SOCOTRACAPITAL
Fixed Income Secured by Real Estate

| INVESTOR NEWSLETTER | JULY 2021

EXECUTIVE SUMMARY

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

The Socotra Fund and The Socotra Opportunity Fund are returning between ~7%-9% 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. Investor yields continue to stabilize as capital efficiency approaches historical norms.

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

SOCOTRA FUND

The Socotra Fund's trailing twelve month (TTM) investor yield is 7.6% and the TTM rate of return was 7.9% for reinvestment partners. The target rate of return for 2021 is between 8.0%-8.5%. These expectations are subject to change given market conditions.

As we emerge from the pandemic economy, we continue to see significant demand for bridge capital. The Socotra Fund targets low loan-to-value opportunities with significant cash (or equity) at risk of $1M-$5M. Please contact us if you are considering an investment in the Socotra Fund.

OPPORTUNITY FUND

The Socotra Opportunity Fund's trailing twelve month (TTM) investor yield is 8.7% and the TTM rate of return was 9.0% for reinvestment partners. The target rate of return for 2021 is between 8.5%-9.5%. The Opportunity Fund redemption window opens in Q4 2021.

The Socotra Opportunity Fund continues to explore the acquisition of discounted notes and acquiring undervalued real estate. In the event we have a material portion of the portfolio in these more difficult to value assets, we will close the fund to new capital. Please contact us if you are considering an investment in the Socotra Opportunity Fund.

Fixed Income Secured by Real Estate

SOCOTRA FUND

93.8%
PORTFOLIO CURRENT

49.7%
LOAN-TO-VALUE

7.6%
TTM YIELD

7.9%
TTM RATE OF RETURN

*As of Jun. 30, 2021, weighted by loan amount

CASH FLOWS

COLLECTIONS:

In Q2 2021, the Socotra Fund collected $18.3M in interest payments and loan payoffs. The Socotra Fund has eight loans that are delinquent more than thirty days and one real estate owned property (REO). Four of the delinquent loans are with two repeat borrowers. The REO is presently listed for sale and the non performing loans have an average loan-to-value of ~52%.

of Loans: 195 First Lien
Average Loan Size: $830,000
30-90 Day Delinquent Loans: 2
90+ Day Delinquent Loans/REO: 7
Loan Loss Reserve Balance: $2.7M

DISTRIBUTIONS & DISBURSEMENTS:

The fund made $3.3M in distributions, ~$1.4M was reinvested and the other ~$1.9M was disbursed to income investors.

FUNDINGS, ADDITIONS, & WITHDRAWALS:

The fund closed on ~$21.2M in new loans during Q2 2021. The fund added $16.2M in new investor capital and processed $1.7M in investor withdrawals. Redemptions are processed on a quarterly basis and is open to new requests.

The Socotra Fund ended Q2 2021 holding a cash and loan portfolio of ~$175.3M. The portfolio remains healthy with ~94% of the portfolio current and an aggregate loan-to-value (LTV) of 49.7%. The portfolio is presently allocated ~70% to commercial properties and 20%to residential loans, while 10% is presently held in cash. The fund's largest loan is ~3.3% of total capital, indicating no key concentrations exist. The average term remaining on the portfolio is ~17 months. Near term, there are ~$20M in loans maturing within the next 90 days and ~$42M 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. Investor yields are expected to stabilize provided capital efficiency and loan collections stay near historical norms.

SOCOTRA FUND - INVESTOR YIELD THROUGH JUNE 2021

PERFORMANCE	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
Average Annual Yield	7.6%	7.6%	7.8%	8.6%
Average Annual Rate of Return	7.9%	7.9%	8.1%	8.8%

SOCOTRACAPITAL
Fixed Income Secured by Real Estate

| SOCOTRA OPPORTUNITY FUND

95.0%
PORTFOLIO CURRENT

48.9%
LOAN-TO-VALUE

8.7%
TTM YIELD

9.0%
TTM RATE OF RETURN

*As of Jun 30, 2021, weighted by loan amount

CASH FLOWS

COLLECTIONS:

The Socotra Opportunity Fund collected ~$3.1M in interest payments and loan payoffs during Q2 2021. The Socotra Opportunity Fund presently has only one loan that is delinquent greater than 90 days.

of Loans: 43 First Lien, 1 Second Lien
Average Loan Size: $480,000
30-90 Day Delinquent Loans: 1
90+ Day Delinquent Loans/REO:1
Loan Loss Reserve Balance: $520K

DISTRIBUTIONS & DISBURSEMENTS:

The Socotra Opportunity Fund made ~$520K in distributions in Q2 2021, with ~$275K disbursed as income and ~$245K reinvested.

FUNDINGS, ADDITIONS, & WITHDRAWALS:

The Socotra Opportunity Fund closed on $3.3M in new loans during Q2 2021, added $2.0M in new investor capital, and processed $630K of existing withdrawal requests. The Socotra Opportunity Fund is closed for new redemption requests until Q4 2021.

The Socotra Opportunity Fund finished Q2 2021 with a cash and loan portfolio of ~$23.4M. The Socotra Opportunity Fund seeks scenarios with long-term upside, foregoing a consistent monthly return provided there are material longer term gains. The portfolio is now comprised of ~54% commercial loans, ~33% residential loans, and 13% cash. The average term remaining on the portfolio is ~8 months. Near term, there are ~$2.3M in loans maturing within the next 90 days and ~$7.6M maturing within the next six months. We continue to seek unique opportunities to acquire distressed notes at favorable discounts or purchasing real estate on courthouse steps at below fair market value. In the event we can acquire these assets at attractive discounts, we will close the Opportunity Fund to new capital. As discussed in prior forums, these unique scenarios have not yet materialized. However, we do expect market uncertainty following the cessation of eviction moratoriums within specific geographic markets and asset classes. Additionally, we expect to see longer term impacts from the pandemic that continue to develop throughout 2021 and into 2022.

