapitalmgmt.com).

### **Item 12: Brokerage Practices**

Broker-dealers and third-party custodians (hereafter, "custodians") are in business serving independent investment advisory firms like LDR, providing advisers and their clients with access to institutional brokerage – trading, custody, reporting, and related services – many of which are not typically available to retail customers. These custodial support services are generally unsolicited; LDR does not have to request them. The various support services help an adviser manage or administer client accounts and manage and grow its advisory business. These services are typically available at no charge if qualifying amounts of client account assets are maintained with the custodian. *(Please contact us directly for the most current qualifying amount of client assets numbers.)*

#### **Preferred Broker-Dealers**

LDR does not maintain custody of the client assets we manage or take possession of client funds or securities. Client assets must be maintained in an account at a "qualified custodian," governed by a separate written brokerage and custodial account agreement between the client and an independent and separate qualified custodian, who will take possession of all account cash, securities, and other assets. Account checks, funds, wire transfers, and securities will then be delivered between the client and the custodian of the record.

LDR has complete investment discretion with respect to initiating all portfolio securities transactions for client accounts and full authority to select the broker-dealers to execute such transactions. We may utilize a number of broker-dealers to effect such transactions. Although we will use several broker-dealers to effect client account transactions, it is important to note that LDR will not select a custodian or open custodial accounts on any client's behalf. Clients will decide on their custodian at the time of

Agreement execution and enter into a separate qualified custodian client account agreement directly with the custodian of their choice. The conflicts of interest associated with this arrangement are described below and in *Item 14: Client Referrals & Other Compensation*. Clients should carefully consider these conflicts of interest when selecting their custodians.

#### Factors Used to Select & Recommend Custodians & Broker-Dealers

LDR seeks to select and recommend a custodian who will hold client assets and execute transactions on terms most advantageous to other available providers and their services. We have an obligation to seek to obtain "best execution" for our clients for 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 based on 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 our clients or us, as well as other factors 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.

LDR has established a Best Execution Committee, which meets semi-annually 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 interest, such as directing commissions to a broker-dealer where a family member is employed.

#### Research & Other Soft Dollar Benefits

LDR has entered into soft dollar arrangements that 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 incentivize us to select a broker based on our interest in receiving the research or other products or services offered through such a broker rather than on our clients' interests in receiving the 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 commission expenses that we would otherwise bear.

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 the 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 about 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, not exclusively in managing the account that generated the particular soft dollar credits. We will not generate soft dollar credits for certain clients in this regard. 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 reasonably allocate the cost that 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.

#### Brokerage For Client Referrals

Investment advisers benefit when they obtain research, other products and services in exchange for client securities transactions or maintaining account balances with the custodian, such as those listed above. The availability of these services, commonly called "soft dollars," benefits us because we do not have to produce, purchase, or pay for them as long as our clients collectively keep a minimum amount of assets in custodial accounts. Beyond that, these services are not contingent upon the investment adviser's committing any specific amount of business to the broker or dealer in trading commissions or assets in custody.

### Beneficial Interest

Our preferred broker-dealer's availability of these services is a potential conflict of interest as using client brokerage commissions to obtain research or other products and services benefits us because we do not have to produce, purchase, or pay broker-dealer services. LDR believes, however, that its preferred broker-dealer selection is in the best interests of our clients. While this conflict exists, we are also measured by our clients in terms of our overall performance; the cost of these services necessarily reduces portfolio performance. We believe that our selection of one custodian and broker over another is in the best interests of our clients. The scope, quality, and price of the services we receive support the belief that our custodians' services do not benefit only us. Further, in selecting or recommending broker-dealers, we are not influenced by whether a related person or we receive client referrals from them or a third party.

### Directed Brokerage

LDR allows but does not require clients to direct brokerage. A client may direct us in writing to use a particular custodian to execute some or all of their portfolio transactions. In such cases, the client will have the responsibility to negotiate terms and arrangements for the account with the custodian of their choosing; LDR will not seek better execution service or prices or be able to aggregate client transactions for execution through other custodians with orders for different accounts managed by us. As a result, a disparity in commission charges can exist between the commissions charged to clients who direct LDR to use a particular broker or dealer and those who do not direct brokerage. Clients wishing to direct us to use a particular custodian to execute some or all of their portfolio transactions should consider whether such direction may result in certain costs or disadvantages to them, such as higher commissions, trading costs, and/or less favorable executions. Clients may not participate in the initial transaction or the same gains or losses as other clients whose accounts are not restricted. As a result, the client may not achieve the most favorable execution of client transactions; the directed brokerage may cost the client money. As a result, the client may be unable to achieve the most favorable execution of client transactions. Accordingly, the client should satisfy themselves that their designated broker can provide adequate prices and execution of their transactions.

