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**Socorro Asset Management, LP**

**Part 2A of Form ADV; Firm Brochure**

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This Brochure provides information about the qualifications and business practices of Socorro Asset Management, LP ("**Socorro**" or the "**Firm**") Information provided herein is provided in response to instructions and guidance issued in connection with Form ADV Part 2A. You should refer to those materials, including defined terms used therein, in reviewing this brochure. If you have any questions about the contents of this brochure, please contact Dawn Blankenship by phone (214) 550-1851 or by email at [dawn@socorroasset.com](mailto:dawn@socorroasset.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 Socorro is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser's registration with the SEC does not imply a certain level of skill or training.

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### **Important Note About This Brochure**

This Brochure is not:

- an offer or agreement to provide advisory services to any person;
- an offer to sell interests or a solicitation of an offer to purchase interests in any investment product or vehicle advised by Socorro;
- a complete discussion of the features, risks or conflicts associated with any account advised by Socorro; or
- to be relied on in determining whether to invest in any private fund or establish an advisory relationship with Socorro.

As required by the Investment Advisers Act of 1940, as amended (the “*Advisers Act*”), Socorro provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a private fund, together with other relevant offering materials, prior to, or in connection with, such persons’ establishment or consideration of a client relationship or an investment in a private fund.

Persons who receive this Brochure (whether or not from Socorro) should be aware that it is designed solely to provide information about Socorro as necessary to respond to certain disclosure obligations under the Advisers Act. Therefore, the information in this Brochure may differ from information provided in the materials that govern an account or investor relationship such as an advisory contract or a private fund’s Governing Documents (as defined below).

More complete information about any private fund, as well as Socorro’s investment management services in general, is included in relevant Governing Documents, certain of which may be provided to current and eligible prospective clients or investors (as defined below) only by Socorro or another designated party. To the extent that there is any conflict between discussions herein and similar or related discussions in any Governing Documents, the relevant Governing Documents shall govern and control.

**In no event should this Brochure be considered an offer of interests in a private fund or relied upon in determining to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient.**

## **ITEM 2. MATERIAL CHANGES**

The following is a discussion of material changes to Socorro's Brochure since the annual update on March 31, 2021.

### *Sub-Advisory Client*

- We have updated relevant sections throughout the Brochure to add a new sub-advisory client relationship.

### *Item 4 – Advisory Business*

- Updated to reflect regulatory assets under management as of December 31, 2021, all of which were managed on a discretionary basis.

### *Item 5 – Fees and Compensation*

- Provided additional detail regarding allocated expenses.

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

- Updated disclosure of key risk factors. For a more complete discussion of risks, investors should refer to the appropriate offering documents.

All clients and investors are encouraged to review this document in its entirety. The information set forth in this brochure is qualified in its entirety by the applicable agreements or other documents entered into with each client. In the event of a conflict between the information set forth in this brochure and the information in the agreements or other documents entered into with any client, those agreements or other documents shall control.

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### ITEM 4. ADVISORY BUSINESS

Socorro Asset Management, LP (“**Socorro**” or the “**Firm**”), is a Texas limited partnership that was formed in 2019, with its principal place of business in Dallas, Texas. Mark Freeman serves as Socorro’s Chief Investment Officer (“**CIO**”) and Dawn Blankenship serves as the Firm’s Chief Operating Officer (“**COO**”) and Chief Compliance Officer (“**CCO**”). The Firm is controlled by its general partner, Socorro Asset GenPar, LLC, a Texas limited liability company, which is controlled by Mark Freeman (the “**Principal**”).

The Firm provides investment advisory services to pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940 (“**Company Act**”), as amended, and whose securities are not registered under the Securities Act of 1933 (“**Securities Act**”), as amended (“**private funds**”). The Firm manages Socorro Dynamic Opportunity Fund LP (the “**Fund**”) and certain separately managed accounts (“**SMAs**”). The Firm may in the future serve as investment advisor for other private funds or SMAs, and each private fund and SMA, a “**Client**”). The Fund is structured as a limited partnership. An affiliate of Socorro serves as the general partner of the Fund (the “**General Partner**”).

As the investment adviser to the Fund and SMAs, the Firm’s services consist of identifying opportunities and acquiring, managing, monitoring and disposing of investments of the Fund and any Clients. The Firm invests in publicly-traded securities. SMA Clients following the Fund’s strategy invest *pari passu* with the Fund, subject to the investment guidelines and limitations set forth in the investment management agreement between the Firm and SMA Client, with differences based primarily on cashflows.

Investment advice is provided directly to the Fund pursuant to its organizational and offering documents (“**Fund Governing Documents**”) and in accordance with investment management agreements with the Fund as executed by the Fund’s General Partner. Investment guidelines and restrictions for the Fund are set forth in the Fund Governing Documents. Advice is not provided individual to the limited partners (or “**investors**”) in the Fund. Investment advice is provided to SMAs pursuant to the terms, conditions, guidelines and limitations set forth in the investment management agreement with the Client.

In addition, the Firm serves as sub-advisor for an unaffiliated third party (“**Sub-Advisory Client**”), for whom it advises on a model portfolio based on specific investment guidelines and limitations agreed upon with the Sub-Advisory Client. The strategy of the model portfolio is similar to that of the Firm’s other Clients, though holdings and position sizes do and will vary. The Firm does not manage any assets or execute any trades on behalf of the Sub-Advisory Client.

As of December 31, 2021, the Firm had approximately \$670 million in regulatory assets under management (“**RAUM**”), all of which was managed on a discretionary basis. The Sub-Advisory Client is not included in the Firm’s RAUM.

## **ITEM 5. FEES AND COMPENSATION**

### **Management Fees**

Pursuant to the terms and subject to the conditions set forth in the Fund Governing Documents and the subscription and other agreements with each investor, Socorro or an affiliate is authorized to receive management fees from the Fund. The Firm will receive a management fee, payable monthly in advance, equal to a percentage of the net asset value of each investor's capital account, as of the beginning of the calendar month. The management fee is generally (i) 0.80% per annum with respect to capital accounts with a net asset value less than \$50 million, (ii) 0.70% per annum with respect to capital accounts with a net asset value between \$50 million and \$100 million, and (iii) 0.60% per annum with respect to capital accounts with a net asset value in excess of \$100 million. The Firm has designated certain limited partners' capital accounts as "Founders Class" capital accounts. The management fee is reduced by 0.10% (10 basis points) with respect to each Founders Class capital account. Founders Class investors are those initial limited partners, including certain affiliates of such limited partners, who have invested or will invest until such time as the either Fund has received \$250,000,000 in capital contributions attributable to Founders Class capital accounts or as the Firm otherwise deems Founders Class closed. Founders Class investors will receive discounted fees for the life of their investment. Management fees are deducted directly from each investor's capital account.

Management fees with respect to each investor generally are not negotiable. However, subject to certain conditions and limitations, as outlined in the Fund Governing Documents, the Firm may reduce or waive the management fee with respect to any investor.

