

**FIRM BROCHURE**



**SORIN CAPITAL MANAGEMENT, LLC**

400 Atlantic Street  
12<sup>th</sup> Floor  
Stamford, CT 06901  
Tel: (203) 274-9300  
Fax: (203) 274-9311  
Website: [www.sorincapital.com](http://www.sorincapital.com)

**This brochure provides information about the qualifications and business practices of Sorin Capital Management, LLC, an investment adviser registered with the United States Securities and Exchange Commission (the "SEC"). If you have any questions about the contents of this brochure, please contact us at (203) 274-9300. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.**

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

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

**Dated: November 15, 2013**

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#### **ITEM 4:        ADVISORY BUSINESS**

Sorin Capital Management, LLC is an investment advisory firm established in August 2004, and has been registered with the SEC as an investment adviser since April 2005. Our firm is organized as a Delaware limited liability company and is owned by Mr. James J. Higgins and related Higgins family interests. Our firm's principal office is located in Stamford, Connecticut.

For purposes of this Brochure, the term "we" means Sorin Capital Management, LLC and the terms "our" and "us" have the correlative meanings.

We provide advisory services on a discretionary basis to clients, including private funds (e.g., hedge funds and a securitized asset fund) intended for institutional investors and sophisticated high net worth individuals. Additionally, we currently serve as sub-advisor to two other SEC-registered investment advisers in connection with certain client accounts managed by those advisers (the "sub-advisory accounts"). We have discretionary investment authority with respect to such sub-advisory accounts. Please see Item 8 below for additional information concerning our investment strategies and methods of analysis.

We provide advice to client accounts based on specific investment objectives and strategies. Under certain circumstances, we may agree to tailor advisory services to the individual needs of clients. The offering documents for each private fund that we advise describe the investment objective and approach that we follow as investment adviser for that fund. Within that framework, we generally have full discretionary investment authority as investment adviser for these private funds and our advisory services to such funds are not otherwise tailored to the individual needs of clients or investors in the particular fund. In the case of sub-advisory accounts, the applicable investment management agreement will generally set forth the investment objective and approach that we follow as sub-advisor with respect to that account. We have full discretionary investment authority in our capacity as sub-advisor, subject to any guidelines and constraints in the applicable investment management agreement. Please see Item 16 below for more information concerning the investment discretion that we exercise for client accounts.

As of September 30, 2013, we managed, as advisor or sub-advisor, approximately \$784,520,000 of client assets on a discretionary basis. The figure includes an estimated value of \$27,383,000 for a securitized asset fund, which is currently in liquidation. As of September 30, 2013, we managed, as advisor or sub-advisor, \$0 of client assets on a non-discretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

Our basic fee schedule for clients that are private funds (other than securitized asset funds) is as follows:

- We receive management fees on net assets under management of up to 2.0% annually.
- We receive an incentive fee or allocation of up to 20% of the profit, if any, charged to each client (in some cases including net realized and unrealized appreciation or depreciation of investments and accrued interest), subject to a high water mark. Additionally, in some cases, the incentive fee may be charged only on net profits above a specified hurdle return.

The management fees for certain of these clients and accounts are payable in advance on or after the close of business on the first day of each quarter, based on net assets (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) in the client's account as of that day. In the case of other clients and accounts, management fees are payable in arrears at the end of each quarter, based on the net assets (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) in the client's account as of the last day of such calendar quarter.

Incentive fees or allocations are paid or made either (i) on a periodic basis (typically annually) or (ii) after all capital has been returned to the client plus a preferred return, in each case as set forth in the relevant offering memoranda and/or investment management agreements.

If a new client account is established during a quarter or a client makes an addition to its account during a quarter, the management fee will be prorated for the number of days remaining in the quarter.

Our basic fee schedule for these private fund clients and accounts is negotiable.

For our securitized asset fund client, our basic fee structure is that we receive a base collateral management fee and an incentive collateral management fee based on the assets under management for the fund, each of which is payable quarterly in arrears. These collateral management fees are payable at rates specified in the offering documents for the fund and are paid from cashflow generated by the fund's investments. The base fee is payable from the cashflow on a priority basis (prior to payment of debt service on the notes issued by the fund) and the incentive fee is payable on a subordinate basis (after payment of debt service on the notes issued by the fund). Our basic fee schedule for the securitized asset fund is not negotiable, but we may rebate or otherwise waive or credit all or any portion of these collateral management fees to any of our clients that own a security issued by the fund.