### 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 to obtain better prices and lower execution costs. When client accounts to purchase and sell the same securities, LDR generally aggregates such trades, subject to best execution.

Instances in which orders will not be aggregated include but are not limited to when we must effect transactions differently due to regulatory reasons, contractual provisions, or other restrictions relating to a client preventing or limiting trading with a particular broker 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 fairly and equitably, considering the factors described in the *Allocation of Investment Opportunities* section below. LDR will generally allocate "bunched" orders on an average price basis among participating client accounts, with each participating Account bearing a *pro-rata* share of commission and ticket charges. There is no assurance that clients will hold the same investments or perform substantially similarly to other clients with similar strategies.

### Allocation of Investment Opportunities

We will allocate investment opportunities among clients in a manner that we believe to be fair and equitable over time. When we determine 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 several factors in allocating investments that could result in a different allocation methodology at our discretion. Such factors 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 a particular investment opportunity for clients, we may be precluded from offering 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 substantially similarly to 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.



### Cross-Trades

A cross-trade occurs when an investment adviser effects a trade between two or more advisory clients. 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 determined following 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.

### Trade Errors

Even with the best efforts and controls, trade errors may happen. We endeavor to detect trade errors prior to settlement and correct and/or mitigate them expeditiously. If a trade is placed for a client's account, which causes a breach of any regulatory, contractual, investment objective or restriction parameters ("trade error"), our policy is to restore the account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. 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. Generally, the client will be reimbursed for any loss incurred due to an LDR trade error. Any gains from LDR's trade error will remain with the client. *In cases where trade errors result from the client's inaccurate instructions, the trading error will remain the client's financial responsibility.*

## Item 13: Review of Accounts

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### Frequency of Account Reviews

LDR reviews client accounts regularly to determine the accomplishment of investment objectives, cash balances available and/or margin debit balances outstanding, portfolio diversification, security positions, and client mandates. 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 regularly 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 monthly.

### The Managed Accounts

The account custodian generates brokerage statements for the Managed Accounts no less than quarterly. 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 client has waived the receipt of confirmations. In addition, LDR often provides the owners of each Managed Account quarterly portfolio performance information and other information related to such Accounts. Since a Managed Account investor directly owns the positions in its Managed Account, such an investor has full, real-time transparency as to all transactions and holdings in such an 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 to make its own investment decisions and must decide whether the limited information provided by LDR is sufficient for its needs. LDR's Advisor Representatives are available to assist clients with questions about their assets' custody, safety, security, or any statements received.

*Unless the client indicates otherwise, by promptly notifying LDR in writing of specific investment restrictions on the account(s) or concerns regarding statements received, investments LDR makes in line with their stated investment objectives or on their behalf shall be deemed to conform with the client's investment objectives.*

## **Item 14: Client Referrals & Other Compensation**

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### **Client Referrals**

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.

### **Third-Party Referrals & Promoter Relationships**

We compensate third parties for client or investor referrals and have entered promoter relationships with qualified promoters (placement agents) to refer clients to LDR, which can result in the provision of investment advisory services. LDR ensures any third-party referral/promoter relationships adhere to regulatory and rule requirements and that any individuals used are licensed when required and otherwise eligible to provide investment advice if dispensing such guidance. Unlicensed promoters may only provide impersonal information when recommending our services and not comment on using the Adviser's services or portfolio construction. The terms of all such arrangements are defined by a contract between the third party/promoter and LDR, which sets forth the terms of the Agreement and form of compensation to be paid to the referring party, which is a percentage of the advisory fees received from referred clients.

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: Brokerage Practices*, we may consider broker referrals of investors to the LDR Funds in determining our selection of brokers.

### **Conflicts of Interest**

Referral arrangements inherently give rise to potential conflicts of interest, particularly when the person recommending an Advisor receives an economic benefit, as the payment received could incentivize the promoter's referral. Accordingly, any referring party we obtain in this capacity is required to disclose to the referred clients, in writing, (1) whether they are a client or a non-client, (2) that they will be compensated for the referral, (3) the material conflicts of interest arising from the relationship and/or compensation arrangement, and (4) all material terms of the arrangement, including a description of the compensation to be provided for the referral, pursuant to the SEC's New Marketing Rule requirements.

## **Item 15: Custody**

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### **Custodial Practices**

LDR prohibits the firm or its Associates from obtaining, accepting, or maintaining custody of client funds, securities, or assets in any manner. Clients will keep all account cash, securities and other assets with a qualified custodian governed by a separate written brokerage and custodial account agreement between the qualified custodian and client. Account checks, funds, wire transfers, and securities will be delivered between the client and the custodian of the record.

LDR is not authorized to withdraw any money, securities, or other property from any client custodial account, in the client's name or otherwise, or to have physical custody of client funds or securities other than the standard business practice of deducting management fees from the client accounts. However, for purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), the ability to deduct advisory fees from client accounts causes our Firm to exercise limited custody over client funds or securities.