The Firm charges management fees to each SMA generally at the same rate as charged to the fund, including Founders Class or similar discounts, payable quarterly in arrears, equal to a percentage of the net asset value of the SMA. Management fees for each SMA are charged pursuant to terms negotiated in the agreement with each Client based on various factors, including, but not limited to, the size of the SMA and the nature of the advisory services provided. Accordingly, SMA management fees may differ from Fund management fees.

At the end of each quarter, the Firm sends an invoice to each SMA Client setting forth the applicable management fees and any pro rata expenses due and payable with respect to the SMA for the applicable period. The SMA Client generally is responsible for paying (or otherwise causing or directing its custodian to pay) the applicable management fees in cash within 30 business days after receipt of the invoice. In general, management fees are payable from the SMA. However, the Firm does not have any authority to deduct fees (or direct the custodian to deduct fees) directly from SMA accounts.

If the investment management agreement with the Fund or any Client is terminated prior to the end of the period, the Firm will refund any unearned pre-paid management fees, prorated to the date of termination.

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### **Sub-Advisory Fees**

The Company receives an Advisory Fee for the sub-advisory services of advising on the model portfolio provided to the sub-advisory client. The advisory fee is generally calculated and paid quarterly in arrears.

### **Other Fees & Expenses**

In addition to management fees, the Fund will be responsible for expenses as set forth in Fund governing documents. The Fund generally bears all expenses of the organization of the Fund and the offering of interests (including legal and accounting fees, printing costs, travel, regulatory filing fees (including any “blue sky” filing fees) and other out-of-pocket expenses), and compliance with any applicable federal and state laws. The Fund intends to amortize such organizational expenses over a period of 60 calendar months.

The Fund generally bears all (i) costs, fees and expenses directly related to its investment program, including expenses related to proxies, underwriting, technology and systems, data feed hardware and software (including Bloomberg terminals for members of the investment team), research, trade publications, brokerage commissions and other execution and transaction costs, bank service fees, interest on debit balances or borrowings, investment banking fees and expenses, custody fees, and other third-party service fees and any taxes (including, but not limited to, withholding and transfer taxes) imposed on the Fund, exchange, clearing and settlement charges, and travel expenses; (ii) all out-of-pocket costs of the administration of the Fund, including, without limitation, fees and expenses of any Fund Administrator, accounting, appraisal, audit, tax and tax preparation expenses, legal expenses, costs of any litigation or investigation involving the Fund’s activities, and costs associated with reporting and providing information to existing and prospective limited partners, the costs of holding any meeting of the partners (if any), and any costs of procuring and maintaining insurance for the benefit of the Fund, the General Partner, the Investment Manager or any other Indemnified Persons (as defined herein); (iii) any expenses relating to organizing investment subsidiaries through which investments can be made; (iv) any governmental, regulator, licensing, filing or registration fees and expenses (including any fees and expenses associated with any regulatory, operations or compliance consultant) related to and incurred by the Fund in compliance with the rules of any self-regulatory organization or any federal, state or local or other applicable laws; (v) any withholding, transfer or other taxes imposed on, or payable by, the Fund or any of its Partners; (vi) all costs, fees and expenses associated with the ongoing offering of the Interests; (vii) any costs or expenses associated with the winding up and liquidation of the Fund; and (viii) the management fee.

SMAs and Sub-Advisory Clients are responsible for their own custody fees, brokerage commissions, execution and transaction costs, and share certain expenses pursuant to the terms of their relevant agreements with the Company. Such shared expenses include or may include research expenses, data feed hardware and software expenses and other expenses.

When allocating expenses to multiple entities, it is the Firm’s intent for any Client, entity or limited partner that has benefited from the respective service or product to bear its share of the cost based

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on the benefit received, subject to the terms and provisions of applicable governing documents with each Fund, SMA, or Sub-Advisory Client, as applicable.

Costs and expenses allocated to a Client relating to or associated with that Client's investment activities generally are not negotiable. However, subject to certain conditions and limitations, as outlined in the relevant Client's investment management agreement, the Firm may reduce or waive certain expenses with respect to any Client, so long as the reduced or waived expense is covered by the Firm and not borne by any other Client.

### **Compensation for the Sale of Securities or Other Investment Products**

Neither the Firm, nor any of its supervised persons will accept compensation for the sale of securities or other investment products.



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

Neither the Firm, nor any of its affiliates, will receive performance-based compensation from the Fund or any Client.

## **ITEM 7. TYPES OF CLIENTS**

The Firm provides investment advisory services to affiliated private funds and SMAs for institutional Clients and acts as a sub-advisor to an institutional Sub-Advisory Client.

### **Account Requirements**

The minimum initial capital contribution or subscription amount required for an investor in the Fund is \$2,500,000, although capital contributions or subscriptions of lesser amounts may be accepted in the Firm's discretion.

To invest in the Fund, each investor generally is required to certify that it is, among other things, an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D under the Securities Act) and a "qualified purchaser" (as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended). Each prospective investor generally is required to complete and return various subscription documents to the applicable Fund, which are designed to provide the Fund, the administrator, the Firm and its affiliates and agents with important information about the investor. Subscriptions may be accepted or rejected, in whole or in part, in the Firm's sole discretion.

Any SMA Client is required to sign an investment management agreement that, among other things, sets forth the nature and scope of the Firm's investment management authority and the investment objectives, guidelines and restrictions applicable to the SMA. In addition, the SMA Client generally must meet certain net worth, net asset and/or other eligibility requirements.

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

### **Methods of Analysis & Investment Strategies**

The Fund's primary objective is to generate income and capital appreciation while focusing on limiting the Fund's volatility. The Fund pursues this objective through a bottom-up, fundamental approach to portfolio construction that addresses opportunities across asset classes, capital structures, and sectors, which allows it to pursue compelling risk/reward opportunities.

The Fund's portfolio generally is comprised of 40-60 positions in publicly-traded, highly-liquid securities. The Fund's exposure to any one company is limited to 5% of its overall portfolio, and exposure to any individual sector is limited to 25% of its overall portfolio.

Except as otherwise set forth in the investment management agreement (and subject to the terms, conditions, restrictions and limitations set forth therein), SMAs generally pursue the same general investment strategy as the Fund and invest *pari passu* with the Fund. However, certain SMAs follow or may follow a modified investment strategy as established in the investment management agreement with such Client, such as a different investment objective, a more concentrated portfolio, socially responsible investment guidelines, or other variations as set forth in the governing documents.

The strategy of the model portfolio for the Sub-Advisory Client is similar to that of the Firm's other Clients, though holdings and position sizes do and will vary. The Firm does not manage any assets or execute any trades on behalf of the Sub-Advisory Client.

