SOCOTRACAPITAL
Fixed Income Secured by Real Estate

| INVESTOR NEWSLETTER | JULY 2022

EXECUTIVE SUMMARY

Thank you for your investment in the Socotra Fund and the Socotra Opportunity Fund. This newsletter intends to inform you of recent fund performance and update you regarding our investment outlook. This newsletter is not to be used for risk management or to serve as an investor prospectus.

The Socotra Fund and The Socotra Opportunity Fund returned between 7 percent and 10 percent respectively over the trailing twelve month (TTM) period. Both funds' investment portfolios are exceptionally healthy, having invested in high-quality loans, with high collection rates, and the lowest loan-to-values in our industry. Our strategy entails using zero leverage and adhering to strict underwriting standards.

If you are seeking considering an investment in real estate debt, please contact us.

SOCOTRA FUND

The Socotra Fund's trailing twelve month (TTM) yield is 7.4 percent and TTM rate of return was 7.7 percent for reinvestment partners. The projected rate of return for 2022 is ~7.0-7.5 percent. These expectations are subject to change given market conditions.

The Socotra Fund prioritizes preservation of principal and consistency of income by investing in low loan-to-value opportunities with significant cash (or equity) at risk. Please contact us if you are considering an investment in the Socotra Fund.

OPPORTUNITY FUND

The Socotra Opportunity Fund's traililng twelve month (TTM) yield is 9.3 percent and rate of return was 9.7 percent for reinvestment partners. The projected rate of return for 2022 is ~8.5-9.5 percent. The Opportunity Fund redemption window is closed until Q4 2022.

The Socotra Opportunity Fund prioritizes maximizing risk adjusted returns, willing to forgo liquidity and consistency of income to achieve those goals. It focuses on the acquisition of high interest loans, discounted notes, and undervalued real estate. Please get in touch with us if you are considering an investment in the Socotra Opportunity Fund.

| THE SOCOTRA FUND

95.7%
PORTFOLIO CURRENT

49.9%
LOAN-TO-VALUE

7.4%
TTM YIELD

7.7%
TTM RATE OF RETURN

*As of Jun. 30, 2022, weighted by loan amount

CASH FLOWS

COLLECTIONS:

In Q2 2022, the Socotra Fund collected $29.5M in interest payments and loan payoffs. At the end of Q2, seven loans were delinquent more than 30 days, including one real estate-owned property (REO). The nonperforming loans have an average loan-to-value of ~50 percent.

of Loans: 234 First Lien
Average Loan Size: $925,000
30-90-Day Delinquent Loans: 3
90+ Day Delinquent Loans/REO: 4
Expected Credit Loss Reserve: $3.2M

DISTRIBUTIONS & DISBURSEMENTS:

The fund made $3.8M in distributions, ~$1.5M was reinvested, and the other ~$2.3M was disbursed to income investors.

FUNDINGS, ADDITIONS, & WITHDRAWALS:

The fund closed on ~$48.7M in new loans during Q2 2022. The fund added $14.5M in new investor capital and processed $3.8M in investor withdrawals. Redemptions are processed on a quarterly basis, and the Socotra Fund is not presently "Gated".

The Socotra Fund ended Q2 2022 holding a cash and loan portfolio of ~$230.5M. The portfolio remains healthy with ~95.7 percent of the portfolio current and an aggregate loan-to-value (LTV) of 49.9 percent. The portfolio is presently allocated ~74 percent to commercial properties and 20 percent to residential properties, while 6 percent is presently held in cash. The fund's largest loan is ~2.8 percent of total capital, indicating no loan concentrations exist. The average term remaining on the portfolio is ~16 months. Near term, there are ~$28M in loans maturing within the next 90 days and ~$59M maturing within six months. The Socotra Fund's long-term goal is to deliver consistent monthly income by investing in high-quality real estate loans with low loan-to-value ratios.