We deduct the investment management fee from each private fund client account (other than the securitized asset fund) by instruction to the client's third party administrator or custodian. Collateral management fees for our securitized asset fund client are paid to us by a third party trustee who administers the client's trust estate under an indenture. For sub-advisory accounts, we generally submit a bill for the management fee to the applicable private fund and its advisor.

In addition to paying investment management fees and, if applicable, performance-based fees or other compensation, client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other

governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the client's account invests) associated with products or services that may be necessary or incidental to such investments or accounts.

Client assets may be invested in money market mutual funds, ETFs, CDOs and other registered investment companies. In these cases, the client will bear its pro rata share of the investment management fee and other fees of that company, which are in addition to the investment management fees paid to our firm. Certain client assets are invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund.

As described above, management fees for certain clients and accounts are payable on a quarterly basis in advance. In the event that an advisory contract were terminated (or a redemption were to occur) in the middle of a quarter, we would pro rate the management fee to reflect that portion of the quarter during which we served as advisor. We would credit (and return) the unearned portion of the management fee to the client account.

**ITEM 6:**            **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Our firm and our investment personnel provide investment management services to multiple portfolios for multiple clients. As described in Item 5 above, we accept performance-based fees for our advisory services. In addition, our investment personnel are typically compensated on a basis that includes a performance-based component. Certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When our firm and our investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. Our firm and our investment personnel have a greater incentive to favor client accounts that pay our firm (and indirectly our investment personnel) higher fees and/or performance-based compensation. Different incentive fee rates, calculation methods, loss carryforwards and hurdle rates may create incentives for us to favor accounts which yield a greater possibility of earning a performance-based fee or a performance-based fee that is chargeable at a higher rate.

We may give advice or take action with respect to certain client accounts that differs from the advice given or action taken for other accounts. We have adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. We review investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any significant unexplained discrepancies. To the extent a particular investment is suitable for multiple client accounts, but orders for those accounts cannot be completely filled, that investment will be allocated among those accounts on a pro rata basis according to asset size. Our policies also require that, to the extent orders for client accounts are aggregated, the client orders will be price-averaged.

**ITEM 7:**        **TYPES OF CLIENTS**

Our clients consist of private funds and sub-advisory accounts. With respect to any client that is a private fund, any initial and additional subscription minimums or minimum investment amounts are disclosed in the offering or disclosure document for that fund. For a sub-advisory account, the relevant investment management agreement sets forth the minimum account balance, if any.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

We utilize a variety of methods and strategies to make investment decisions and recommendations. For each client account that is a private fund, we follow the outlined investment strategies set forth in the relevant offering or disclosure document for that particular account or, in the case of a sub-advisory account, the outlined investment objective, guidelines and restrictions set forth in the relevant investment management agreement. We may also formulate new approaches from time to time to carry out the overall investment objective of the account and may invest in other kinds of securities where our skill set can be brought to bear in a way that we believe is consistent with the risk/return profile of that account. While our current focus is primarily on real estate securities, we have broad and flexible investment authority for our hedge fund clients. Our investment authority for our securitized asset fund client and our sub-advisory accounts is more limited.

We implement the following strategies from time to time, among others:

- Fundamental Value – These strategies seek opportunities in investments that may be either senior or subordinate in a capital structure and offer a favorable risk/reward profile after taking into consideration fundamental, technical and structural considerations.
- Capital Structure Arbitrage – These strategies seek to capitalize on investment opportunities created by the weaknesses in rating agency methodologies, structural complexity in certain securities and inefficiencies in the secondary markets.
- Opportunistic – These strategies seek to take advantage of atypical market phenomena or deeply discounted investments with option-like payout profiles and may take advantage of liquid trading opportunities or inherent structural or fundamental complexities in certain structured products.
- Relative Value – These long/short strategies seek to generate returns largely independent from market direction. They are generally market neutral and may take advantage of differences in underlying value between securities within the same sector or across sectors.
- Buy and Hold – These strategies involve buying and holding securities for relatively longer periods of time, regardless of short-term factors such as fluctuations in the market or stock price volatility.
- Hedging – These strategies involve a variety of financial instruments such as derivative, options, interest rate swaps, futures and forward contracts for risk management purposes.
- Leverage – Our investment programs can use leverage, which involves the borrowing of funds from brokerage firms, bank and other institutions in order to be able to increase the amount of capital available for securities investments.
- Short-selling – In a short sale transaction, we sell a security we do not own in anticipation that the market price of that security will decline. Short-selling can also be effectively structured in synthetic form by having the client enter into a credit default swap as protection buyer. While short-selling may be used to express a bearish outlook on a particular security or sector, we may



also engage in short-selling strategies as a form of hedging to offset potential declines in long positions in similar securities.