### **Certain Risk Factors**

*There can be no assurance that the Firm will achieve its investment objective. The Firm's investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that an investment in the Fund or pursuant to the Firm's strategy is low-risk or risk-free. The investment strategies and programs of the Firm are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective SMA Clients are encouraged to carefully consider the risk factors set forth in investment management agreements and consult with their own independent financial, legal and tax advisors before making investment decisions. Prospective Fund investors are encouraged to carefully consider the risk factors set forth in the offering memorandum, among others, before making any investment decisions. Certain of the risks that may be associated with an investment in the Fund or an SMA account are set forth below. The various risks outlined below are not the only risks that may be associated with the Fund's or SMA's investment strategies and processes. The following risks are qualified in their entirety by the risks set forth in the applicable offering documents.*

### **General Investment and Portfolio Risks**

*General Economic and Market Conditions.* The success of the Firm's investment activities is affected by general economic and market conditions, such as changes in interest rates, availability of credit, inflation rates, economic uncertainty, supply chain disruptions, changes in laws (including laws relating to taxation of Client's investments), trade barriers, currency exchange

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controls, sanctions, and national and international political circumstances (including wars, terrorist acts, natural disasters or security operations). These factors may affect the level and volatility of securities prices and the liquidity of investments. Volatility and/or illiquidity could impair Client's profitability or result in losses. Clients could incur material losses even if the Firm reacts quickly to difficult market conditions, and there can be no assurance that the Fund will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Investors should realize that markets for the financial instruments in which the Firm invests can correlate strongly with each other at times or in ways that are difficult for the Firm to predict. Even a well-analyzed approach may not protect Client's from significant losses under certain market conditions. The capital markets have experienced great volatility and financial turmoil, including, without limitation, following the COVID-19 outbreak and the recent outbreak of war between Russia and Ukraine. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature – including sanctions) may have a negative effect on market conditions. General fluctuations in the market prices of investments and economic conditions generally may affect the Funds' ability to make investments. Instability or volatility in the markets and economic conditions generally (including during periods of high inflation and/or a slow-down in economic growth) may also increase the risks inherent in the Funds' investments and could have a negative impact on the performance and/or valuation of the investments.

*Investment Judgment; Market Risk.* The profitability of a significant portion of Client's investment program 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 the Firm will be able to predict accurately these price movements. With respect to the investment strategy utilized, there is always some, and occasionally a significant, degree of market risk.

*Reliance on Key Person.* The Firm will be substantially dependent on the services of the CIO. In the event of the death, disability, departure or insolvency of the CIO, or the complete transfer of the CIO's interest in the Firm, Client's investment activities may be adversely affected. The CIO will devote such time and effort as he deems necessary for the management and administration of the Firm's business. However, the Principal may engage in various other business activities in addition to managing Client accounts, and consequently may not devote all of his time to such activities.

*Illiquidity.* The investments made by the Firm may become illiquid, and consequently Clients may not be able to sell such investments at prices that reflect the Firm's assessment of their value or the amount paid for such investments by Clients. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Fund and other factors. Furthermore, the nature of the Firm's investments may require a long holding period prior to profitability. The Fund Partnership Agreement authorizes the General Partner to make distributions in kind of securities in lieu of or in addition to cash. In the event the General Partner makes distributions of securities in kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfer.

*Large-Capitalization Companies.* The large capitalization companies in which the Firm may invest may lag the performance of smaller capitalization companies because large capitalization companies may experience slower rates of growth than smaller capitalization companies and may not respond as quickly to market changes and opportunities.

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*Small- and Mid-Capitalization Companies.* The small- and mid-capitalization companies in which the Firm may invest may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, these small- and mid-capitalized companies may pose additional risks, including liquidity risk, because these companies tend to have limited product lines, markets and financial resources, and may depend upon a relatively small management group. Therefore, small- and mid- cap stocks may be more volatile than those of larger companies.

*Micro-Capitalization Companies.* Micro-capitalization companies may be newly formed or in the early stages of development with limited product lines, markets or financial resources. Therefore, micro-capitalization companies may be less financially secure than large-, mid- and small-capitalization companies and may be more vulnerable to key personnel losses due to reliance on a smaller number of management personnel. In addition, there may be less public information available about these companies. Micro-cap stock prices may be more volatile than large-, mid- and small-capitalization companies and such stocks may be more thinly traded and thus difficult for the Fund to buy and sell in the market.

*Preferred Stock.* Preferred stocks in which the Firm may invest are sensitive to interest rate changes, and are also subject to equity risk, which is the risk that stock prices will fall over short or extended periods of time. The rights of preferred stocks on the distribution of a company's assets in the event of a liquidation are generally subordinate to the rights associated with a company's debt securities.

*Convertible Securities.* The value of a convertible security in which the Firm invests is influenced by changes in interest rates (with investment value declining as interest rates increase and increasing as interest rates decline) and the credit standing of the issuer. The price of a convertible security will also normally vary in some proportion to changes in the price of the underlying common stock because of the conversion or exercise feature.

*Warrants.* Warrants in which the Firm may invest are instruments that entitle the holder to buy an equity security at a specific price for a specific period of time. Warrants may be more speculative than other types of investments. The price of a warrant may be more volatile than the price of its underlying security, and an investment in a warrant may therefore create greater potential for capital loss than an investment in the underlying security. A warrant ceases to have value if it is not exercised prior to its expiration date.

*Fixed Income Securities.* The Firm will invest in fixed income securities, which are subject to certain risks, including, among other things:

- *Issuer.* The value of fixed income securities may decline for a number of reasons which directly relate to the issuer, such as management performance, leverage, and reduced demand for the issuer's goods and services.
- *Interest Rate.* When market interest rates rise, the market value of fixed income securities generally will fall. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected prepayments. This may lock in a below-market yield, increase the security's duration and reduce the value of the security. Investments in debt securities with long-term maturities may experience significant price declines if long-term interest rates increase. Since the magnitude of fluctuations will generally be greater at times when the Firm's average maturity is longer,

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under certain market conditions the Firm may, for temporary defensive purposes, accept lower current income from short-term investments rather than investing in higher yielding long-term securities.

- *Prepayment.* During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Firm to reinvest the proceeds from such prepayment in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.
- *Reinvestment.* Reinvestment risk is the risk that income from Clients' portfolios will decline if the Firm invests the proceeds from matured, traded or called bonds at market interest rates that are below the portfolio's current earnings rate.
- *Valuation.* Unlike publicly traded common stock which trades on national exchanges, there is no central place or exchange for fixed income securities trading. Fixed income securities generally trade on an "over-the-counter" market which may be anywhere in the world where buyer and seller can settle on a price. Due to the lack of centralized information and trading, the valuation of fixed income securities may carry more risk than that of common stock. Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency and inconsistency of valuation models and processes may lead to inaccurate asset pricing. As a result, Clients may be subject to the risk that when a security is sold in the market, the amount received by the Client is less than the value of such security carried by the Client.

*U.S. Government Securities.* The Firm's investments in U.S. government obligations may include securities issued or guaranteed as to principal and interest by the U.S. government, or its agencies or instrumentalities. Payment of principal and interest on U.S. government obligations may be backed by the full faith and credit of the United States or may be backed solely by the issuing or guaranteeing agency or instrumentality itself. There can be no assurance that the U.S. government would provide financial support to its agencies or instrumentalities (including government-sponsored enterprises) where it is not obligated to do so. In addition, U.S. government securities are not guaranteed against price movements due to changing interest rates.

*Non-U.S. Sovereign Debt Securities.* The Firm's investments in non-U.S. sovereign debt securities are subject to the risks that: (i) the governmental entity that controls the repayment of sovereign debt may not be willing or able to repay the principal and/or interest when it becomes due, due to factors such as debt service burden, political constraints, cash flow problems and other national economic factors; (ii) governments may default on their debt securities, which may require holders of such securities to participate in debt rescheduling or additional lending to defaulting governments; and (iii) there is no bankruptcy proceeding by which defaulted sovereign debt may be collected in whole or in part.