SOCOTRA FUND - INVESTOR YIELD THROUGH JUNE 2022

PERFORMANCE	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
Average Annual Yield	7.4%	7.5%	7.7%	8.5%
Average Annual Rate of Return	7.7%	7.7%	8.0%	8.8%

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| THE SOCOTRA OPPORTUNITY FUND

96.7%
PORTFOLIO CURRENT

52.1%
LOAN-TO-VALUE

9.3%
TTM YIELD

9.7%
TTM RATE OF RETURN

*As of Jun. 30, 2022, weighted by loan amount

CASH FLOWS

COLLECTIONS:

The Socotra Opportunity Fund (SOF) collected ~$9.2M in interest payments and loan payoffs during Q2 2022. The SOF presently has two non performing loans and one real estate owned (REO) property.

of 1st Lien Loans: 49 Senior, 6 Junior
Average Loan Size: $560,000
30-90-Day Delinquent Loans: 1
90+ Day Delinquent Loans/REO:2
Loan Loss Reserve Balance: $592K

DISTRIBUTIONS & DISBURSEMENTS:

The SOF made ~$735K in distributions in Q2 2022, with ~$315K disbursed as income and ~$420K reinvested.

FUNDINGS, ADDITIONS, & WITHDRAWALS:

The SOF closed on $7.9M in new loans during Q2 2022 and added $2.9M in new investor capital. The SOF did not process any redemptions in Q2 2022 and the liquidity window is closed until Q4 2022.

The SOF finished Q2 2022 with a cash and loan portfolio of ~$34.7M. The SOF seeks scenarios with long-term upside, foregoing a consistent monthly return for longer-term gains. The portfolio contains ~66 percent commercial loans, ~22 percent residential loans, and 12 percent cash. The average term remaining in the portfolio is approximately eight months. Near term, there are ~$9.2M in loans maturing within the next 90 days and ~$13.5M maturing within the next six months. The SOF seeks unique opportunities, such as high interest loans, distressed notes at favorable discounts, or the acquisition of real estate below fair market value. The SOF expects to stop accepting new capital once it acquires a material concentration of these more difficult to value assets at attractive entry points. As discussed in previous investor forums, these unique scenarios have not yet materialized. However, as interest rates continue to rise and the broader capital markets show widening credit spreads, it's anticipated that real estate valuations in certain asset classes are likely to endure headwinds which creates unique deal flow tailor made for the Opportunity Fund.

SOCOTRA OPPORTUNITY FUND - INVESTOR YIELD THROUGH JUNE 2022

PERFORMANCE	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
Average Annual Yield	9.3%	8.6%	8.5%	8.9%
Average Annual Rate of Return	9.7%	8.9%	8.9%	9.2%

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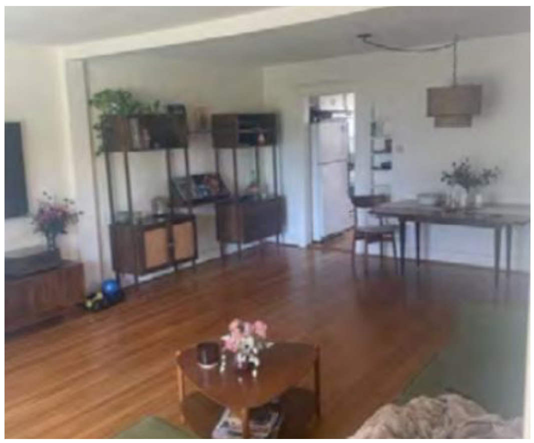
| LOAN OF THE QUARTER



CHRIS BAUMANN
LOANS AND INVESTMENTS

Chris joined Socotra Capital in 2012 following an extensive career in auto sales with Mercedes-Benz and Volkswagen. Chris rose to become the Business Development team leader as the top originator in the Bay Area and Northern CA. An active member of his community, Chris guides others in professional development and is a member of numerous professional associations across CA.

