

# **CAPRA CREDIT MANAGEMENT, LLC**

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This brochure provides information about the qualifications and business practices of Capra Credit Management, LLC. If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer (“CCO”) Derek Doran, at (212) 621-4700 or [derekdorancapraibex.com](mailto:derekdorancapraibex.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Registration as an investment adviser does not imply that Capra Credit Management LLC or any of our principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Capra Credit Management LLC can be found on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

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There were no material changes to the business since our last brochure and the end of the most recent fiscal year (12/31/2022).

You may request a copy of the most recent version of this brochure by contacting Derek Doran at (212) 621-4700 or [derekdoran@capraibex.com](mailto:derekdoran@capraibex.com).

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**Item 4: Advisory Business**

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Capra Credit Management LLC (“Capra Credit” “we” “our” or the “Company”) was formed on June 30, 2015, as a Delaware limited liability company. The Company has one managing member (“Managing Member”), Capra Ibex Credit Opportunities LLC (“Capra”) and two members, Capra Ibex CLO Investor 2017, LLC (“Capra 2017”) and TICCLO LTD (“TICCLO”). As Managing Member, Capra has control over the Company in areas including, but not limited to, bank account withdrawals, determining capital reserves, and coordinating distributable cash distributions.

The Company is the sole managing member of Capra CLO GP, LLC (“CLO GP”) and Capra CLO II GP, LLC (“CLO II GP”) respectively.

CLO GP is the general partner of Capra CLO Founders Fund, LP (“Founders Fund”).

CLO II GP is a Limited Partner invested in the Founders Fund.

Capra Credit Management is retained by CLO GP as the Investment Advisor to the Founders Fund, in accordance with an Investment Advisory Agreement. As the Investment Advisor, Capra Credit Management may identify, evaluate, and execute the purchase and sale of investments, as well as the administration of day-to-day operations and preparation of quarterly and annual reports.

A sub-advisory agreement between Capra Ibex Advisors LLC (“Capra Ibex”) and Capra Credit authorizes Capra Ibex to carry out certain of these responsibilities on behalf of the Company including advisory, investment and monitoring. The Company and its affiliated entities are managed in accordance with the investment objectives, strategies, restrictions, and guidelines found in the respective investment memorandum(s).

As of December 31<sup>st</sup>, 2022, the net asset value of the Founders Fund was \$68,660,196.

Capra Credit Management is retained by a domestic corporate entity to act as an Investment Advisor to a separately managed account (SMA) on behalf of a related entity. As the Investment Advisor, Capra Credit may identify, evaluate, and execute the purchase and sale of investments, as well as the administration of day-to-day operations and preparation of quarterly and annual reports. Through an advisory/sub-advisory agreement with the client, Capra Ibex is authorized to carry out certain of these responsibilities on behalf of the Company including advisory, investment and monitoring.

As of December 31<sup>st</sup>, 2022, the net asset value of the SMA was approximately \$7,058,357.

**Item 5: Fees and Compensation**

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Capra Credit Management has three Authorized Officers.

Capra Credit Management receives a management fee from non-GP affiliate investors in the Founders Fund. This fee is calculated as a percentage of committed capital.

The Founders Fund pays for, and/or reimburses the General Partners and its Affiliates for their payment of all (a) Partnership Expenses, and (b) any reasonable expenses incurred in accordance with the annual budget of the General Partners or its Affiliates with respect to the Partnership. Specific details of Partnership Expenses can be found in section 6.05 of the Limited Partnership Agreement of Capra CLO Founders Fund, L.P.

The SMA pays for, and/or reimburses Capra Credit and its affiliates for their payment of all (a) SMA account expenses, and (b) any reasonable expenses incurred with respect to the SMA account.

Shared expenses incurred by the Founders Fund, the SMA and any other client(s) are allocated pro-rata to the Net Asset Value of each account for the period in question.

The General Partner is not reimbursed for any costs and expenses relating to the general operation of the General Partners' or the Investment Adviser's business. The General Partners may cause the partnership to pay its pro-rata share of organizational expenses.

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

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CLO GP receives a performance-based incentive fee from Founders Fund. Such fees are only payable if and when Founders Fund's non-GP affiliated limited partners have received a specified preferred return. The distribution waterfall is described in full in the fund LP agreement and is summarized as follows:

- 100% to Limited Partners until they have received a full return of their capital and a preferred return compounded annually on the aggregate amounts of Capital Contributions of such limited partner,
- Then a catch-up to the GP until it has received a percentage of all distributions of Net Investment Revenues,
- Thereafter, a majority allocation to the LPs and a minority allocation to the GP.