*Municipal Bonds.* The value of municipal bonds in which the Firm may invest could be impacted by events in the municipal securities market. Negative events, such as severe fiscal difficulties, bankruptcy, an economic downturn, unfavorable legislation, court rulings or political

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developments could adversely affect the ability of municipal issuers to repay principal and to make interest payments.

*Bank Obligations.* The Firm's investments in bank obligations are subject to risks generally applicable to debt securities, as well as to the risk of negative events affecting the banking industry. Obligations of foreign banks and foreign branches of U.S. banks are subject to additional risks, including negative political and economic developments in the country in which the bank or branch is located and actions by a foreign government that might adversely affect the payment of principal and interest on such obligations, such as the seizure or nationalization of foreign deposits. Additionally, U.S. and state banking laws and regulations may not apply to foreign branches of U.S. banks, and generally do not apply to foreign banks.

*Money Market Instruments Risk.* The value of money market instruments may be affected by changing interest rates and by changes in the credit ratings of the investments. An investment in a money market fund is not a bank deposit and is not insured or guaranteed by any bank, the FDIC or any other government agency. Certain money market funds float their net asset value while others seek to preserve the value of investments at a stable net asset value (typically, \$1.00 per share). An investment in a money market fund, even an investment in a fund seeking to maintain a stable net asset value per share, is not guaranteed and it is possible for Clients to lose money by investing in these and other types of money market funds. If the liquidity of a money market fund's portfolio deteriorates below certain levels, the money market fund may suspend redemptions (i.e., impose a redemption gate) and thereby prevent a Client from selling its investment in the money market fund or impose a fee of up to 2% on amounts the Client redeems from the money market fund (i.e., impose a liquidity fee). These measures may result in an investment loss or prohibit the Client from redeeming shares when the Firm would otherwise redeem shares. Money market funds and the securities they invest in are subject to comprehensive regulations. The enactment of new legislation or regulations, as well as changes in interpretation and enforcement of current laws, may affect the manner of operation, performance and/or yield of money market funds.

*Asset-Backed Securities.* The fixed income securities in which the Firm invests may include asset-backed securities, which represent direct or indirect participations in, or are secured by and payable from, pools of assets such as, among other things, debt securities, residential mortgages, commercial mortgages, corporate loans, motor vehicle installment sales contracts, installment loan contracts, leases of various types of real and personal property, and receivables from revolving credit (credit card) agreements or a combination of the foregoing. Payment of interest and repayment of principal on asset-backed securities may be largely dependent upon the cash flows generated by the assets backing the securities and, in certain cases, supported by letters of credit, surety bonds or other credit enhancements. The value of asset-backed securities may also be affected if the market for the securities becomes illiquid, there is difficulty valuing the underlying pool of assets or because of changes in the market's perception of the creditworthiness of the servicing agent for the pool, the originator of the loans or receivables or the entities providing the credit enhancement.

*Mortgage-Backed Securities.* The mortgage-backed securities in which the Firm may invest are affected by, among other things, interest rate changes and the possibility of prepayment of the underlying mortgage loans. Mortgage-backed securities are also subject to the risk that underlying borrowers will be unable to meet their obligations.

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*High Yield Bonds.* High yield bonds (often called “junk bonds”) are debt securities that may be unrated by a recognized credit-rating agency or below investment grade, and as a result may be subject to greater risk of loss of principal and interest than higher-rated debt securities. The Firm may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer’s assets. The Firm may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Clients will therefore be subject to credit and liquidity risks. In addition, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

*REITs.* Real estate investment trusts (“**REITs**”) are pooled investment vehicles that own, and usually operate, income producing real estate. REITs are susceptible to the risks associated with direct ownership of real estate, such as the following: (i) declines in property values; (ii) increases in property taxes, operating expenses, interest rates or competition; (iii) overbuilding; (iv) zoning changes; and (v) losses from casualty or condemnation. REITs typically incur fees that are separate from those charged by the Firm. Accordingly, Client investments in REITs will result in the layering of expenses such that the Clients or investors will indirectly bear a proportionate share of the REITs’ operating expenses, in addition to paying Fund Expenses and Firm fees.

*Royalty Trusts.* The Firm may invest in royalty trusts. A royalty trust generally acquires an interest in natural resource companies and distributes the income it receives to the investors of the royalty trust. A sustained decline in demand for crude oil, natural gas and refined petroleum products could adversely affect income and royalty trust revenues and cash flows. Factors that could lead to a decrease in market demand include a recession or other adverse economic conditions, an increase in the market price of the underlying commodity, higher taxes or other regulatory actions that increase costs, or a shift in consumer demand for such products. A rising interest rate environment could adversely impact the performance of royalty trusts. Rising interest rates could limit the capital appreciation of royalty trusts because of the increased availability of alternative investments at more competitive yields. The Firm’s investment in royalty trusts may result in the layering of expenses such that Clients or investors will indirectly bear a proportionate share of the royalty trusts’ operating expenses, in addition to paying Fund expenses and Firm fees.

*MLPs.* While the Fund is permitted to invest in master limited partnerships (“**MLPs**”), and the Principal has historically invested in MLPs in the prior period covered by the Firm’s track record, we do not currently expect to invest in such instruments. MLPs are limited partnerships in which the ownership units are publicly traded. MLPs often own several properties or businesses (or own interests) that are related to oil and gas industries or other natural resources, but they also may finance other projects. To the extent that an MLP’s interests are all in a particular industry, the MLP will be negatively impacted by economic events adversely impacting that industry. MLPs are subject to certain risks, including, among other things:

- **MLP Structure.** Holders of interests in MLPs are subject to certain risks inherent in the structure of MLPs, including (i) tax risks, (ii) the limited ability to elect or remove management or the general partner or managing member (iii) limited voting rights, except with respect to extraordinary transactions, and (iv) conflicts of interest between the general partner or managing member and its affiliates, on one hand, and the limited partners or members, on the other hand, including those arising from incentive distribution payments or corporate opportunities. In addition, MLPs may be subject to state taxation in certain



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jurisdictions which will have the effect of reducing the amount of income paid by the MLP to its investors.

- **Commodity Prices.** The return on the Firm's investments in MLPs and other natural resource-related investments will be dependent on the operating margins received and cash flows generated by those companies from the exploration for, and development, production, gathering, transportation, processing, storage, refining, distribution, mining or marketing of, coal, natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons. These operating margins and cash flows may fluctuate widely in response to a variety of factors, including global and domestic economic conditions, weather conditions, natural disasters, the supply and price of imported natural resources, political instability, conservation efforts and governmental regulation. Natural resources commodity prices have been very volatile in the past and such volatility is expected to continue. MLPs and other natural resource-related investments engaged in crude oil and natural gas exploration, development or production, natural gas gathering and processing, crude oil refining and transportation and coal mining or sales may be directly affected by their respective natural resources' commodity prices. The volatility of, and interrelationships between, commodity prices can also indirectly affect certain other MLPs and other natural resource-related investments due to the potential impact on the volume of commodities transported, processed, stored or distributed. Some MLPs or other natural resource-related investments that own the underlying energy commodity may be unable to effectively mitigate or manage direct margin exposure to commodity price levels. The prices of MLPs and securities of other natural resource-related investments can be adversely affected by market perceptions that their performance and distributions or dividends are directly tied to commodity prices.
- **MLPs and Interest Rates.** The prices of the equity securities of MLPs and other natural resources companies are susceptible in the short-term to a decline when interest rates rise. Rising interest rates could limit the capital appreciation of securities of certain MLPs as a result of the increased availability of alternative investments with yields comparable to those of MLPs. Rising interest rates could adversely impact the financial performance of MLPs, and other natural resources companies by increasing their cost of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner.