SOCOTRA OPPORTUNITY FUND - INVESTOR YIELD THROUGH JUNE 2021

PERFORMANCE	1 YEAR	3 YEAR	SINCE INCEPTION
Average Annual Yield	8.7%	8.4%	8.8%
Average Annual Rate of Return	9.0%	8.7%	9.1%

| LOAN OF THE QUARTER

KERATI APILAKVANICHAKIT
LOANS AND INVESTMENTS

Kerati joined Socotra Capital in 2014 while still attending UC Davis, later joining the company full time after graduating. A San Francisco native, Kerati specializes in loans across Northern California as well as spearheading loan opportunities in both Colorado and Texas. Kerati enjoys all types of excercising including Muay Thai, kickboxing, and weightlifting.

LOAN STATS
Loan Amount: $1,095,000
Interest Rate: 10.25%
60% Loan-to-Value
24-Month Term
Retail Building & Parking

$2,090,000 PURCHASE OF A 9,760 SQUARE FOOT RETAIL BUILDING AND TWO ADJOINING PARKING LOTS IN PETALUMA, CA

TRANSACTION SUMMARY

The borrower owns and operates three other competitive dance studios and desires to convert this location into a fourth venue. Borrower entered into a purchase contract in late 2019 for $2,000,000 but due to the pandemic, the closing timeline was extended several times and the purchase price was increased to $2,090,000.

Concurrent with the closing of the subject property, the borrower sold one of the two parking lots for $275,000 which resulted in a net purchase price of $1,825,000 for our seller. In total, the borrower came in with over $730,000 cash into the transaction. The borrower intends on signing her dance business to a long term lease. Once the property is stabilized and shows a history of making payments, the borrower expects to be eligible for small business administration (SBA) financing.

| MARKET UPDATE

The US economic recovery accelerated in Q2 2021 and continues to stoke fears of an overheated economy with unsustainable inflation. Many point to recent price increases in automobiles, lumber, livestock, and energy as key indicators that inflation has already surged past acceptable norms. Policy makers however have been reluctant to taper their bond purchases or target interest rates, but pressure is building. The relaxed monetary posture has only been amplified but added fiscal initiatives, with some estimates claiming the US has seen four times the stimulus relative to what was observed during the global financial crisis (GFC), but for only less than one quarter of an economic shock. Federal Reserve policy makers continue to indicate a more reluctant approach to rate hikes, specifically as it relates to inflation, focusing on a longer historical average of inflation, rather than just a more recent reading of inflationary trends. The Fed expects the more recent inflationary pressures to be transitory and that over a longer period of time, prices should stabilize. Recent readings of inflation will continue to test the Fed's patience on the matter. This accommodative monetary policy is incongruent with historical Fed behavior and as a result, the greater market is having to recalibrate expectations. The magnitude of this policy shift and the misalignment of expectations increases uncertainty and consequently, volatility, within the world of public finance.

One key reason the US economy has rebounded so quickly was its initial vaccination efforts observed during the first half of 2021. However, initial trends from the vaccine rollout have unfortunately reversed, having peaked in early April and now appears to have stagnated to only ~500,000 doses administered per day. At the current pace, the US is projected to reach its vaccination target of ~75% of the eligible population in as late as Q3 2022. Slower uptake in vaccinations has downstream economic impacts. Travel, foodservice, and hospitality industries are likely to experience delayed recoveries so long as the public health risks persist. These challenges come in the form of reduced consumer demand and difficulty acquiring the necessary labor to operate. These effects are also visible when evaluating the lasting effects of COVID-19 on the labor market, as there are still 6.2 million people who are unemployed due to their employer either closing or losing business due to the pandemic. While the recent trends are encouraging, there are likely to be material lasting impacts from the pandemic, especially in the more labor intensive industries.

The ongoing consolidation across the US banking system continues to drive demand for private credit.

Residential real estate valuations show no signs of slowing down. Market supply remains tight and at the same time, demand for single family homes is elevated above historical trend lines. The supply and demand imbalance coupled with low interest rates have caused home prices to outpace what many thought was previously feasible. Supply chain disruptions due to the pandemic have slowed the delivery of "new homes" which only exacerbates the current climate. Commercial real estate values have predominantly recovered and are stabilizing, albeit some asset classes are trading at discounts relative to pre-COVID valuations. Conversely, other asset classes such as industrial or self storage have seen added appreciation since the pandemic began. Overall loan delinquencies continue to improve, but challenges remain specifically for certain types of high density retail, office, and lodging.

The ongoing consolidation across the US banking system continues to drive demand for private credit. Bank consolidation has translated into fewer, albeit larger, banks across the US. These larger institutions continuously gravitate towards larger loans, leaving the small balance borrower underserved. Bank credit standards appear to have relaxed, but the fundamental systemic issues remain. Post-2008 changes in the regulatory framework have permanently curtailed some forms of bank lending and those lines of business are unlikely to return. At Socotra Capital, we seek and originate loans with low loan-to-value ratios, significant borrower cash at risk, and invest our capital without any form of leverage.