



## Part 2A of Form ADV: Firm Brochure

### Item 1 – Cover Page

#### Leste Capital Partners (Florida), LLC

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July 7<sup>th</sup>, 2021

This Brochure provides information about the qualifications and business practices of Leste Capital Partners (Florida), LLC (“**LCP**”), advising on investment strategies encompassing the business unit of Leste Real Estate US. If you have any questions about the contents of this Brochure, please contact us at [compliance@leste.com](mailto:compliance@leste.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) (or by any state securities authority).

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

Any reference to LCP as a “registered investment adviser” or as being “registered,” does not imply a certain level of skill or training.



## **Item 2 – Material Changes**

### **Other than Annual update**

Leste Capital Partners (Florida), LLC is required to file an annual updating amendment to its Form ADV within 90 days of the end of the Adviser's fiscal year.

This update represents a material change since the Firm's annual update of March 30<sup>th</sup>, 2021.

### **Material Changes since the Last Update**

As part of an internal reorganization, Leste Capital Partners (Florida), LLC is registering a new business unit as a relying adviser under the name of Leste Real Estate US (IA), LLC. Leste Real Estate joins Leste Credit (IA), LLC as relying advisers under the umbrella registration of Leste Capital Partners (Florida), LLC.

The Firm has also moved to new offices at 1450 Brickell Avenue, Suite 2600, Miami FL 33131.

There are no other material changes to Leste Capital Partners (FL).



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#### **Item 4 – Advisory Business**

Leste Group US Real Estate advisory activities are carried out by Leste Capital Partners (FL) (“LCP”) which provides fee-based investment advice, consulting and corporate advisory services to its clients, including institutions, related pooled investment companies, companies, foundations and endowments in highly specialized and thematic real estate strategies in the US and Brazil. Our approach to real estate equity investing is guided by disruptive forces, demographic trends, market dislocations and supply/demand imbalances, enabling us to invest opportunistically across market cycles and into both traditional and niche asset classes. LCP may tailor investment vehicles on behalf of high net worth or institutional investors with the specific purposes of investing in Leste Real Estate US strategies.

LCP is part of Leste Group which is an alternative investment platform founded in 2014 for the purposes of developing asset management activities. Leste Group has a presence in three jurisdictions: United States of America, Brazil and the United Kingdom.

#### **Principal Owners**

Leste Capital Partners (Florida), LLC is a Delaware LLC doing business in Miami, Florida and is a joint venture (50-50) directly owned and controlled by Stephan de Sabrit and Leste USA, LLC. LCP is also indirectly owned by Leste Holding, LLC, a holding company organized as a Delaware limited liability company that, in turn, is wholly owned by Mr. Emmanuel Rose Hermann.

Leste Group Advisory Entities that are SEC registered investment advisors are subject to the same compliance procedures under the same Board of Compliance and Chief Compliance Officer.

Leste Real Estate US has established, for business, organizational or regulatory purposes, a number of special purpose entities that serve as sponsors, general partners, managing members (or equivalent) (each, a “**LRE GP SPE**”) of one or more RE Funds (as defined in this Item 4 – “Advisory Business” below). All LRE GP SPEs conducting business as of the date of this Brochure are listed in Section 7.A of Leste Real Estate US’s Form ADV Part 1A.

Certain Other Leste Advisory Affiliates also pursue credit, litigation finance, private equity and global investments as separate lines of business (see also Item 10 – “Other Financial Industry Affiliations and Activities” below).



Under certain circumstances, LCP may contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. LCP negotiates such arrangements on a case-by-case basis.

LCP implements the real estate investment strategy described above by providing discretionary advisory services to 4 pooled investment vehicles ("**LRE Funds**") and also by managing real estate portfolios to high-net-worth clients, being one of them an investment vehicles of Mr. Hermann's family members ("**LRE SMAs**" and together with LRE Funds, "**LRE clients**").

Each LRE Fund is governed by the investment restrictions and guidelines contained in its respective governing and/or offering documents (in each case, such LRE Fund's "**Memorandum**"). Information about the LRE Funds, including information about investment strategies, fees, expenses, risks and other material information, is contained in each LRE Fund's Memorandum. (See Item 16 "Investment Discretion" below.)

LCP does not participate in any wrap fee program.