Ultimate decision making authority with respect to a client's investments rests with our Chief Investment Officer ("CIO"). This centralized decision making and portfolio management provides for control, consistency and logic of the overall portfolio. We believe that this consistency and control is best achieved by having a single CIO within our organization with final authority for the portfolio related decisions for a particular client.

Investing in securities involves risk of loss that clients should be prepared to bear. Clients must be prepared to bear the loss of their entire investment.

Client investment portfolios also include the following risks:

Counterparty Risk. Our clients are exposed to counterparty risk, which is the risk that counterparties to the client's investment transactions may fail to perform their obligations. For example, if a client account enters into a credit default swap, the client will not only bear the risk of default on the underlying reference obligation, but also bear the risk that the counterparty to the credit default swap will fail to perform its payment obligations under the swap contract in accordance with its terms.

Operational Risk. Our clients are exposed to operational risk, which is the risk that losses may result from inadequate or failed internal process of our firm and systems or parties with whom our firm transacts, or from external events such as natural catastrophes or technological failures.

Investment Risk. Our clients are exposed to investment risk, which is comprised of several components of financial and market risk. In order to monitor and evaluate this risk on an ongoing basis, we employ explicit investment risk constraints that we provide to our clients and investors. The component risks of investment risk include the following:

- **Market Risk** – The profitability of a significant portion of our investment strategies depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that we will be able to predict accurately these price movements.
- **Structural Risk** – Complicated investment structures may create risk if they are not thoroughly analyzed, understood and accounted for in the investment process. Cashflow waterfalls, triggers, events of default, as well as other intrinsic structural risks require intensive scrutiny and in-depth understanding.
- **Liquidity Risk** – Liquidity is the ability to meet cash needs within a client account on a timely basis. If the cash needs of a client account exceed the cash available at any point in time, the account will be unable to meet its obligations to counterparties and may suffer losses as a result of this default.
- **Leverage Risk** – Performance may be more volatile if a client account uses leverage.

- Systematic Capital Markets Risk – Widespread or deep disruptions in the capital markets may affect client account performance by magnifying price volatility or illiquidity of client account positions, for example.
- Relative Value Risk – In the event that perceived mispricings underlying our relative value trading positions were to fail to converge toward, or were to diverge further from, relationships that we expect, client accounts may incur a loss.
- Short-Selling Risk – We may include short-selling in our investment programs. Short-selling transactions expose client accounts to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by a client account in connection with a short sale would need to be returned to the securities lender on short notice. If this request for securities were to occur at a time when other short sellers of the security were receiving similar requests, a “short squeeze” can occur, where the client account might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier. Additionally, if a client account becomes unable to continue to borrow securities previously sold short, we may be forced to unwind other elements of an investment position in the account, possibly at a loss.
- Interest Rate Risk – Client accounts that are invested in fixed income securities are subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities.
- Non-Diversification – We may invest client accounts in real estate related investments that may not be diversified among geographic areas or types of securities, or among a wide range of issuers or industries. As a result, the client’s investment portfolio may be subject to more rapid change in value than would be the case if the portfolio maintained a wide diversification among industries, areas, types of securities and issuers.

Additionally, the investments in which we invest client accounts may present particular risks.

*Risks Associated with Commercial Mortgage-Backed Securities.* Client accounts may be invested from time to time in commercial mortgage-backed securities (“CMBS”), which are mortgage-backed securities (“MBS”) whose repayment is dependent in whole or in part on cashflow from commercial mortgage loans. Mortgage loans on commercial properties often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity (as a “balloon payment”), and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default on the loan and losses on CMBS backed by the loan.