*Exchange-Traded Funds.* The Firm may invest in exchange traded funds ("**ETFs**"). ETFs generally represent an interest in a passively managed portfolio of securities selected to replicate a securities index, such as the S&P 500 Index or the Dow Jones Industrial Average, or to represent exposure to a particular industry or sector. Unlike open-end mutual funds, the shares of ETFs and closed-end investment companies are not purchased and redeemed by investors directly with the Fund, but instead are purchased and sold through broker-dealers in transactions on a stock exchange. Because ETF and closed-end fund shares are traded on an exchange, they may trade at a discount from or a premium to the net asset value per share of the underlying portfolio of securities. In addition to bearing the risks related to investments in equity securities, investors in ETFs intended to replicate a securities index bear the risk that the ETFs performance may not correctly replicate the performance of the index. The Firm's investment in ETFs, closed-end funds and other investment companies will result in the layering of fees and expenses on Clients, such that Client and investors will indirectly bear a proportionate share of the expenses of those funds, including management fees, custodial and accounting costs, and other expenses. Trading in ETF

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and closed-end fund shares also entails payment of brokerage commissions and other transaction costs.

*Non-U.S. Securities.* Investments in non-U.S. securities, either directly or through American Depositary Receipts (“*ADRs*”), involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Client are maintained) and the various non-U.S. currencies in which Clients’ portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and non-U.S. securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of non-U.S. income, withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt. While ADRs provide an alternative to directly purchasing the underlying non-U.S. securities in their respective national markets and currencies, investments in ADRs continue to be subject to many of the risks associated with investing directly in non-U.S. securities.

*Emerging Market Securities.* The Firm may invest in securities of companies located in emerging market countries. The value of emerging market securities may be drastically affected by political developments in the country of the company’s location. In addition, the existing governments in the relevant countries could take actions that could have a negative impact on Clients, including nationalization, expropriation, imposition of confiscatory taxation or regulation or imposition of withholding taxes on distributions.

*Foreign Currency Risk.* As a result of the Firm’s investments in securities or other investments denominated in, and/or receiving revenues in, foreign currencies, Clients will be subject to currency risk. Currency risk is the risk that foreign currencies will decline in value relative to the U.S. dollar, in which case, the dollar value of an investment in the Fund would be adversely affected.

*Concentration of Holdings.* Although the Firm has adopted informal guidelines on diversification, those guidelines are subject to change by the Firm, and there are no limits on the Firm’s investment discretion that require diversification by issuer, industry or market or that impose position size limitations. At any given time, it is therefore possible that the Firm may select positions that are concentrated in a particular market or industry, or in a limited number or type of securities. Limited diversity could expose the Fund to losses disproportionate to general market movements if there are disproportionately greater adverse price movements in those positions.

*Diversification.* With respect to Accounts that are not widely diversified, the Account’s investment portfolio may be subject to more rapid changes in value than would be the case if the Account were required to maintain a wide diversification among companies, securities and types of securities.

*Non-Public Information.* From time to time, the Manager may come into possession of non-public information concerning specific companies. Under applicable securities laws, this may limit the Manager’s flexibility to buy or sell portfolio securities issued by such companies. The Account’s investment flexibility may be constrained as a consequence of the Manager’s inability to use such information for investment purposes.

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*Valuations.* From time to time, certain situations affecting the valuation of the Client investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to the Fund) could have an impact on the net asset value of the Fund, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. The Fund is not required to make retroactive adjustments to prior subscription or withdrawal transactions, or Management Fees based on subsequent valuation data.

*Turnover.* The Firm may invest on the basis of short-term market considerations. The portfolio turnover rate of Client accounts may be significant, potentially involving substantial brokerage commissions and fees.

*Soft Dollars.* The Firm may enter into “soft dollar” arrangements with one or more broker-dealers whereby the Firm will direct securities transactions to the broker-dealer in return for research products and services from the broker-dealer. Although the Firm will use the research and services in making investment decisions for Clients, the Firm may use such research or services for other Client accounts and Clients will generally pay more than the lowest available commissions for execution of these transactions. The Firm may also enter into “soft dollar” arrangements to cover Fund or other Client expenses or costs and expenses of the Firm to the extent such arrangements are permitted by law.

*Trade Errors.* Trading errors are an intrinsic factor in any complex investment process and may occur notwithstanding the execution of due care and the existence of procedures reasonably designed to prevent such errors. If trading errors do occur in the conduct of the investment activities of the Account, they are for the account of the Client, unless they are the result of conduct inconsistent with the standard of care of the Manager.

### **Operational and Regulatory Risks**

*General Operational Risks.* The volume and complexity of the Firm’s transactions may place substantial burdens on the Firm’s operational systems and resources, including those related to trade entry and execution, position reconciliation, corporate actions, collateral and margin maintenance, marking procedures, finance, accounting, profit and loss reporting, internal management and risk reporting and funds transfers. Human error (including, without limitation, trading errors), system failure or other problems with any of these processes could result in material losses or costs, which will generally be borne by the Fund.

*Broker Insolvency Risk.* Transactions may be executed on various U.S. and non-U.S. exchanges, and may be cleared and settled through various clearing houses, custodians, depositories, broker-dealers and prime brokers throughout the world. While U.S. rules and regulations applicable to these brokers may offer significant protections to the assets of their clients if one of them were to become insolvent, Client held at such broker could be at risk. For example, while brokers are required to segregate client assets from their proprietary assets and are required to hold specified amounts of capital in reserve, client assets are normally held in pooled client accounts for the benefit of all clients and not specifically in the name of the Client. Additionally, the broker may be able to transfer client assets out of such client accounts in the ordinary course of its business. Clients could experience losses if the clients’ aggregate claims exceeded the amount of client assets such broker actually held at the time of the insolvency. In addition, while the return of client property is designed to occur on an expedited basis (usually by transfer of the accounts to a solvent

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broker), the Fund may be unable to trade the securities that were held by the insolvent broker during this transfer period.

Client assets also may be held by non-U.S. brokers. Although certain non-U.S. jurisdictions provide similar protections to client assets, there can be no assurance that the Fund will not experience losses in any insolvency of such a non-U.S. broker. The Firm will attempt to execute, clear and settle transactions through entities that the Firm believes to be sound, but there can be no assurance that a failure by any such entity will not lead to a loss to a Client. In addition, the SEC, other regulators, self-regulatory organizations and exchanges in the United States and other countries are authorized to take extraordinary actions in the event of market emergencies. Such actions could lead to a loss as a result of delay in settling transactions or other circumstances.