The SMA pays an advisory fee to Capra Credit and/or its affiliates. The advisory fee is a fixed fee, allocated based on the NAV of the SMA for the period in question. There is no performance fee charged to the SMA.

Capra Ibex, on behalf of Capra Credit Management, allocates all CLO equity investments based on the Company's allocation policy. The allocation policy states that investments should be allocated in a fair manner. This is typically considered to mean that investments are allocated based on available investment cash within each fund/vehicle that share this strategy, subject to certain concentration considerations, while hedges are normally allocated based on the amount each fund has at risk.

This allocation policy will be also applied to any subsequent CLO equity funds, parallel vehicles, separately managed accounts etc.

#### **Item 7: Types of Clients**

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The Firm has two clients: Capra CLO Founders Fund, LP is a private fund that focuses on a strategy trading CLO Equity. A separately managed account is advised and managed on behalf of a corporate client.

To invest in the Founders Fund, an investor must be an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended, and a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended.

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

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***Methods of Analysis and Investment Strategy***

The Founders Fund's investment strategy focuses on CLO equity tranches accumulated primarily from the secondary market. Capra Credit Management believes that an actively traded CLO equity portfolio will provide a desirable risk adjusted return. Within this strategy, the trading team is interested in deals with high quality loan collateral, strong NAV coverage, higher over-collateralization cushions, and low tail risk. Additionally, the team seeks out deals with long reinvestment periods, as they offer the investor increased optionality. The team aims to encourage debt re-financings and restructurings in order to improve CLO equity returns. The team may invest in other parts of the CLO capital structure, subject to the investment objectives, strategies, restrictions, and guidelines found in the investment memorandum of its fund(s). At times, the team uses hedges to mitigate market risks.

***Risk of Loss Factors***

All investments involve the risk of loss, which Clients should be prepared to bear, including (among other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions) and the loss of future earnings. Although we strive to manage risk in accordance with our investment strategies, we can provide no guarantee that our efforts will be successful. Set forth below is a non-exhaustive list of such risk factors.

***Collateralized Debt Obligations/Collateralized Loan Obligations***

Our investments are primarily positions in senior, subordinated and equity securities issued by issuers of collateralized loan obligations ("CLOs"). CLOs are subject to credit, liquidity and interest rate risks. A holder of CLO equity will typically have limited remedies available upon the default of the CLO. CLOs often invest in concentrated portfolios of assets. The concentration of an underlying portfolio in any one obligor would subject the related CLO securities to a greater degree of risk with respect to defaults by such obligor, and the concentration of a portfolio in any one industry would subject the related CLOs to a greater degree of risk with respect to economic downturns relating to such industry. The value of the CLO securities owned by a Client will generally fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CLO ("CLO Collateral"), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. If distributions on and/or the realization of the CLO Collateral are insufficient to make payments on the CLO securities, no other assets will be available for payment of the deficiency and following realization of the CLO securities, the obligations of such issuer to pay such deficiency generally will be extinguished. CLO Collateral will generally consist primarily of senior secured corporate loans and, to a lesser extent, second lien corporate loans and subordinated corporate loans. U.S. CLOs issued before January 2014 also typically hold high-yield bonds in their portfolios. The equity securities issued by a CLO typically are under-secured. The lower ratings of high yield securities and below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest.

***Options***

A Client may utilize options contracts and so-called "synthetic" options, or other derivatives written by broker-dealers or other permissible financial intermediaries. Options transactions may be affected on securities exchanges or in the over-the-counter market. When options

are purchased over-the-counter, the investment portfolio bears the risk that the counterparty that wrote the option will be unable or unwilling to perform its obligations under the option contract. Options may also be illiquid and in such cases, the Client may have difficulty closing out its position.

***Long-Term Investments***

A Client may require longer-term holding periods for its positions in order to be successful and positions may experience considerable price volatility over such holding periods and therefore, may not be appropriate for investors requiring short-term liquidity or stable returns.

***Illiquid Portfolio Investments***

The Manager or Advisor may suggest investments in securities or loans that either lack a readily assessable market value or should be held until the resolution of a special event or circumstance. However, a Client may not be able to readily dispose of such investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time.

***Non-Diversification***

The Manager or Advisor may suggest being concentrated in a limited number of holdings. Being concentrated in a small number of securities, structured products and derivative products, exposes a portfolio to the risk of adverse developments in or affecting a single issuer or industry to a greater extent than if the investments were diversified.