As of January 31, 2021, Leste Real Estate US, through LCP, managed approximately \$222,347,139 in regulatory assets under management on a discretionary basis. The amount of such regulatory assets under management is estimated based on unaudited financial statements.



## **Item 5 – Fees and Compensation**

LCP charges its Clients an asset-based advisory fee of up to 1.5% per annum, calculated based on the net asset value of their portfolios (“NAV”). In general, the NAV, amount of capital commitment or investment capital, as applicable, is determined at the end of each month to determine the management fees payable for the following month. We generally deduct our management fees from the LRE Funds monthly in arrears.

LCP also charges a performance-based compensation (please see Item 6 – “Performance-Based Fees” for more detail) on an annual basis in arrears or upon the distribution of capital. We also may receive performance-based fees, carried interest or allocations on a withdrawal/redemption by a LRE Fund investor. Management fees and performance-based fees or allocations are generally not refundable, including upon the termination of the advisory contract.

The extent and specific terms pursuant to which our clients are responsible for management fees, performance-based compensation and/or expenses are set forth in each client’s applicable written agreement with us and, in the case of the LRE Funds, such fund’s Memorandum.

Asset-based and performance-based compensation payable with respect to a particular class of interests or shares of a LRE Fund generally are non-negotiable, except that they may be reduced, modified or waived in the case of LCP affiliates/related persons, strategic/significant relationships and customized products.

LCP’s asset-based and performance-based compensation are not inclusive of all fees and expenses that LRE Funds will pay. The following is a list of fees and expenses that LRE Funds typically will pay directly to third parties:

- (i) Organizational expenses;
- (ii) Administrator fees;
- (iii) Independent Director fees;
- (iv) Custodian fees;
- (v) Legal fees;
- (vi) Regulatory fees, governmental charges and duties;
- (vii) Accounting fees;
- (viii) Audit fees;
- (ix) Brokerage costs;



- (x) Bank wire fees;
- (xi) Independent valuation agent fees;
- (xii) Rating agencies fees;
- (xiii) Research fees;
- (xiv) Market maker fees;
- (xv) Placement agent fees;
- (xvi) Fees and charges clearing agencies;
- (xvii) Interest and commitment fees on loans and debit balances;
- (xviii) Asset-based and performance-based compensation of external investment advisors;
- (xix) Expenses related to the preparation and filing of investor reports, disclosure documents, regulatory and other filings and notifications of, or related to the activities of, the relevant LRE Fund;
- (xx) Costs relating to the preparation and filing of Form PF;
- (xxi) Expenses related to notifications and communications between the client and the investors;
- (xxii) Expenses related to the exercise of proxy voting;
- (xxiii) Any costs incurred in respect of meetings of the Independent Directors (including any committees) and meetings, if any, of shareholders;
- (xxiv) Expenses not covered by insurance policies;
- (xxv) Extraordinary expenses, including litigation expense;
- (xxvi) Hedging costs and expenses; and
- (xxvii) Investment structuring expenses.

With respect to each LRE Fund that invests in a master fund, generally all expenses of such LRE Fund will be borne by the master fund, other than any expenses that the LCP determines in its discretion should be allocated to a particular feeder fund. While such LRE Funds will generally share or be allocated the expenses of the master fund on a *pro rata* basis based on their respective ownership of the master fund, the economic benefit that each such LRE Fund receives with respect to such expenses may not be the same.

In addition, the investment expenses (e.g., expenses related to the investment and custody of the client's assets) as well as other client fees may, in the aggregate, constitute a high percentage relative to other investment entities. The client will bear these costs regardless of its profitability.

We may also allocate a portion of certain clients' capital to money market funds, exchange-traded funds or similar fee-bearing products, or private investment funds and accounts, that are managed



by other unaffiliated investment managers. In that case, such client accounts generally would be responsible for paying any and all fees, performance-based compensation and expenses associated with such products, which would be in addition to those discussed above.

LCP may charge certain clients other expense items that are not listed above. Details of the type of expenses charged to a LRE Fund are specified in such fund's then current Memorandum.

Investors in a LRE Fund indirectly bear their *pro rata* share of such additional fees and expenses for the time period they are invested in such LRE Fund.