*Custodians.* All Client securities and other assets are held in the custody by any independent third party appointed as the custodian or other counterparty, as determined by the Firm. Clients may be eligible for insurance coverage against loss with respect to assets held in the custody of a broker in the event of the bankruptcy or liquidation of a broker to the same extent as that broker's other customers. Such insurance may be limited and is not expected to cover the entire value of the Client's assets held in an account with its custodian.

*Information Security.* The Firm, Fund General Partner, Clients, and their respective services providers and relevant listing exchanges are heavily reliant upon internet connected information technology systems which are inherently vulnerable to attacks by malicious third parties and unauthorized disclosure due to incorrect configuration, operating error(s), known and unknown vulnerabilities and system behavior(s). Similar types of risks are also present for issuers of securities in which the Firm invests, which could result in material adverse consequences for such issuers and cause the Firm's investment in such portfolio companies to lose value. The Firm and the General Partner have implemented controls which comply with applicable laws and regulations, but they, and the issuers of securities in which the Firm invests, and their respective vendors, are unable to completely prevent unauthorized access to their information systems and may be unable to anticipate evolving threat vectors and as a result be unable to prepare mitigating mechanisms to limit these inherent risks. If an information system compromise or disruption occurs, Clients, the Firm, the General Partner, or the issuers of securities in which the Firm invests may face material increases in their costs associated with response, repair, and mitigation which may result in material adverse consequences for such affected party. Compromise or disruption could also result in the inability of the impacted party to operate its business, violations of applicable laws, regulatory fines, reputational damage, and the compromise of sensitive Investor information resulting in a direct financial loss through identity or account theft. These risks may not be covered by insurance, and insurance policies which do cover such risks may exist only on the surplus lines market and may be subject to extensive exclusions and limitations. The systems (including hardware, networking, software, SaaS, and PaaS), including the data stored thereon, used by Clients, the Firm, the General Partner, the issuers of securities in which the Firm invests, and their respective service providers are at risk of unauthorized access by internal and external parties, including via misconfiguration, credential mismanagement, unauthorized privilege escalation, failures to limit account access, unmitigated known vulnerabilities, previously unknown vulnerabilities ("zero-day" attacks), the compromise of any entity within the supply chain (including during the provision of software updates), phishing and identity falsification attacks, organized criminal activity, the actions of Advanced Persistent Threats ("APT's"), ransomware, insecure APT's, code development practices, and the violation of information

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policies and practices by agents or employees. It may not be possible to recover or repair systems or data which become compromised through any of these means and such unauthorized access may result in the disclosure of sensitive personal data resulting in a material adverse effect for party experiencing the compromise including potential legal claims and adverse regulatory actions. The systems are also at risk of being rendered inoperable even without a security breach as a result of a failure of the internet infrastructure (including telecommunications providers, local connection exchanges, DNS managers and providers), poor maintenance or redundancy practices, lack or failure of business continuity/disaster recovery procedures, denial of service attacks and similar attacks which are likely to proliferate with and become increasingly disruptive as a result of broader adoption of the Internet of Things can each result in operational disruption which prevents the impacted party from operating its business for a period of time, potentially incurring financial loss and loss of customer goodwill.

*Data Privacy & Cybersecurity Laws.* Governments continue to address the evolving use of information systems and the transfer and management of personal data. These regulations, including the European General Directive on Privacy Regulation and potential future regulation could impose material operational costs on the Account, the Manager, the issuers of securities in which the Account invests, and their respective service providers, and a failure by any of these parties to comply with such regulations could result in substantial fines and other regulatory enforcement action which results in a materially adverse effect. Industry specific regulations, including those promulgated by states, may impose additional operating costs, materially conflict in a manner which excludes market access to a particular territory, and otherwise adversely impact the financial performance of the regulated party.

*Epidemics, Pandemics, and Public Health Issues.* The Firm's business activities as well as its clients and their operations and investments could be adversely affected by the outbreaks of epidemics globally and in the United States, such as CoronaVirus, Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Specifically, CoronaVirus, or COVID-19, has spread rapidly around the world since December 2019 and has negatively affected the global economy and the stock market. Although the ongoing and long-term effects of coronavirus cannot be predicted with certainty, the pandemic to date, as well as previous occurrences of other pandemic and epidemic diseases, such as H5N1 and H1N1, have had an adverse effect on the economies of the United States and those countries in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally, which would adversely affect the business, financial condition and operations of the Firm and its clients. Should these or other major public health issues, including pandemics, arise or spread farther, the Firm and its clients could be adversely affected by more stringent travel restrictions, additional limitations on the firm's operations or business and governmental actions limiting the movement of people between regions and other activities or operations.

*Force Majeure and other Catastrophes.* The Firm, the Fund and the companies in which the Fund invests may be subject to operational risk from unforeseeable and uncontrollable catastrophic events, including fires, floods, earthquakes, adverse weather conditions and related power outages, water shortages or other damage caused by such events, changes in law, eminent domain, wars, riots, terrorist attacks, pandemics, and other similar risks, which may be uninsurable or insurable at rates that the Firm deems uneconomic. These events could result in loss and litigation, among other potentially detrimental effects. Certain force majeure events (such as an outbreak of an

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infectious disease (including the COVID-19 global pandemic)) could have a broader negative impact on the world economy and international business activity generally. In February 2022, armed conflict escalated between Russia and Ukraine and Russia invaded Ukraine. In response to Russia's invasion of Ukraine, the United States, the European Union and various other countries have announced, and continue to announce and expand, sanctions against or targeting Russia and various important Russian people and companies. These sanctions currently include, among others, restrictions or bans on selling or importing goods, services or technology in or from Russia, bans on Russian energy imports, and travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia. The U.S. and other countries could impose wider or more significant sanctions and take other actions against Russia or its interests should the conflict further escalate or deteriorate. The Ukraine-Russian conflict has led to, and may continue to lead to, significant political, geopolitical, economic and market turmoil and volatility, including dramatic increases in oil and gas prices and further supply chain disruptions. It is not possible to predict the broader consequences of this conflict or the sanctions imposed or applied as a result thereof, which could include further sanctions, embargoes, regional instability, geopolitical shifts, conflicts and adverse effects on macroeconomic conditions, currency exchange rates and financial markets, all of which could impact the Funds' or any portfolio investment's business, financial condition and results of operations.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH THE FUND'S INVESTMENT PROGRAMS OR THE FIRM'S INVESTMENT STRATEGIES. PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO REVIEW THE APPLICABLE OFFERING MATERIALS OF THE FUND IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS. THE FOREGOING RISK FACTORS ARE QUALIFIED IN THEIR ENTIRETY BY THE RISK FACTORS SET FORTH IN FUND OFFERING DOCUMENTS.**

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### **ITEM 9. DISCIPLINARY INFORMATION**

The Firm is required to disclose all material facts regarding any legal or disciplinary events that would be material to an Investor's evaluation of the Firm, or the integrity of its management.

The Firm has no information to disclose in response to this Item.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Affiliated General Partner**

Socorro Holdings, LLC, a Delaware limited partnership, serves as the General Partner for the Fund and is controlled by the Principal.