Most commercial mortgage loans underlying CMBS are nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower’s assets other than the specific collateral

pledged to repay the loan (typically consisting of the real property encumbered by the mortgage and/or related types of security). If the borrower is unable or unwilling to refinance or dispose of the encumbered property to pay the principal and interest owed on the mortgage loan, payments on the subordinated classes of the related CMBS are likely to be impaired. The ultimate extent of the loss, if any, to the subordinated classes of CMBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks and governmental disclosure requirements with respect to the condition of the property may make a third-party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related CMBS. Revenues from commercial properties that CMBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court appointed receiver to control collateral cash flow. The owner of CMBS does not have a contractual relationship with the borrowers of the underlying commercial mortgage loans. The CMBS holder typically has no right directly to enforce compliance by the borrowers with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the underlying loan agreements, nor to move directly against the collateral supporting the related loans.

*Risks Associated with REITs.* REITs in which we invest client accounts are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in which we invest concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Further, rising interest rates will cause investors in REITs to demand a higher annual yield from future distributions, which will in turn decrease market prices for equity securities issued by REITs. REITs are also subject to risks inherent in operating and financing a limited number of projects because they are dependent on specialized management skills, and have limited diversification. REITs depend generally on their ability to generate cash flow to make distributions to investors.

*Risks Associated with Credit Derivatives and Credit Default Swaps.* Investments in client accounts may include credit derivatives. Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. Credit derivative instruments may include or relate to one or more debtors. Payments under credit derivatives may be made during the exercise period of the contracts and under many credit derivatives may be triggered by credit events such as bankruptcy, default, restructuring, failure to pay, cross default or acceleration, etc. Payments under credit derivatives may be for notional amounts, actual losses or amounts determined by formula.

The market for credit derivatives is relatively illiquid, and there are considerable risks that may make it difficult either to buy or sell the contracts as needed or at reasonable prices. The buyers of credit derivatives carry the risk of non-performance by the seller due to inability to pay. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk. The value of this type of instrument depends largely upon price movements in the underlying asset. Therefore,

many of the risks applicable to trading the underlying asset are also applicable to trading derivatives related to that asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the client account to the possibility of a loss exceeding the original amount invested or deposited. There can be no assurance that derivatives will be available at any particular times, at satisfactory terms or at all.

*Risks Associated with U.S. Government Securities.* We may invest client accounts in U.S. Government securities from time to time. Generally, these securities include U.S. Treasury obligations and obligations issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises. U.S. Government securities also include Treasury receipts and other stripped U.S. Government securities. The interest and principal components of stripped U.S. Government securities are traded independently. These securities are subject to market and interest rate risk. We may also invest client accounts in zero coupon U.S. Treasury securities and in zero coupon securities issued by financial institutions, which represent a proportionate interest in underlying U.S. Treasury securities. A zero coupon security pays no interest to its holder during its life, and its value consists of the difference between its face value at maturity and its cost. The market prices of zero coupon securities generally are more volatile than the market prices of securities that pay interest periodically.

*Risks Associated with Fixed Income and Debt Securities.* Investment in fixed-income and debt securities such as bonds, notes, MBS and ABS subject a client's portfolio to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of an issuer's ability to make such payments will cause the price of that debt security to decline. Lastly, investments in lower-rated debt securities are also subject to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities, because issuers of lower-rated debt securities are not as strong financially and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy. From time to time, we may invest client accounts in subordinated MBS and ABS, which involve greater credit risk of default than the senior classes of the issue or series. Certain subordinated securities ("first loss securities") absorb all losses from default before any other class of securities is at risk, particularly if these subordinated securities have been issued with little or no credit enhancement or equity. These first-loss securities therefore possess some of the attributes typically associated with equity investments.

*Risks Associated with Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political or economic developments can affect a single issuer, issuer within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can affect the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Risks Associated with Leverage and Structured Products.* We may utilize leverage as part of the investment strategy for client accounts. Any use of leverage will result in the account controlling more assets than it has equity. Leverage will increase returns if the account earns a greater return on investments purchased with borrowed funds than the account's cost of borrowing those funds. However, the use of leverage will expose the client account to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the account not borrowed to make the investments, (ii) margin calls or interim margin requirements may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the account's cost of borrowing funds. In the event of a sudden, precipitous drop in value of the account's assets, we might not be able to liquidate assets quickly enough to repay the account's borrowings, further magnifying the losses incurred by the account.

*Risks Associated with Illiquid Investments.* Client accounts, at any given time, may include investments in securities and other financial instruments or obligations which are very thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. These investments may be extremely difficult to value with any degree of certainty and we may only be able to sell these investments at substantial discounts.