To the extent that we incur any expenses for the benefit of multiple clients, we will allocate such expenses in a manner among such clients that we deem equitable, taking into account our clients' respective governing documents and applicable facts and circumstances, including the relative size of the applicable entity or account, the nature or source of the product or service and the benefits derived from and the extent of use of the product or services. Nonetheless, the portion of an expense that we may allocate to a client for a particular product or service might not reflect the relative benefit derived by such client from that product or service in any particular instance. Also, it is possible that under some of our advisory contracts we may not require a client to incur certain expenses, despite the fact that such client will receive a benefit in connection with our incurrence of such expenses. In such an event, the other clients may bear the additional share of any such expenses that would have been allocable to the client that is not required to incur such expenses. Our expense allocations often depend on inherently subjective determinations, but the expense allocations made by us will be in good faith.

For a summary of our brokerage practices, see Item 12 – "Brokerage Practices" below.



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

### **Performance-based Compensation**

In addition to the asset-based advisory fees disclosed in Item 5 – “Fees and Compensation” above, most LRE Funds pay also a performance-based compensation (which may take the form of preferred return, a performance fee, performance allocation, carried interest or other payment) from certain clients up to 8% of net profits of such client as further described below. LRE Fund investors are provided with detailed disclosure in the applicable offering documents of such LRE Fund as to how the preferred-return compensation is calculated and charged in the relevant fund’s Memorandum.

The preferred-return compensation will conform to Rule 205-3 under the U.S. Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), to the extent applicable.

The size of the performance-based compensation as between clients varies and depends on a number of factors including, but not limited to, the level of asset-based advisory fee charged and the use of performance hurdles. Unless waived for a particular investor or type of investor, investors in a LRE Fund are allocated their *pro rata* share of performance-based fees for the time period they are invested in the LRE Fund.

The different level of performance-based compensation between client accounts may result in a conflict of interest when we allocate investment opportunities among these accounts because we will have an incentive to favor an account from which we are entitled to receive performance-based compensation (or greater performance-based compensation) over other accounts. To avoid such a conflict of interest, we generally follow documented procedures in allocating opportunities among such accounts, which do not take into account the compensation to which such accounts are subject.

### **Investment Allocation**

When we determine that a particular investment opportunity would be desirable for more than one client, we seek to allocate such opportunity among such clients in a manner that we deem fair and equitable under the circumstances existing at such time. The factors that we may consider in making such determination include (but are not limited to): (i) the mandate of each client account; (ii) the relative amounts of capital in each client’s account available for new positions of the type



at issue; (iii) our perception of the appropriate risk/reward ratio for each client account; (iv) the intended objective and strategy of each client account and any applicable investment or risk targets/profile; (v) investment restrictions or guidelines; (vi) the term and/or liquidity of each client account at the time of investment and thereafter; (vii) the ability to add positions to a client account on a leveraged basis; (viii) liquidity of the security; (ix) market capitalization and/or enterprise value of the underlying credit; (x) whether the position is an “odd lot”; (xi) whether certain accounts would receive nominal or *de minimis* allocation amounts; (xii) transaction costs; position size; industry exposure; (xiii) market exposure; (xiv) gross, net, long and short exposure; (xv) applicable legal, tax and regulatory considerations; (xvi) the overall portfolio composition of each client account; and (xvii) such other considerations that we determine to be relevant at such time. New issues (as defined by FINRA rule 5130) are generally allocated to client accounts in accordance with the criteria set forth above to the extent that such accounts are eligible to participate in new issues.

Certain clients have a multi-strategy investment mandate that overlaps with the investment mandate of other LRE Fund that pursue a more specific investment strategy. We generally allocate (based on the allocation criteria described above) investment opportunities primarily as between LRE Funds that have (i) a more specific investment mandate and (ii) investors that are not affiliated with the LCP or the Mr. Hermann family. Generally only the excess investment opportunities (if any) will then be allocated (based on the allocation criteria described above) as between LRE Funds with a multi-strategy investment mandate.

Notwithstanding the foregoing, there can be no assurance that certain allocation decisions will not directly or indirectly adversely affect our clients, even if such decisions are made in good faith. Investment allocations are subject to a significant degree of discretion exercised by us, including, but not limited to, in connection with portfolio rebalancing, investing in new, different or additional investment strategies and in connection with admissions and withdrawals of investors to and from the private investment funds that we manage. Even allocations designed to mitigate conflicts do not eliminate the possibility that an allocation of assets will not adversely affect our clients.