To authorize this, the client will provide written limited authorization instructions directly to their custodian and request the custodian provide a "transfer of funds" notice to them at their address of record after each advisory fee payment transfer occurs. The client will provide these instructions on the qualified custodian's form or separately.

Account statements from the qualified custodian(s) holding their funds and securities are made available to the client at least quarterly according to the provisions of their signed custodial agreement, which the client provided to the custodian.



Clients will receive at least quarterly reports from their custodian reflecting all disbursements for the account, including the amounts of any assessed advisory fees. The account statements from the custodian(s) will indicate the amount of our advisory fees deducted from their account(s) each billing period. Clients should review statements provided by their custodian promptly upon receipt.

*LDR urges clients to compare the statements they receive directly from their custodian with the information outlined in any reports or periodic portfolio statements received from the adviser to ensure the accuracy of all account transactions.*

Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of particular securities. LDR encourages our clients to promptly raise any questions with us about the custody, safety, or security of their assets. Clients should carefully review account statements for accuracy. We will also provide statements to clients reflecting the amount of the advisory fee deducted from their accounts. Clients should compare our statements with their account custodian(s) statements to reconcile the information reflected on each report.

If clients have questions regarding their account statements or did not receive a statement from their custodian, please contact us immediately at (646) 927-5800.

#### *The LDR Funds*

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 registered with and subject to regular inspection by the Public Company Accounting Oversight Board. 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 review these financial statements carefully.

#### *The Managed Accounts*

The owners of the Managed Accounts should carefully review the account statements they receive from the custodians of such accounts and are urged to compare them to the performance reports provided by LDR directly to them or 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 the client identifies should be immediately reported to LDR and the custodian.

### **Item 16: Investment Discretion**

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#### *Account Management Style*

LDR usually receives **discretionary authority** from a client at the outset of an advisory relationship to select the identity and amount of securities purchased or sold. Details of the relationship are fully disclosed before any advisory relationship commences, and each client's executed Agreement reflects complete information for account management style.

Under this type of account management, unless otherwise instructed or directed by a client and according to the respective client Agreement and Governing Documents, LDR has the authority to determine the following:

1. the securities to be purchased and sold for the client account - subject to restrictions on its activities outlined in the applicable Agreement and any written investment guidelines, and
2. the amount of securities to be purchased or sold for the client account without prior consultation with investors.

### **Item 17: Voting Client Securities**

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#### *Proxy Voting*

LDR understands and appreciates the importance of proxy voting. The nature of LDR's investments are generally preferred equities that are non-voting, but to the extent the Adviser has the discretion to vote for the proxies of the advisory clients it manages, LDR will accept discretionary proxy voting authority to vote such proxies according to the authority granted by the terms of each client's executed Agreement. LDR has developed written policies and procedures governing this activity which, in general, require the Firm to vote client proxies to strive to maximize shareholder value.

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 client-mandated voting guidelines, LDR will typically abstain from voting. Nonetheless, LDR will review each proxy, and the Portfolio Manager will vote for a proxy if it is determined that the action would be in the client's best interests. If a conflict is identified and deemed "material" by the Chief Compliance Officer, LDR will rely exclusively on making its voting decision on the recommendation of an independent third party experienced in advising investment managers regarding proxy voting decisions.

Clients and LDR Fund investors may request information on how LDR voted with respect to their relevant securities and obtain a copy of our proxy voting policies and procedures by contacting the Chief Compliance Officer directly at (646) 927-5800 or emailing [general@ldrcapitalmgmt.com](mailto:general@ldrcapitalmgmt.com).

#### **Class Action Suits, Claims, Bankruptcies & Other Legal Actions & Proceedings**

A class action is a procedural device used in litigation to determine the rights of and remedies for large numbers of people whose cases involve common questions of law and fact. Class action suits often arise against companies that publicly issue securities, including those recommended by investment advisors to clients. The client is responsible for class action suits, claims, bankruptcies, and other legal actions/proceedings involving securities purchased or held in their account. LDR will generally not advise or act for the client in these legal proceedings involving securities held or previously held by the account or the issuers of these securities.

LDR does not provide legal advice or engage in any activity that might be deemed to constitute the practice of law or accountancy and is not obligated to forward copies of class action notices received to clients or their agents.

#### **Item 18: Financial Information**

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Neither LDR nor its management has any financial impairment that will preclude it from meeting clients' contractual commitments. LDR does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore, does not need to include a balance sheet with this Brochure. The Adviser meets all net capital requirements to which it is subject and has not been the subject of a bankruptcy petition in the last ten years.

#### **Item 19: Requirements for State-Registered Advisers**

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LDR is an SEC-registered investment adviser.