

# The Socotra Opportunity Fund







# Introduction

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The Socotra Opportunity Fund, LLC maximizes risk-adjusted returns through capital appreciation and cash flow. It does so by investing in performing and nonperforming first deeds of trust on properties with a significant equity hedge. Structured like a mutual fund, capital is pooled and invested collectively in a portfolio of private money loans and diversified across numerous locations, property types, and borrowers. In select cases, the Opportunity Fund may consider equity or junior lien positions if there is material upside relative to the risk profile.

Currently, the Opportunity Fund's holdings total more than \$30 million. Investors can be assured that their interests and the interests of Socotra Capital are in alignment. Currently, the partners and their families' investments in the Socotra Opportunity Fund total more than \$8.5 million.

Targeted investment opportunities include bridge loans to stabilize commercial properties, financing fix-and-flip residential projects, providing capital for short escrows, and offering cash-out for business purpose. The Socotra Opportunity Fund is designed to take advantage of investments that have a higher likelihood of experiencing periods of nonperformance, making the investment less liquid than the more "income-focused" Socotra Fund. This reduced liquidity delivers a higher yield target of approximately 9-10 percent, compared to the Socotra Fund's annual yield of about 7-8 percent.







Since its inception, the Socotra Opportunity Fund has distributed cash flow every month. This is due in part to the careful balancing of both long- and short-term goals. Capital appreciation is the Fund's long-term goal. In the near term, amid the current market dynamics, the Fund's goal will be to target high-interest loans or acquire distressed notes at considerable discounts while maintaining LTV ratios with significant equity. The Fund is expected to outperform on a risk-adjusted basis in the event of another distressed market event and intends to take advantage of premium opportunities while capital is constrained.

## Disclosures: Minimums & Liquidity

The Opportunity Fund requires a minimum investment of \$25,000 and an initial lockup period of 12 months. The performance quoted represents past performance and does not guarantee future results. Investment returns and the principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted, and numbers may reflect small variances due to rounding.

### As of December 31, 2021



## Audited Balance Sheet

Data as of Dec. 31, 2021

Year End Balance Sheet (\$K)	2017	2018	2019	2020	2021	2022 (F)
Cash	\$24	\$674	\$157	\$1,019	\$3,208	\$3,000
Notes Receivable	\$6,595	\$9,419	\$15,851	\$21,129	\$24,384	\$34,627
Provision for Bad Notes	-\$110	-\$161	-\$180	-\$493	-\$554	-\$624
Unamortized Origination Fees			-\$171	-\$303	-\$148	-\$300
Other Assets	\$553	\$304	\$427	\$423	\$0	\$0
<b>Total Assets</b>	<b>\$7,062</b>	<b>\$10,237</b>	<b>\$16,084</b>	<b>\$21,775</b>	<b>\$26,890</b>	<b>\$36,703</b>
<b>Total Liabilities</b>	<b>\$11</b>	<b>\$146</b>	<b>\$410</b>	<b>\$282</b>	<b>\$901</b>	<b>\$1,500</b>
<b>Total Equity</b>	<b>\$7,051</b>	<b>\$10,090</b>	<b>\$15,674</b>	<b>\$21,493</b>	<b>\$25,989</b>	<b>\$35,203</b>

## Audited Income Statement & Member Equity

Change in Member Equity & Fund Income (\$K)	2017	2018	2019	2020	2021	2022 (F)
Beginning of Year	\$4,992	\$7,051	\$10,090	\$15,674	\$21,493	\$25,988
Mortgage & Fee Income	\$645	\$1,089	\$1,666	\$2,226	\$3,038	\$4,924
Servicing	\$67	\$100	\$161	\$201	\$214	\$317
Profit Participation Fees		\$110	\$163	\$153	\$569	\$1,025
Administrative fees	\$35	\$73	\$78	\$70	\$92	\$100
Other Fees & Taxes	\$05	\$06	\$15	\$07	\$07	\$07
Provision for Loan Loss	\$40	-\$04	\$74	\$313	\$61	\$90
Other Income/Loss	\$24	-\$76	-\$67	\$00	\$134	\$0
<b>Net Income</b>	<b>\$521</b>	<b>\$729</b>	<b>\$1,108</b>	<b>\$1,482</b>	<b>\$2,230</b>	<b>\$3,385</b>
Member Contributions	\$1,907	\$2,907	\$5,565	\$5,771	\$6,093	\$12,000
Member Withdrawals	-\$369	-\$596	-\$1,089	-\$1,434	-\$3,827	-\$3,171
<b>End of Year</b>	<b>\$7,051</b>	<b>\$10,090</b>	<b>\$15,674</b>	<b>\$21,493</b>	<b>\$25,988</b>	<b>\$38,203</b>
<b>Annual Yield</b>	<b>9.2%</b>	<b>9.1%</b>	<b>8.6%</b>	<b>7.9%</b>	<b>9.9%</b>	<b>10.5%</b>

## About the Loans

Commercial loans are a blend of mixed-use, multi-tenant, and industrial buildings. Residential loans consist of single-family residences and other typical investment properties such as duplexes, triplexes, and quadplexes. The Opportunity Fund's manager monitors and advance property taxes and insurance policies on the portfolio of loans. To ensure the security of the Fund's investors, the Fund requires the use of independent third-party appraisals to determine property values, in addition to underwriting each borrower's desired use of funds.