Our personnel and/or other related persons, including certain LRE Funds managed for the Mr. Hermann family, invest in one or more of our clients. In such case, we may have an incentive to favor the client(s) in which they have a greater economic interest and/or may have a conflict of interest in allocating investment opportunities among those client accounts and other client accounts. In order to mitigate these potential conflicts, we will generally follow the allocation procedures referenced above.



As management fees of certain clients are based on the net asset value of client assets, and as the performance-based compensation is based for certain clients on the realized and unrealized gains of client assets, we may have a conflict of interest in valuing the assets held in client accounts. To the extent we are responsible for valuing a client's assets, we will follow our documented valuation policies in order to mitigate this risk.

Since the amount of fees paid/allocations made to us is dependent in part on the profitability of the applicable client, we may have an incentive to cause clients to make investments that are riskier or more speculative than would be the case if such fees/allocations were not dependent on the clients' net asset value and profitability. We recognize that we have a fiduciary duty and as such must act in the best interests of our clients.

Clients and investors in the LRE Funds are urged to review the investment management agreements and/or Memorandum of the relevant LRE Fund(s) regarding the specific fees, performance-based compensation and expenses applicable to them.



## Item 7 – Types of Clients

We currently provide investment advice primarily to clients who are private investment funds or pooled investment vehicles. U.S. investors in such private investment funds generally must qualify as “accredited investors” (as defined in Rule 501 under the U.S. Securities Act of 1933, as amended (“**Securities Act**”)) and investors in U.S. funds generally must be “qualified clients” (as defined in Rule 205-3 of the Advisers Act) or “qualified purchasers” (as defined in the U.S. Investment Company Act of 1940, as amended (the “**Company Act**”)). In addition, investors may be subject to other suitability requirements to the extent provided in the applicable LRE Fund’s Memorandum. We may provide investment advice to other types of clients in the future.

Some LRE Funds have a minimum investment amount set forth in the Memorandum that is generally between US\$100,000 and US\$ 500,000, subject to each LRE Fund’s discretion to accept lesser amounts. We will determine the minimum investment amount (and any other conditions for opening and maintaining an account) for other clients, such as any separately managed accounts, on a case-by-case basis.



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

### **Method of Analysis and Investment Strategies**

The development of an investment strategy for each of our clients is an ongoing process. The strategies, techniques and methods described in Item 4 “Advisory Business” and this Item 8 will therefore be modified by us from time to time and over time.

There is no limitation on the investment strategies, techniques, methods or processes which we may adopt for any particular client or the factors that we may take into account in analyzing investments for our clients. Depending on conditions and trends in securities markets and the economy generally, we may pursue other objectives, or employ other strategies, techniques, methods or processes, that we consider appropriate and in the best interest of the clients, without notice to them or their consent, except to the extent that our written agreement with a client may provide otherwise.

The description of our investment strategies, techniques, methods and processes described in Item 4 – “Advisory Business” and this Item 8 is intended only as a general overview and is subject to the specific terms of our written agreements with clients. For a more complete and detailed list of Risk Factors, investors are guided to product-specific disclosures such as in private placement memorandums (where applicable).

### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Aside the specific risks indicated at LRE Fund’s Memorandum, the Investors face the following investment risks:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic and social conditions may trigger market events.



- *Inflation Risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

**The above risks are not meant to represent all risks associated with investing, and investments typically carry the potential for a loss of your total investment. Please discuss the risks associated with investing with your IAR to ensure you are comfortable with the level of risks in your portfolio.**



#### **Item 9 – Disciplinary Information**

There have been no legal or disciplinary events that would be material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.



## **Item 10 – Other Financial Industry Activities and Affiliations**

### **Other Financial Industry Affiliates**

#### **Other Leste Advisory Affiliates**

In addition to LCP, the Other Leste Advisory Affiliates or under common control in the United States, as of the date of this Brochure, are:

- Leste USA, LLC a Delaware limited liability company and SEC Registered Investment Adviser.
- Aliya Capital Partners, LLC a Delaware limited liability company and SEC registered Investment Adviser.