### **Other Registrations**

Neither the Firm, any affiliate, nor any management person is registered, or has an application pending to register as a securities broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator or commodity trading advisor.

### **Arrangement with Strategic Investor**

The Firm entered into an arrangement with a strategic investor that made a substantial investment in the Fund and provided operating capital to the Firm. As consideration for the foregoing, the strategic investor received a portion of the management fee. The strategic investor does not receive any preferential fees or terms with respect to their investment in the Fund. The arrangement with the strategic investor is disclosed in the Fund's offering document.

The strategic investor does not have any authority over the management or operation of the Investment Manager, including the trading, investment or other activities of the Investment Manager, the Fund or any other account managed by the Investment Manager.

The strategic investor is not a sponsor or promoter of the Fund, does not owe any fiduciary duties or other special duties or obligations to the Fund, its investors or any Client.



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

### **Code of Ethics**

The Firm has adopted and implemented a code of ethics, which sets forth standards of business conduct for its supervised persons. Socorro's code of ethics is designed to educate supervised persons about the Firm's philosophy regarding ethics and professionalism, emphasize its fiduciary duties to clients, encourage supervised persons to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address material conflicts of interest that arise from personal trading. Subject to the terms of the code of ethics, the Firm generally imposes restrictions on employees relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. Employees generally must seek prior approval from the Chief Compliance Officer before buying or selling covered securities, as defined in the Code of Ethics, in personal accounts. In addition, all employees generally will be required to submit (i) initial and annual reports of their personal securities holdings and (ii) quarterly reports of all of their personal securities transactions within 30 days after the close of each calendar quarter. Notwithstanding these restrictions, employees may be permitted to buy, sell or hold securities that are held by, have been purchased or sold by, or are being considered for purchase or sale by the Fund. Employees are strictly prohibited from front-running Client trades, and the Chief Compliance Officer will monitor employee personal trading for potential conflicts with respect to Client trading.

The Firm also maintains certain policies and procedures designed to prevent supervised persons from misusing material non-public information and to address certain actual and potential conflicts of interest that may arise when supervised persons engage in outside business activities or accept, provide, offer or give gifts or entertainment events. The Firm will furnish a copy of its code of ethics to Clients or investors upon request.

### **Transactions Involving Conflicts of Interest**

The Firm may cause Clients to enter into transactions and arrangements involving actual or potential conflicts of interest. Socorro will review any transactions involving material conflicts of interest and take such actions as it deems necessary or appropriate in an attempt to ensure that the terms of such transactions are fair and reasonable under the circumstances and, if it approves, the General Partner may consent thereto on behalf of the Fund and the investors. Generally, any SMA Client will review and approve transactions involving conflicts of interest with respect to the SMA.

### **Outside Employment and Business Activities**

Socorro's employees are expected to devote their business time and efforts to the Firm. Employees must receive written pre-approval before serving as directors, managers, partners, members, trustees, officers, employees or contractors of, or receiving compensation from, outside organizations that engage in investment-related activity, are not exclusively charitable, or may otherwise raise actual or potential conflicts of interest with respect to the Firm or any of its Clients.

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### **Gifts & Entertainment**

Socorro employees may on occasion accept gifts or invitations to entertainment but must always act in the best interest of the Firm and its Clients and avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of the firm's business relationships. The Firm's gifts and entertainment policy implements internal controls to monitor such activity, which include reporting or seeking pre-approval before giving or accepting gifts and entertainment of significant value and prohibiting or limiting the provision or receipt of cash gifts, as well as gifts or entertainment to government employees, foreign officials and certain other categories of recipients.

### **Political Contributions**

Socorro employees may make political or charitable contributions from time to time. Employees that have been designated as Covered Associates are required to seek written pre-approval before making any direct or indirect contributions to (i) federal, state or local public officials; (ii) individuals running for elected office; and (iii) PACs.

## ITEM 12. BROKERAGE PRACTICES

### Broker Selection & Best Execution

The Firm generally has authority to select the brokers and other counterparties to be used for Client transactions, and to negotiate commission rates and other compensation paid by the Fund to such brokers and counterparties. Socorro selects broker-dealers and other counterparties on the basis of best execution and in consideration of the broker's ability to effect the transactions; its facilities, reliability and financial responsibility; the provision or payment by the broker of the costs of research and research-related services which are of benefit to the Firm and Clients; and such other factors as the Firm deems appropriate and consistent with applicable law. The Firm may cause Clients to pay higher commissions to brokers believed to offer superior service under the circumstances, including brokers that provide investment research and analysis to their clients, including Firm Clients. Accordingly, when the Firm determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the overall services provided to the Fund, including internally-developed research and other services provided by such broker, it may cause the Fund to pay commissions to such broker in an amount greater than the amount another broker might charge.

Socorro has adopted policies and procedures that it believes are reasonably designed to ensure that Clients achieve best net execution and that brokers utilized have been selected based on the Clients' best interests.

### Soft Dollar Practices

The Firm may use soft dollars generated by client accounts to pay for certain research and/or related services provided by brokers described above. The term "soft dollars" refers to the receipt by an investment manager of products and services (including research) provided by brokers without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

Using soft dollars to obtain investment research and/or related services creates a conflict of interest between the Firm and its Clients. Soft dollars may be used to acquire products and services that are not exclusively for the benefit of Clients which paid the commissions and that may primarily or exclusively benefit the Firm. If the Firm is able to acquire these products and services without expending its own resources (including management fees paid by clients), its use of soft dollars would tend to increase profitability. Furthermore, Socorro may have an incentive to select or recommend brokers based on its interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution. The Firm may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other brokers in return for soft dollar benefits.

Section 28(e) of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), provides a safe harbor to advisers who use soft dollars generated by client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the Firm in the

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performance of investment decision-making responsibilities. The Firm intends that any soft dollars that it receives in connection with client-related matters would be within the limitations set forth in Section 28(e) of the Exchange Act.

As of the date of this filing, Socorro has not entered into any formal soft dollar or commission sharing arrangements.

### **Brokerage for Client Referrals**

In selecting or recommending brokers, the Firm considers, among other factors, whether a broker provides introductions to prospective Fund investors. However, Socorro does not have any formal arrangements to compensate brokers for client or investor referrals.

### **Directed Brokerage**

The Firm generally recommends that SMA Clients utilize the same custodian as is used by the Fund but will utilize another custodian broker if requested by an SMA Client. Socorro does not expect to permit a Client to direct brokerage for order execution purposes.

### **Allocation of Investment Opportunities**

The Firm generally allocates investment opportunities among Clients in a fair and equitable manner based upon, among other things, the investment objectives, guidelines and restrictions, risk profiles, financial conditions and tax status of each Client. Subject to the investment guidelines and limitations set forth in the investment management agreement between the Firm and any SMA Client that follows the same strategy as the Fund, such SMA will generally invest *pari passu* with the Fund with differences based on cash flows. SMAs that follow a modified strategy from the Fund will invest in some of the same positions held by the Fund but may also hold different positions and/or different securities in the same issuer based on differences in the strategy of each Client. If each participating Client receives less than its full allocation, then each participating Client will generally receive its pro rata portion of the executed order. Under certain circumstances, the Firm will have discretion to utilize alternative allocation procedures, provided that all participating Clients are treated fairly and equitably.