***Leverage and Financing Risk***

The Manager or Advisor may use or suggest a Client use leverage. We may use or suggest that a Client use options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings that a Client may have outstanding at any time may be substantial in relation to its capital. While leverage presents opportunities for increasing total return, it has the effect of potentially increasing losses as well. The anticipated use of short-term margin borrowings results in certain additional risks, such as the potential for a "margin call," pursuant to which either additional funds or assets must be deposited with a broker, or the Client may suffer mandatory liquidation of the pledged assets to compensate for a decline in value of such assets. In the event of a sudden drop in the value of the assets, we might not be able to liquidate assets quickly enough to satisfy margin requirements.

***Short Selling Increases Risk of Capital Losses***

Short selling is the sale of securities not owned by either fund and involves certain additional risks. Such transactions may expose the short seller to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein a short seller might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

***Dependence on Key Personnel***

The Manager and Advisor rely on the services of James Healy (CEO) and Michael Kurinets (CIO). As a result, the success of the fund for the foreseeable future will depend largely upon the presence of James Healy and Michael Kurinets. Should either James Healy or Michael Kurinets terminate his relationship with Capra Credit Management, die or become otherwise incapacitated for any period of time, profitability of the firm's investments may suffer.

***Market Disruption and Geopolitical Risk***

Clients are subject to the risk that war, terrorism, pandemics (including, without limitation, COVID-19) and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Client's investments. These events, as well as other changes in U.S. and non-U.S. economic and political conditions, also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of a Client's investments.

***Item 9: Disciplinary Information***

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Neither the Company nor any of our employees are subject to or have in the past been subject to any criminal or civil enforcement action in any domestic or foreign court, and neither the Company nor any of our employees have been subject to any administrative proceedings before the SEC or any other state, federal or foreign financial regulatory authority.

***Item 10: Other Financial Industry Activities and Affiliations***

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Neither Capra Credit Management nor any of the Company's management persons are (i) registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer or (ii) are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

None of the Company, its management persons or its employees has any relationship or arrangement that is material to the Company's advisory business or to the Clients, or that otherwise presents a material conflict of interest.

Mr. Healy is the CEO and sole managing member of Capra Ibex Advisors, LLC. Mr Kurinets and Mr Doran are employees of Capra Ibex Advisors.

Mr. Healy, Mr Kurinets and Mr Doran have an ownership stake in Capra Ibex Credit Opportunities, LLC which in turn has an ownership stake in Capra Credit Management, LLC. Other Capra Ibex employees, Andrew Kimura, Jiang Zhu, Tomas Pascale and Michael Marriott also have minority capital interests in Capra Ibex Credit Opportunities, LLC.

Mr. Healy, Mr. Kurinets, and two additional Capra Ibex Advisors colleagues (Mr. Marriott and Mr. Kimura) invest in Capra CLO Founders Fund, LP through Capra Ibex CLO Investor, LLC. Mr. Healy, Mr. Kurinets, Mr. Marriott, Mr. Kimura and Ms. McKeever also invest in Capra CLO Founders Fund, LP through Capra Ibex CLO Investor 2017, LLC.



In addition to its direct investment in Capra CLO Founders Fund, LP, Capra Ibex CLO Investor 2017, LLC, is also an investor in the fund through an investment in Capra CLO GP II, LLC through its membership of Capra Credit Management, LLC.

Mr Kimura is the managing member of MachineSP, LLC, a provider of mortgage analytics and data. There is no business relationship between that firm and Capra Ibex Advisors. Some of MachineSp's clients are large institutional investment banks. Some of those banks may also have a business relationship with Capra Ibex such as CLO dealers, CLO underwriters, CLO price providers.

Capra Ibex Advisors LLC is the managing member of Capra Ibex CLO Investor LLC and Capra Ibex CLO Investor 2017, LLC. In addition to being the investment sub-advisor to Founders Fund, Capra Ibex Advisors also provides other advisory services to other clients including, but not limited to, non-discretionary advisory services to a domestic public banking institution.

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

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### ***Code of Ethics and Employee Investment Policy & Personal Trading***

Pursuant to Rule 204A-1 of the Advisers Act of 1940, as amended (the "Advisers Act"), Capra Credit Management has adopted a Code of Ethics that establishes various procedures with respect to investment transactions in accounts in which employees of Capra Management or related persons (such as members of their immediate household) have a beneficial interest or accounts over which an employee has investment discretion.

The foundation of the Code of Ethics is based on the underlying principles that:

- Employees must at all times place the interests of the Clients first;
- Employees must at all times comply with all applicable federal securities laws;
- Employees must make sure that all personal securities transactions are conducted consistent with the Code of Ethics; and
- Employees should not take inappropriate advantage of their position at Capra Credit Management.