Leste USA, LLC and Aliya Capital Partners, LLC are affiliated companies under common control and conduct activities from the same office location in the United States, as such, share common facilities, infrastructure, vendors, as well maintain various dually associated personnel including the same Chief Compliance Officer. In addition, these companies share a number of common clients although each entity is approved for separate business activities in the United States.

Some of our supervised persons also serve as officers or employees of one or more of the Other Leste Advisory Affiliates. When we and our related persons concurrently manage client accounts/investment products, and particularly when dual hatted officers and employees are involved, this presents certain conflicts, as described below.

Management of client accounts by affiliated investment advisers could give rise to a variety of potential and actual conflicts of interest, including potential front-running in the same security, and material non- public information shared across affiliate investment managers. In addition, because the Other Leste Advisory Affiliates perform investment advisory services for various clients, we or one of the Other Leste Advisory Affiliates may give advice or take action in the performance of our duties with respect to our respective clients which differs from the advice given or action taken by us or an Other Leste Advisory Affiliates with respect to our clients.

We and our Advisory Affiliates have taken a number of steps to mitigate these conflicts, including the following: (i) we and the Other Leste Advisory Affiliates have adopted and abide by the same



Code of Ethics, (ii) we and the Other Leste Advisory Affiliates share the same restricted list, and (iii) we and the Other Leste Advisory Affiliates are each independently capitalized.

**Certain Additional Conflicts of Interest**

LCP and their principals and affiliates may determine, in their discretion, to participate in investments with persons not affiliated with our clients. In addition, we may offer to certain clients, or to any third party, the opportunity to co-invest in opportunities in which a client has invested or that become available to a client. We may offer such opportunities to investors that we select in our discretion without notice to or the consent of any other client or investor, as per the disclosures described at each funds Memorandum.

Further, we have a conflict of interest where a service provider (e.g., legal counsel or accountants) provides services directly to us or one of our affiliates, and separately provides services to one or more clients, in that we or our affiliates may potentially obtain services at a lower cost (or obtain other terms that are more beneficial) than we or our affiliates otherwise could have as a result of the service provider's work performed on behalf of, and the compensation paid to the service provider by, such clients. In particular, unless inconsistent with our applicable written client agreement, costs associated with services rendered to the benefit of a client may be borne by such client. We and our affiliates may use some of the same service providers as are retained on behalf of one or more clients and, in some cases, fee rates, amounts or discounts may be offered to us and our affiliates by a third-party service provider which differ from those offered to a client as a result of scheduled or ad hoc rate changes, differences in the scope, type or nature of the service or transaction, alternative fee arrangements and negotiation.



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

We are subject to a Code of Ethics (the “**Code of Ethics**”) which provides that we are committed to conducting our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, we recognize that we have a fiduciary duty to our clients, and that we must conduct our business in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. In addition, among other things, our Code of Ethics governs all personal investment transactions by our employees, our policies with respect to gifts and entertainment, compliance with certain applicable federal securities laws, the manner in which violations of our Code of Ethics are to be reported, and certain other outside activities of our employees. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Under our Code of Ethics, we place certain restrictions on the personal trading activities of our employees and their immediate family members. Our employees are required to disclose their personal securities holdings on an initial and annual basis, and their personal securities transactions quarterly. Employees are required to obtain pre-clearance for most personal trades, including transactions in single-name equities and derivatives thereof, initial public offerings and limited offerings (such as hedge funds, private equity funds or other types of private offerings).

Subject to applicable law, we very rarely, but may effect transactions between clients (generally for rebalancing purposes and to correct misallocations of trades) where one client will purchase securities from another client (including a private investment fund or account in which we, our affiliates, principals or employees may have a significant interest). Such transactions (i.e., cross trades) will generally be effected only when we believe that such transactions are in the best interest of the applicable clients. Such transactions will be placed through an unaffiliated broker-dealer or custodian, will not involve any accounts subject to ERISA, and will be effected for cash consideration, at prices that reflect prevailing market conditions or determined in accordance with our valuation policy. In addition, no brokerage commission or transfer fee will be paid to us or our affiliates in connection with any such transaction. Any transaction costs incurred in connection with any such transaction will be shared *pro rata* between the applicable clients.