### **Order Aggregation**

The Firm generally aggregates orders or block trades for multiple Clients when advantageous to Clients, when not favoring certain Clients over other Clients and when consistent with the duty of best execution. The Firm's primary consideration is fair and equitable treatment of all Clients, and not simply lowering commissions. Whenever possible, the discretionary purchase or sale (execution) price of a security bought or sold during the same day effected by the same broker-dealer will be equitably averaged and aggregated with similar discretionary purchases and sales for other Clients, including for related persons.

### **Trade Errors**

The Firm has adopted policies and procedures around trade errors in its compliance manual. Consistent with its fiduciary duties, Socorro's policy is to use the utmost care in making and implementing investment decisions with respect to client accounts. To the extent trading errors occur, the Firm will seek to ensure that its Clients' best interests are served. Consistent with provisions in the Fund Governing Documents, the Fund generally is responsible for trade errors

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(except for errors caused by the bad faith, willful misconduct or gross negligence of Socorro, its employees or its affiliates).

## **ITEM 13. REVIEW OF ACCOUNTS**

### **Reviews of Accounts**

The Firm generally conducts reviews of Clients' portfolios on a daily basis. The CIO is primarily responsible for reviewing Clients' portfolio and their investment activities. With respect to accounting matters, the Firm has engaged Ernst & Young, LLP to conduct annual audits of the Fund's financial statements.

The Firm invests Clients' assets in securities and other financial instruments. In monitoring the performance of the investments, the Firm performs various levels of review. Among other items, Socorro considers short- and long-term rates of return, investment performance and various risk metrics.

As a registered adviser and fiduciary to the Fund, Socorro requires that all portfolio holdings reflect current, fair and accurate investment valuations. Socorro's valuation procedures are based on valuations provided by the Fund's administrator. Socorro's investment professionals review and revise (as applicable) this information as part of their monthly calculation of NAV for the Fund.

### **Factors Triggering Additional Reviews**

While the Firm generally conducts reviews of Clients' portfolios on a daily basis, it may conduct additional or more frequent reviews in the event of any withdrawal, redemption or capital contribution.

### **Reports to Clients and Investors**

The Firm generally provides (or causes the administrator or auditor to provide) to investors as soon as reasonably practicable after the end of each fiscal year (or as otherwise required by law) annual reports containing financial statements audited by the Fund's independent auditor and any other tax information required by law or reasonably requested by an investor. The Firm also provides investors with monthly performance updates and may provide other periodic investor letters and reports relating to the performance and activities of the Fund. All such statements and reports are written.

Socorro provides or may in the future provide certain information and documentation with respect to the Fund to certain investors that are not distributed or otherwise made available to other investors. Such investors may make investment decisions (including withdrawal requests) with respect to their investment in the Fund based upon such information.

The Firm provides SMA Clients with periodic written reports related to the performance of the SMA during an applicable period and generally provides periodic investor letters and other communications provided to Fund investors to SMA Clients. **Clients are urged to compare any reports that they receive from the Firm or its agents with the statements provided by their custodian.**

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### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

#### **Third Party Compensation**

Except as otherwise disclosed herein, the Firm does not currently receive any economic benefit from any person who is not a client in exchange for the provision of investment advice or other advisory services to its Clients or Sub-Advisory Client.

#### **Referrals**

The Firm does not currently compensate any third party for Client or investor referrals.

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### **ITEM 15. CUSTODY**

The Firm has, or may be deemed to have, custody of each Fund's cash and securities. To the extent required by Rule 206(4)-2 under the Advisers Act, each Fund's cash and securities is held with one or more qualified custodians. Socorro may change the custodians at any time and from time to time without the consent of, or notice to, investors. The qualified custodians that hold cash and securities for the Fund are disclosed in Section 7.B(1) of Schedule D of Form ADV Part 1A. The Firm has engaged Ernst & Young, LLP to conduct annual audits of the Fund, and audited financial statements (prepared in accordance with U.S. generally accepted accounting principles) are provided to investors on an annual basis. Statements generally will be provided to investors within 120 days after the end of each fiscal year, but there can be no assurance that delivery within this timeframe will be successful. Qualified custodians will not provide statements directly to investors in the Fund.

The Firm does not expect to have actual or constructive custody of SMA or Sub-Advisory Client cash or securities.



## **ITEM 16. INVESTMENT DISCRETION**

### **Discretionary Authority**

Socorro has discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of its Clients. In addition, the Firm generally has the authority to determine the broker-dealer or other counterparty to be used for Client transactions and the negotiation of commission rates and other consideration to be paid by the Clients. Socorro does not have any discretion or trading authority over the Sub-Advisory Client.

### **Limited Power of Attorney**

Each investor in the Fund generally grants the Firm, or its affiliate, a limited power of attorney to enable it or its affiliate to execute the applicable partnership agreement on its behalf. Socorro has the authority to conduct authorized trading on behalf of the Fund. SMA Clients grant the Firm discretionary authority in their investment management agreement and trading authority in agreements with custodian brokers.

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### ITEM 17. VOTING CLIENT SECURITIES

Socorro generally has or will have the authority to vote proxies and other securities on behalf of Clients, but not its Sub-Advisory Client, and expects to vote proxies with respect to public securities. Accordingly, the Firm has adopted proxy voting policies and procedures consistent with Rule 206(4)-7 of the Advisers Act to ensure that proxies are voted in the best interests of clients. The Firm utilizes a proxy voting service to administer proxy voting. However, the CIO is ultimately responsible for all proxy voting decisions.

It is the Firm's policy to exercise proxy votes in the best interest of the Clients and to identify and avoid any conflicts of interest in voting proxies. The Firm may consider multiple factors when determining whether or how to vote a proxy, including the size of the position and whether the Firm's vote will make a difference in the vote, the perceived significance of the issues addressed in such proxy vote, and other factors as deemed relevant by the investment team. Based on such analysis, Socorro may vote in favor or against such matters, may abstain from voting, or may simply not cast a vote at all.

While facts and circumstances will dictate the Firm's proxy voting decisions, as a general rule Socorro expects to vote proxies in accordance with the recommendation of company management for routine matters that do not measurably change the structure, management, control or operation of the company or its employee or management compensation policies, and that are consistent with customary industry standards and practices, as well as applicable law. Examples of routine matters include uncontested elections for directors, selection of auditors, and increases in common stock.

Any matter that would fundamentally alter a company's organization, its governance, tax status, compensation structure, or similar matter generally will be deemed to be a non-routine matter. Socorro generally will vote non-routine matters and may vote against a proposal or recommendation of management if it determines that such a vote is in the best interest of the client. The Firm will decide these issues on a case-by-case basis.

Clients or Investors may receive a copy of the Firm's proxy voting policies and procedures, as well as information on how proxies were voted by request to the Chief Compliance Officer.

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### **ITEM 18. FINANCIAL INFORMATION**

The Firm does not have any financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients, nor has it been the subject of any bankruptcy proceeding.