*Risks Associated with Options.* We may purchase put and call options, as well as write put and call options, for client accounts. These are highly specialized activities and entail greater than ordinary investment risks. Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause the value of a client's portfolio to be subject to more frequent and wider fluctuations than would be the case if the client did not invest in options.

*Risks Associated with Futures Contracts.* We may invest client accounts in futures contracts and options on futures contracts both for hedging purposes and to increase the total return on the account's investment portfolio. Trading in futures contracts and options is a highly specialized activity which, while it may increase the total return on a client's investment portfolio, may entail greater than ordinary investment risks. There may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in a client's account. In addition, investments in securities futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

*Risks Associated with Non-U.S. Securities and Currency Exposure.* Client accounts may invest in non-U.S. securities from time to time, which may include securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies and utilization of options on such securities. These investments present certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Investments in non-U.S. currency forwards, futures and options as well as securities are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

**ITEM 9:**

**DISCIPLINARY INFORMATION**

This Item is not applicable.

**ITEM 10:**      **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Each of the private funds (other than the securitized asset fund) for which our firm or a related person serves as general partner or investment manager has and may in the future enter into agreements, or “side letters”, with certain prospective or existing limited partners or shareholders whereby such limited partners or shareholders may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the fund. For example, such terms and conditions may provide for special rights to make future investments in the fund, other investment vehicles or managed accounts; special redemption rights relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the limited partner or shareholder and/or other terms; rights to receive reports from the fund on a more frequent basis or that provide information not provided to other limited partners or shareholders (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the fund and such limited partners or shareholders. The modifications are solely at the discretion of the fund and may, among other things, be based on the size of the limited partner’s or shareholder’s investment in the fund or affiliated investment entity, an agreement by a limited partner or shareholder to maintain such investment in the fund for a significant period of time, or other similar commitment by a limited partner or shareholder to the fund.

Our firm is registered with the United States Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator and a commodity trading advisor pursuant to the Commodity Exchange Act, as amended (the “CEA”) and is also a member of the National Futures Association (“NFA”). Our CEO, Mr. James J. Higgins, and Head of Investor Relations, Mr. Kevin T. Connors, are also registered as associated persons of our firm under the CEA.



**ITEM 11:**        **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our Code of Ethics obligates us and our related persons to put the interests of our clients before our own interests and to act honestly and fairly in all respects in our dealings with clients. All of our personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of our Code of Ethics by contacting our Chief Compliance Officer, Thomas Tam, by email at ttam@sorincapital.com or by telephone at (203) 274-9300. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

Our Code of Ethics applies to the personal accounts of all our employees, their spouses and minor children, any immediate family members living in an employee's household, certain other persons for whom an employee provides primary financial support and certain entities in which an employee has a 25% or greater beneficial interest or over which the employee exercises effective control.

Each employee is required to identify in writing to the Chief Compliance Officer all accounts subject to our Code of Ethics. In addition, unless otherwise permitted by the Chief Compliance Officer, each employee is required to cause any brokers or custodians or any persons managing such account to provide our firm a duplicate copy of each confirmation and account statement in respect of all reportable securities transactions made in that account. Our employees are also required to submit holdings reports and quarterly transactions reports to the Chief Compliance Officer to the extent required by the Advisers Act and related rules. Employee transactions and trading patterns are monitored for irregularities, improper activities or trades which in the discretion of the Chief Compliance Officer may be inappropriate because of a conflict or perceived conflict with trades made by our firm for client accounts. Each employee agrees to exit or liquidate any position in any personal account upon instruction from the Chief Executive Officer or Chief Compliance Officer with the understanding that no explanation is required if such instruction is given. Additionally, each employee expressly acknowledges and agrees that he or she will not use any substantial time or energy during the work week to manage or trade personal accounts.

In addition to the foregoing requirements, we have also instituted a preclearance requirement for any personal securities trades conducted by employees in the following types of securities (whether debt or equity, cash or synthetic):

- Securities issued by or with respect to any of the following:
  - Banks;
  - REITs;
  - Broker-dealers;
  - Mortgage companies;
  - Financial services companies or asset management companies focused on commercial and/or residential mortgage finance; or
  - Fannie Mae, Freddie Mac, Ginnie Mae or any Federal Home Loan Bank; and
- RMBS, ABS, CDOs and similar securities.