In the event that we effect a cross trade between an account in which we or any principal of LCP owns more than twenty five percent (25%) and another client account, such transaction may be



deemed to be a principal transaction under the Advisers Act. Such transactions would create a conflict of interest for us because we may put our or our principal's interests in such accounts before the interests of our clients in the other account. We will not affect any cross trades between accounts if we believe that such trade would result in a principal transaction, unless:

- We believe that such transaction is in the best interest of the clients participating in the transaction; and
- We obtain the consent of the applicable clients to the extent required under the Advisers Act.



## **Item 12 – Brokerage Practices**

### **Selection of Brokers**

In placing portfolio transactions for our client accounts, we seek to obtain the best execution, taking into account some or all of the following factors: execution capability, execution quality, commission rate, financial responsibility and financial services offered, willingness and ability to commit capital, confidentiality, trading expertise, facilities, reputation and integrity, reliability in keeping records, responsiveness, and with respect to a particular trade, the timing and size of the order, available liquidity and market conditions.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. We have not committed to provide any level of brokerage business to any broker to date, and actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

Our Brokerage Committee will meet on a quarterly basis to evaluate, among other things, the execution performance of the broker-dealers we use to execute client transactions. In conducting our analysis, the committee considers, among other things, the factors listed above, and will review gifts and entertainment received, and certain conflicts of interests (e.g., directing commissions to a broker that a family member is employed by a broker).

### **Research and Other Soft Dollar Benefits**

We currently do not have any soft dollar arrangements in place that would commit our clients to any implied or explicit level of trading, but we may in the future. In the event that we may direct client transactions to a particular broker-dealer in return for soft dollar benefits, we will generally follow the same practices described above when selecting such broker-dealer.

However, we execute securities transactions on behalf of client accounts with broker-dealers that provide us with bundles products or services, such as access to proprietary research reports (such as standard investment research and credit reports). To our knowledge, these products or services are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to us on an unsolicited basis and



without regard to the rates of commissions charged or paid by client accounts or the volume of business that we direct to such broker-dealers.

In the event that we will engage in soft dollar transactions in the future, we intend to comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Over the past fiscal year, LCP has not acquired research from brokers. We may, however, acquire such research from brokers in accordance with our policies and procedures and applicable law.

Our prime broker(s) generally provide us with certain front and back office services, such as trading, securities lending, clearing, reporting, and settlement for equities, fixed income, foreign currency and options among other services. From time to time we will utilize one or more of the services that are offered to us. Subject to applicable law, our prime brokers may also provide us with capital introduction services. Our clients will pay fees to the prime brokers in accordance with the fee schedules negotiated with such prime brokers.

#### **Brokerage for Client Referrals**

Subject to applicable law, we may direct some client brokerage business to brokers who refer prospective investors to the vehicles we manage, consistent with best execution. Because such referrals, if any, are likely to benefit us but will provide an insignificant (if any) benefit to our clients, we have a conflict of interest with our clients when allocating client brokerage business to a broker who has referred investors to us. To prevent client brokerage commissions from being used to pay investor referral fees, we will not allocate client brokerage business to a referring broker unless we determine in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the client account.

#### **Trade Error Policy**

Subject to applicable law and the terms of our written agreements with clients, we will reimburse the applicable client account(s) for net losses that occur as a result of trade errors resulting from our gross negligence, willful misconduct or fraud.



We may correct misallocations of trades among client accounts by re-allocating the applicable trade using the intended allocation methodology prior to the trade's settlement date. If an erroneous allocation cannot be corrected prior to or after settlement, we may, if appropriate and subject to applicable law, correct such erroneous allocation by effecting a cross trade between client accounts at the price at which the initial trade was effected.

### **Aggregation of Orders**

We will generally aggregate client trades, subject to best execution. Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for us generally arise when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. In such event, securities purchased or sold will generally be allocated among client accounts as described above under "Investment Allocation" in Item 6 – "Performance-Based Fee; Side-by-Side Management".

When an aggregated order is only partially filled, we will allocate the investment opportunity as described under "Investment Allocation" in Item 6 – "Performance-Based Fee; Side-by-Side Management".

We may also aggregate subsequent orders for the same security entered during the same day with any previously filled orders. This determination may take into consideration changes in the market price of the security and differences in allocations among accounts.

Clients may pay more to the extent that we do not, or are unable to, aggregate trades, as seeking to place separate, non-simultaneous transactions in the same security for multiple clients may negatively affect market price, transaction commissions and/or trade execution. A client's nonparticipation in bunched trades may result in lost opportunities to purchase securities for such client's account that other clients participating in bunched trades were able to purchase.