Mr Healy, Mr Kurinets and Mr Doran are deemed to be "Access Persons" and are required to adhere to a comprehensive Code of Ethics, which covers the duty of confidentiality as well as personal trading. All employees are required to certify their adherence to the Code of Ethics. Capra Credit Management employees are restricted from certain personal securities transactions, without pre-approval from the CCO, including securities on Capra Credit Management's "restricted list" and transactions involving securities that are held by the advisory Client.

In addition, employees may not acquire securities for their own account in an initial public offering without pre-approval. Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or private placements.

All of our employees must direct their brokers to send duplicate brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies.

These policies apply to any personal transactions involving equity, debt, options, or futures. This policy does not apply to transactions involving government securities, open-end mutual

funds, money market funds or units of a unit investment trust, if the unit investment trust is invested exclusively in one or more open-end funds.

Capra Credit Management's Code of Ethics is available to Clients upon request.

## **Item 12: Brokerage Practices**

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### ***Fiduciary Duty***

As an adviser and a fiduciary to our Clients, we require all employees to put the interests of Clients first and foremost. Our trading procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the Clients' favor. We have adopted the following policies to meet Capra Credit Management's fiduciary responsibilities and to ensure our trading practices are fair to all Clients and that no Client is advantaged or disadvantaged over any other.

### ***Best Execution***

As a matter of policy and practice, Capra Credit Management seeks to obtain best execution for Client transactions, i.e., seeking to obtain not necessarily the lowest commission, but the best overall qualitative execution in the particular circumstances. Other components that we analyze in seeking best execution are the the broker's reputation, net price or spread, financial strength and stability, market access, efficiency of execution and error resolution, and the size of the transaction.

### ***Soft Dollars***

We currently do not use "soft dollars". If we do establish such arrangements in the future, we intend to remain within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Generally, research services provided by broker-dealers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, industry conferences, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, software, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. The receipt of such research services (and brokerage) will be subject to, and limited by, prevailing interpretive guidance provided by the SEC as falling within Section 28(e).

### ***Aggregation***

The aggregation or blocking of Client transactions may allow an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges. Our policy is to aggregate Client transactions where possible and when advantageous to the Clients. In these instances, Clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared on a pro-rata basis.

**Item 13: Review of Accounts**

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The Manager and Advisor reviews Client portfolios on an ongoing basis.

The Founders Fund has engaged an independent administrator to send monthly unaudited reports to each Founders Fund investor. Investors receive a monthly letter from the Investment Manager. Additionally, Fund investors receive independently audited financial statements on an annual basis.

**Item 14: Client Referrals and Other Compensation**

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Capra Credit Management has hired Hudson Partners Securities LLC (“Hudson”) as a third-party capital raiser targeting institutional investors and largescale family offices for future funds and vehicles. Hudson Partners is paid an initial monthly retainer while they seek investors. They will earn a percentage of management fees for any qualified investor introduced by Hudson that invests in the fund.

**Item 15: Custody**

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Rule 206(4)-2 of the Advisers Act sets forth extensive requirements regarding possession or custody of client funds or securities. The Custody Rule requires advisers that have custody of client securities or funds to implement a set of controls designed to protect those client assets from being lost, misused, and misappropriated or subject to financial reverses.

Advisers with custody of client funds and securities must maintain them with “Qualified Custodians.” “Qualified Custodians” under the amended rule include banks and savings associations and registered broker-dealers.

Capra Credit Management has custody over the assets of the Founders Fund. Accordingly, in order to comply with the Custody Rule, the General Partner of the fund shall use reasonable endeavors to cause independently audited financial statements from a PCAOB recognized auditor to be delivered to the underlying investors in the relevant fund within 90 days after the relevant fund’s fiscal year end.

**Item 16: Investment Discretion**

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Capra Credit Management has discretion over the CLO Fund and generally has authority to determine, without obtaining specific consent, securities to be bought or sold, the amount of securities to be bought or sold, counterparty to be used and the commission rates to be paid. Any limitations of authority are included in the investment advisory agreement and/or the appropriate limited partnership agreement.

**Item 17: Voting Client Securities**

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***Proxy Voting Policy***

To the extent that Capra Credit Management has been delegated proxy voting authority on behalf of a Client, we will comply with our proxy voting policies and procedures which are designed to ensure that such proxies are voted in the best interest of the Client.

Currently we do not vote proxies on behalf of any Client.

**Item 18: Financial Information**

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We are not required to provide a balance sheet in response to this item and are not subject to any financial condition that is reasonably likely to impair our ability to meet our financial obligations to our Clients.