If preclearance is requested for any personal securities trade involving a REIT security, the Chief Compliance Officer will not approve the requested transaction unless he has confirmed that such REIT security is not currently owned by any fund or account managed by our firm and the Chief Executive Officer has confirmed that such REIT security is not under consideration for investment on behalf of any fund or account managed by our firm. Any personal securities trade involving a REIT security that is precleared by the Chief Compliance Officer will be subject to a minimum lock-up period of six (6) months. Additionally, employees are not permitted to engage in any personal securities trades in CMBS and the Chief Executive Officer is not permitted to engage in any personal securities trades in REIT securities.

Our employees are also strictly prohibited from participating in any initial public offering (“IPO”) or limited offering without the prior written approval of the Chief Compliance Officer.

In the course of our investment management and other activities (e.g., board or creditor committee service), we may come into possession of confidential or material nonpublic information about issuers, including issuers in which our firm or our related persons have invested or seek to invest on behalf of clients. We are prohibited from improperly disclosing or using such information for our own benefit or for the benefit of any other person, regardless of whether such person is a client. We maintain and enforce written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that we are meeting our obligations to clients and remain in compliance with applicable law. In certain circumstances, we may possess certain confidential or nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but we will be prohibited from communicating such information to the client or using such information for the client’s benefit. In such circumstances, we will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that we possess the information) or not using such information for the client’s benefit, as a result of following our policies and procedures designed to provide reasonable assurances that we are complying with applicable law.

Our firm may invest client assets in one or more investment vehicles (and offshore investment vehicles for non-US clients) for which our firm acts as investment adviser or collateral manager, such as a securitized asset fund. These practices create a conflict of interest because our firm has an incentive to buy securities from (or sell securities to) clients based on its own financial interests, rather than solely the interests of a client. In addition, this practice could result in a client account being charged its pro rata share of the investment management fee at both levels. We address these conflicts of interest by waiving investment advisory fees at the principal level or excluding assets invested in such investment vehicles from the asset base used for purposes of determining the amount of investment advisory fees chargeable to the client account.

With respect to principal transactions, we disclose to the client in writing before completion of the transaction the capacity in which we are acting with respect to the arrangement and obtain the client’s consent to such transaction as required by Section 206(3) of the Advisers Act.

Our firm and our related persons may invest for our own or their own respective accounts or for the accounts of others in securities and other instruments that would be appropriate investments for our clients. Such practices present a conflict where, because of the information we have, our firm or our related person is in a position to trade in a manner that could adversely affect clients (e.g., placing our

trades before or after client trades are executed in order to benefit from any price movements due to clients' trades). In addition to affecting our objectivity (or our related person's objectivity), these practices may also harm clients by adversely affecting the price at which clients' trades are executed.

We have adopted the following procedures in order to minimize conflicts presented by these situations: We require all employees to preclear all personal securities transactions that are within the general investment parameters of our client accounts, as described above, and the Chief Compliance Officer may deny permission to execute the transaction for any reason whatsoever, including potential adverse economic impact on one or more of our clients. We also prohibit our employees from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. Trading in employee accounts is monitored by the Chief Compliance Officer on a periodic basis to confirm compliance with the preclearance procedures and restricted list prohibitions.

Our firm and our related persons from time to time may buy or sell securities for client accounts at or about the same time that our firm and/or such related persons buy or sell the same securities for its own account only in accordance with the procedures outlined above, which require preclearance of such trades by the Chief Compliance Officer, in order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit to our firm or our related person to the detriment of the client. Additionally, we have adopted the aggregation policies and procedures discussed in Item 12 below in order to address potential conflicts presented by contemporaneous trades for multiple client accounts.

## **ITEM 12:           BROKERAGE PRACTICES**

As investment manager of each of the private funds under our management, we are authorized to determine the broker-dealer to be used for each securities transaction for those funds. In the case of any sub-advisory account, our ability to select the broker-dealer to execute transactions for the account may be limited to the existing relationships established by the advisor for that account. Our investment management agreements do not require us to solicit competitive bids in selecting broker-dealers to execute transactions for client accounts or to seek the lowest available brokerage commissions, markups or other compensation. In selecting or recommending broker-dealers for client transactions, and determining the reasonableness of the broker-dealer's compensation, we may take into account the financial stability and reputation of the brokerage firms and the brokerage, research and efficiency of related execution services provided by the brokers, even if the particular client, in the particular instance, may not be the direct or indirect beneficiary of the research or related services provided. It is not our practice to negotiate "execution only" commissions from broker-dealers. Accordingly, our clients may be deemed to be paying for research and other services provided by the broker-dealers in the form of the commissions paid for client securities transactions. Our firm's Chief Compliance Officer and traders meet periodically to evaluate broker-dealers used to execute client trades on the basis of the foregoing factors.