### **Third Party Trading**

In a situation where the trade requires access to a particular exchange or market to which a client is not connected to, we may use a third-party trader to execute such trade. Any such third-party trader would be a registered broker-dealer and would be capable (depending on our instructions



and/or the exercise of its own discretion) of directly executing trades for our clients or instructing another broker to do so on its behalf. When using a third-party trader, we may select a specific broker that the third party-trader must use to execute the trade in question. Our decision to instruct the third-party trader to use a specific broker (or otherwise) is subject to the broker selection criteria described above.



### Item 13 – Review of Accounts

Client accounts are typically reviewed by the operational team on a quarterly basis for conformity to the objectives and risk criteria applicable to such accounts, and compliance with any applicable investment guidelines and restrictions.

Investors in the LRE Funds generally will receive a quarterly account statement and audited financial statements on an annual basis. We also typically distribute tax reports to investors in the LRE Funds.

We have entered and expect to enter into agreements (“**side letters**”) with one or more LRE Fund investor that result in investment terms that differ from the terms applicable to other investors in such LRE Fund, including, without limitation, with respect to fees, performance-based compensation or allocations. So far, we have not, but in the future may provide particular investors with more frequent and/or more detailed information regarding a LRE Fund’s positions, performance, finances, and management and/or other information about such LRE Fund or us (including, notification of senior employee departures, the commencement of disciplinary actions, legal proceedings, investigations or similar matters, or redemptions from the LRE Funds by us, our affiliates and/or our respective personnel), possibly enabling such investors to better assess the prospects and performance of the LRE Funds. As a result of such side letters, certain investors may receive additional rights and/or information that other investors will not necessarily receive. Subject to applicable law and contractual arrangements, we do not intend to disclose the terms of side letter agreements or other arrangements and do not intend to disclose the identities of the investors that have entered into such agreements with the LRE Funds or us. We will not be required to offer such additional or different rights and terms to any or all other investors.

We may provide certain additional information to any investor, or prospective investor, in a LRE Fund (or to any of our clients or prospective clients) who requests such information. This information may be provided in response to questions and requests and in connection with due diligence meetings and other communications, but will not be distributed to other investors and prospective investors who do not request such information. Such information may affect a prospective investor’s decision to invest, and investors (which may include our personnel, affiliates and/or clients) who receive such additional information may be able to act on such additional information and redeem their investments potentially at higher values than other investors. Each investor is responsible for asking such questions that it believes are necessary in



order to make its own investment decisions and must decide for itself whether the limited information provided by us is sufficient for its needs.

We may provide the owners of other client accounts that we may manage with reports in such forms and at such times as such clients and we may agree.

The custodians of any separately managed accounts that we manage may send account statements to the owners of such accounts. In addition, since a managed account investor would directly own the positions in its separately managed account, such investor could have full, real-time transparency as to all transactions and holdings in such account, and may be better able to assess the future prospects of a portfolio that is substantially similar to the portfolios of the private investment funds managed by us. The investors in such separately managed accounts may have the right to withdraw all or a portion of their capital from such managed accounts on shorter notice and/or with more frequency than the terms applicable to an investment in the private investment funds we manage.



#### **Item 14 – Client Referrals and Other Compensation**

Other than the circumstances described above in Item 12 – “Brokerage Practice”, we do not receive any economic benefits from non-clients in connection with the provision of investment advice or other advisory services to our clients.

If a client is introduced to us by a third-party solicitor, we and/or our affiliates may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 under the Advisers Act to the extent applicable. Any such referral fee will be paid solely by us or our affiliates, and will not result in any additional charge to the client, unless the client agrees otherwise in its applicable written agreement with us.



## **Item 15 – Custody**

LCP is deemed to have custody of certain of the Private Funds, according to Advisers Act Rule 206(4)-2 (“Custody Rule”), because we, or an affiliate, serve in the capacity of managing member or general partner of such Private Funds. However, Client securities managed by LCP or its affiliates, for SMAs and Private Fund accounts, are held at independent, qualified custodians.