LOAN STATS

Loan Amount: $1,365,000
Interest Rate: 10.65%
65% Loan-to-Value
6-Month Term
Multifamily Property

$2,100,000 PURCHASE OF A 4,304 SQFT SIX UNIT MULTI-FAMILY PROPERTY IN LOS ANGELES, CA

TRANSACTION SUMMARY

The borrower is an experienced real estate investor and was able to get the subject property under contract for $350K per door. The terms allowed for only 25 days for a loan contingency period and a 45 day escrow. The borrower has other properties in his portfolio and intended to conduct a 1031 exchange into the subject property. Unfortunately, the borrower was unable to secure conventional financing within the 25 day window, but did not want to lose his earnest money deposit which was approximately $100K. Including the earnest money deposit, the borrower had to come in with over $800K cash to close.

The borrower's urgent cash crunch required our team to move quickly to meet the closing deadline. The borrower expects to sell one of his other properties, completing a "reverse 1031 exchange" and will use the proceeds from the sale to pay down our loan.

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| MARKET UPDATE

Capital markets whipsawed the last six months as they struggled to digest all the economic and geopolitical developments during the first half of 2022. July's jobs report continued to highlight a robust market, where unemployment remains low, and job vacancies outnumber job seekers by a multiple of two to one. When considering the strength of the recent jobs report and coupling it with the highest inflation data since the 1980s, the Fed continues to see inflation as its top priority. Consequently, an emboldened Federal Reserve is expected to continue hiking interest rates at an accelerated pace, with many feeling a year-end target of 3.0%-3.5% is a "neutral" position. Investors fear that the speed and scale of Fed rate hikes are likely to induce a recession, and in some cases, it has all but wiped out the value of highly leveraged "growth" stocks and junk bonds. Fed governors continue to argue that they can colloquially achieve a "soft landing" where inflation gives way to price stability without inducing a costly recession. Regardless of the outcome, another impact of Fed rate hikes has been a surging US dollar as investors seek safety and yield. The impact of a higher dollar will likely make US exports more costly, reducing demand and finally allowing global supply chains to catch up from pandemic disruptions.

Residential real estate has finally started to feel the mounting pressure from rising rates and price appreciation. Most suburban markets have enjoyed significant price appreciation from the pandemic because of the shift towards "work from home" but have started to show a substantial temperature change. One statistic that illustrates this change in the market is the significant increase in cancellations of contracts which is now the highest it has been since the early days of the pandemic and well above previous historical averages. As transactions decrease and interest rates rise, inventory is expected to build after being at all-time lows over the last 24 months. While many potential buyers have been priced out of the market, rents have continued to climb in most markets but have finally shown signs of slowing growth. Residential mortgage delinquencies have started to rise slowly but remain near all-time lows. Commercial real estate values are also feeling the squeeze because of softening consumer demand, reduced foot traffic, inflation, and rising interest rates. Most commercial asset classes have projected modest price declines over Q2 but remain well above their pre-COVID valuation levels. Loan delinquencies for residential and commercial loans are below pre-COVID levels, but these two continue to be watch items amid any slowdown in economic activity. Bank commercial real estate (CRE) loan delinquencies saw a slight uptick but have remained relatively stable, falling from their pandemic highs.

As conventional rates rise, private lenders can potentially service more of these "bankable borrowers" as the cost premium between private money and bank financing narrows.

US Bank deposits and loan balances continued to increase, albeit slower. Bank net interest margin (the spread banks lend relative to their cost of capital) has held steady amid the rising rate environment. Bank consolidation continues to intensify as the number of US banks over the last four years has declined by almost twenty percent. As discussed during our recent investor forum, the number of US banks are projected to fall below four thousand, with the most significant declines in smaller community banks. With the Federal Reserve signaling an environment of rate hikes until inflation is brought in line with its mandate, conventional rates are likely to follow suit and rise as banks try to preserve their interest margin. As conventional rates rise, private lenders can potentially service more of these "bankable borrowers" as the cost premium between private money and bank financing narrows. Increasing the ratio of higher-quality borrowers should make for a more durable portfolio during an economic downturn, albeit at a lower yield but attractive nonetheless. At Socotra Capital, we originate loans with low loan-to-value ratios, significant borrower cash at risk, and invest our capital without any leverage.