Our firm receives research or other products or services other than execution from broker-dealers and/or third parties in connection with client securities transactions. This is known as a "soft dollar" relationship. We will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations. We may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients. When we engage in this practice, our firm's Chief Compliance Officer and traders meet periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research received from a broker-dealer, the commissions used to obtain those products were reasonable in relation to the value of the research provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or our overall responsibilities to the accounts or portfolios over which we exercise investment discretion.

The use of client commissions (or markups or markdowns) to obtain research raises conflicts of interest. For example, our firm will not have to pay for the products or services itself. This creates an incentive for us to select or recommend a broker-dealer based on our interest in receiving those products or services. We may use research or brokerage services obtained with commissions arising from client transactions for our other investment activities, including for the benefit of other client accounts. We do not seek to allocate soft dollar benefits to client accounts proportionately.

During our last fiscal year, as a result of client brokerage commissions (or markups or markdowns), we and our related persons acquired the following: research reports (including market research); attendance at seminars and conferences; discussions with research analysts; meetings with corporate executives; advice from broker-dealers on order execution; trading software operated by broker-dealers to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with trades; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as electronic confirms or trade affirmations.

From time to time we may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to private funds managed by us. We may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if we determine that it is otherwise consistent with seeking best execution. In no event will we select a broker-dealer as a means of remuneration for recommending us or any other product or fund managed by us (or an affiliate) or affording us with the opportunity to participate in capital introduction programs.

We often purchase or sell the same security for multiple clients at or near the same time and using the same executing broker. It is our practice, where possible, to aggregate orders for the same security for trade execution with the same broker or brokers. Such aggregation may allow us to obtain for clients a more favorable price or better commission rate based upon the volume of a particular transaction.

We generally follow these guidelines in aggregating client orders for securities, including any orders placed for our managed funds and investment vehicles:

- No client will be favored over any other client;
- Each client that participates in an aggregated order will participate at the average share price for all of our transactions in that security on a given business day;
- Transaction costs will be shared pro rata among participating clients based on their participation in the transaction, subject to odd-lots, rounding and market practice;
- If the aggregated order is partially filled, it will be allocated among clients in a manner deemed fair and equitable by us to all clients; depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating clients.

Notwithstanding the foregoing, an aggregated order may be allocated on a basis other than pro rata among participating clients if the reason for the different allocation is explained in writing by the portfolio manager and approved by the Chief Compliance Officer no later than the close of trading on the day on which the order was executed. Reasons for non-pro rata allocations may include a client's available cash and liquidity requirements, legal regulatory reasons and avoidance of odd-lots.

**ITEM 13:**      **REVIEW OF ACCOUNTS**

Each client account is reviewed by our CIO on a monthly basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

Significant market events affecting the prices of one or more securities in client accounts, changes in the investment objectives or guidelines of a particular client or specific arrangements with particular clients may trigger reviews of client accounts on other than a periodic basis.

A client's investors receive reports from the client pursuant to the terms of each client's offering memoranda or as otherwise described in the offering document of the client.

**ITEM 14:**      **CLIENT REFERRALS AND OTHER COMPENSATION**

We may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients than would otherwise be obtainable by us on behalf of our clients. Please see Item 12 above for further information on our “soft dollar” practices, including our procedures for addressing conflicts of interest that arise from such practices.

We may from time to time enter into agreements with third parties who will solicit investors for private funds under our management or other clients and will receive compensation from us for their solicitation efforts. We do not currently have any such agreements in place. If the services of a third-party solicitor are used in connection with a client’s account, such arrangement and the compensation will be disclosed to the client as required by Rule 206(4) of the Advisers Act.

**ITEM 15:**      **CUSTODY**

This Item is not applicable.