Investors in Private Funds should receive such Private Fund’s annual audited financial statements within 120 days of such Private Fund’s fiscal year-end. Such investors should review these statements carefully. If investors in the Private Funds do not receive audited financial statements in a timely manner, then they should contact LCP immediately. To the extent any Private Fund for which LCP holds custody does not deliver annual audited financial statements within 120 days of such Private Fund’s fiscal year end, LCP shall engage an independent account for a surprise examination in accordance with the Custody Rule.

SMAs generally will receive statements directly from their account custodian at least quarterly. We urge Clients to carefully review those statements and compare them to the account statements we may provide to them, if any. The information in any such SMA reports provided by us may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Investors in any fund where LCP serves as an adviser, will receive statements from a ‘Fund Administrator’ to the relevant Fund. Such investors should review these statements carefully. Due to the nature of the investments in real-estate related type of loan portfolios, investors may not receive regular statements from the custodian, but they are available upon request from LCP.



#### **Item 16 – Investment Discretion**

We have discretionary authority to manage securities accounts on behalf of our clients. Clients give us this discretionary authority when they enter into a written agreement with us. The investors in the private investment funds managed by us generally may not place any limits on our authority beyond the limitations set forth in the offering and governing documents of such private investment funds.

On a case-by-case basis, clients other than the LRE Funds may negotiate certain risk and/or operating guidelines that we will adhere to when exercising our discretionary authority over such accounts.



## **Item 17 – Voting Client Securities**

We have the authority to vote proxies on behalf of clients that invest in securities for which proxies are issued. We may delegate the authority to vote proxies for certain client accounts to the extent provided in a written agreement with a particular client.

We are subject to proxy voting policies and procedures that are designed to ensure that in cases where we vote proxies with respect to client securities, such proxies are voted in the best interests of such clients, and that any material conflict of interest between our interests and the interests of our clients will be resolved in a manner that is consistent with the best interests of clients and in a manner not affected by such conflict of interest.

To the extent that we are authorized to vote proxies for a client account, invest in a security for a client account for which a proxy vote may arise and receive timely notice of such proxy from the client's custodian, we will be guided by general fiduciary principles and will seek to act in a manner intended to enhance the overall economic value of the applicable security.

In the absence of specific voting guidelines from the client or conflicts of interest, we will endeavor to vote all proxies in the best interests of each client, which may result in different voting results for proxies for the same issuer, depending on the securities in which our clients are invested, we may not frequently vote proxies. For example, we may refrain from voting a client proxy under certain circumstances, including, but not limited to, when (i) the economic effect on shareholder's interests or the value of the portfolio holding is indeterminable or insignificant; (ii) voting the proxy would unduly impair the investment management process; or (iii) the cost of voting the proxies outweighs the benefits or is otherwise impractical. In addition, we may abstain from voting a proxy on behalf of our clients' accounts due to (1) *de minimis* holdings; (2) *de minimis* impact on the portfolio; (3) contractual arrangements with clients; (4) their authorized delegates or the failure of a proxy to provide sufficient information to allow for informed decision making; and/or items relating to non-U.S. issuers (such as those described below).

We may refrain from voting a proxy of a non-U.S. and/or non-Brazilian issuer due to logistical considerations that may have a detrimental effect on our ability to vote the proxy. These issues may include, but are not limited to: (a) proxy statements and ballots being written in a foreign language; (b) untimely notice of a shareholder meeting; (c) requirements to vote proxies in person; (d) restrictions on non-U.S. person's ability to exercise votes; (e) restrictions on the sale of



securities for a period of time in proximity to the shareholder meeting (e.g., share blocking); or (f) requirements to provide local agents with power of attorney to facilitate the voting instructions.

We currently do not permit clients to direct our vote in a particular solicitation. We may enter into arrangements with clients or other investment managers pursuant to which such clients or managers have responsibility to vote proxies according to their own policies and procedures or wishes (such as in the event that we advise a separately managed account or act as a sub-adviser to a private investment fund managed by a third-party manager).

A client may obtain a copy of our proxy voting policy and procedures upon request, as well as information about how we voted the client's securities, by contacting us at the address on the cover page of this brochure.



#### **Item 18 – Financial Information**

Currently, there is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.



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

Leste Capital Partners (FL), LLC and its relying adviser Leste Credit (IA), LLC are registered with the Securities and Exchange Commission (SEC), and are not a State registered advisers. A notice filing will be provided to the State of Florida where required.