## **ITEM 16: INVESTMENT DISCRETION**

We accept discretionary authority to manage securities accounts on behalf of clients. Except for the general investment objectives and guidelines set forth in the offering documents for our private funds and the investment objectives, guidelines and restrictions set forth in the investment management agreements with respect to sub-advisory accounts, there are generally no limitations on our authority to manage securities accounts on our clients' behalf. Before we assume discretionary authority over a client's account, we will have furnished a document to the client describing the terms of the investment program and entered into a management agreement with the client setting forth the terms of our engagement as investment manager or sub-advisor. The management agreements between our firm and each of our clients for whom we have discretionary investment authority generally provide that we will make all investment decisions for the client in our capacity as investment manager and will furnish continuous investment management to the client as long as the management agreement remains in effect. Accordingly, in those cases, the investment and reinvestment of the capital of the client's account, including the purchase or sale of any securities or the borrowing of any funds on behalf of the account, either on a secured or unsecured basis, is exclusively within our control and discretion as the client's investment manager.

Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. Our portfolio managers may consider the following factors, among others, in allocating securities among clients:

- client investment objectives and strategies;
- client risk profiles;
- tax status and restrictions placed on the portfolio by the client or applicable law (e.g., the Employee Retirement Income Security Act of 1974, as amended ("ERISA"));
- size of the client account;
- nature and liquidity of the security to be allocated;
- size of available position;
- current market conditions; and
- account liquidity, account requirements for liquidity and cash flows.

Although it is our general policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to the value of the assets of all participating accounts), these factors may lead a portfolio manager to allocate securities to client accounts in varying amounts.

Allocations will be made among client accounts eligible to participate in IPOs and secondary offerings on a pro rata basis, except when we determine in our discretion that a pro rata allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" under applicable regulations.

Securities acquired by us for client accounts through a limited offering will be allocated pursuant to the procedures set forth in our allocation policy. The policy provides that each portfolio manager will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the client and the client's investment objectives and strategies.

We may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable us to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. We have a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades unless client consent has been obtained based upon written disclosure to the client of the capacity in which we or our affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA unless an applicable exemption is available under ERISA.

If it appears that a trade error has occurred, we will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that clients are treated fairly. We have discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a client account incurs a trade error as a result of our gross negligence, willful misconduct, or fraud, trade errors will be corrected by us as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account unless otherwise agreed with the client.

## **ITEM 17:      VOTING CLIENT SECURITIES**

We have authority to vote client securities in discretionary accounts and have adopted written policies and procedures that are reasonably designed to ensure that we vote client securities in a manner consistent with the best interests of the client. In the absence of specific voting instructions from a client, we will vote the securities consistent with our reasonable assessment of that client's best interests, which may result in differing voting results for proxies of the same issuer.

Clients will be afforded the opportunity to vote proxies themselves only if that right is reserved in the management agreement between our firm and the client. Absent material conflicts or specific voting instructions from the client, the portfolio manager for each client account will determine how we will vote any proxy received for that account. Alternatively, we may engage a third party to assist us in coordinating and voting proxies with respect to client securities, in which case the Chief Compliance Officer will monitor the third party to ensure that all proxies are being properly voted and appropriate records are being maintained.

As a general matter, we will vote proxies in accordance with the following guidelines.

- In favor of routine corporate "housekeeping" proposals including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification in common stock; and
- Against proposals that make it more difficult to replace members of an issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights or create supermajority voting.

For other proposals, we will exercise our reasonable judgment in determining whether a proposal is in a client's best interests and we may take into account the following factors, among others:

- Whether the proposal was recommended by management (and our opinion of management);
- Whether the proposal acts to entrench existing management; and
- Whether the proposal fairly compensates management for past and future performance.

Clients may contact our Chief Compliance Officer by email or telephone to obtain information on how we voted proxies on behalf of the client and to request a copy of our policies and procedures relating to voting client securities.

**ITEM 18:**      **FINANCIAL INFORMATION**

This Item is not applicable.

## **APPENDIX**

### **ITEM 2: MATERIAL CHANGES**

The following summary only discloses material changes made to the Brochure since our last annual update, which was filed on March 28, 2013:

The amount of client assets under our management has been updated.

We have ceased providing sub-advisory services to an adviser on a non-discretionary basis. Corresponding changes have been made throughout the Brochure.

A strategic advisory services agreement between our firm and HFF Securities, L.P. has expired, and references to such agreement have been deleted from Item 10 of the Brochure.

We have terminated a marketing/solicitation arrangement with Freestone Securities, LLC, and references to such arrangement have been deleted from Items 10 and 14 of the Brochure.