These opportunities originate in-house using traditional sales tools, including driving markets, meeting industry affiliates, and employing traditional cold-calling techniques. Socotra Capital has spent more than 12 years cultivating relationships with brokers, agents, and other local real estate experts, building a reputation as a reliable lender. These efforts have made Socotra Capital the premier private lender, allowing the firm exclusive access to time-sensitive deal flows that generate increased yields for our investors.

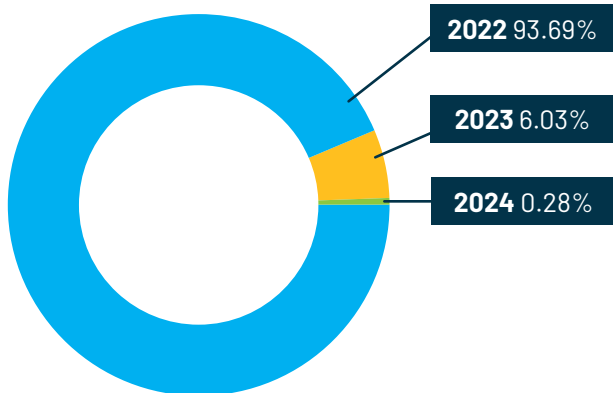
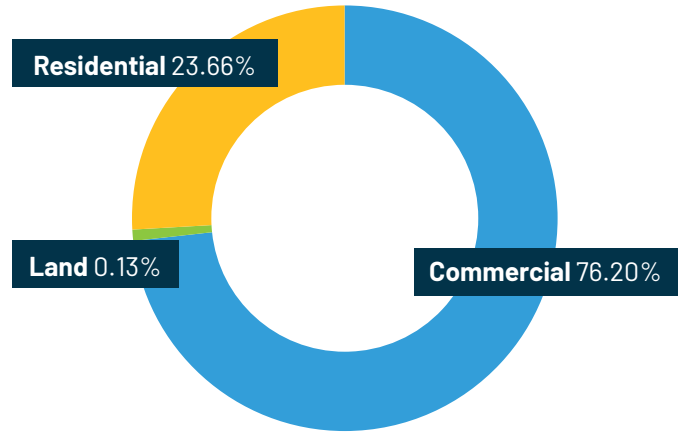
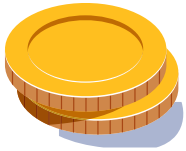
The firm is actively looking to grow the Fund's capital structure in anticipation of a forthcoming credit crunch and compressed asset prices. The Fund intends to take advantage of one-time opportunities during the next market event.





## Portfolio by Asset Type

The Socotra Opportunity Fund consists of loans on various asset types, hedging against exposure to market changes within a particular region or asset type. Twenty-three percent of funds are invested in loans on residential properties, while another 76 percent are used to make loans on commercial real estate.



## Portfolio by Maturity Date

The Opportunity Fund is consistently searching for value investment opportunities with forward-thinking strategies. To preserve our capital availability for any potential market disruptions, The Socotra Opportunity Fund has shifted its focus to short-term notes, compared to the more income-focused Socotra Fund. Currently, 94% of existing loans will mature in 2022, and 6% will mature in 2023.





## Loan-to-Value Ratio

Loan-to-Value (LTV) ratios are vital to understanding and managing risk. The Opportunity Fund seeks to maximize risk-adjusted returns, often tolerating scenarios that may be more likely to default, but while still maintaining low Loan-to-Values. Additionally, the Opportunity Fund will entertain investments in Junior Liens if the rate of return justifies the risk. It's important to understand the various risks in the capital stack, illustrated below.

The Socotra Opportunity Fund invests in a range of property types, including residential, commercial, multi-family, and undeveloped land. The average LTV for residential investments is 51.8%, while commercial investments average 51.5%. Overall, the portfolio's weighted average LTV is approximately 51.4%.

### The Socotra Opportunity Fund



**The overall average LTV across all these property types is approximately 50 percent.**

## Industry Benchmarks

One of the most attractive features of the Opportunity Fund is that it generates a higher annual yield than most traditional bonds or mortgage real estate investment trusts (REITs) while also providing consistency and security in the long term. The Opportunity Fund has a comparable yield over a five-year holding period compared to top industry performers but with reduced interest rate risk given the lack of leverage.

Benchmark	1 Year	3 Year	5 Year
iShares Barclays MBS Bond Fund – MBB	-1.3%	3.0%	2.4%
iShares Commercial MBS - CMBS	-1.7%	4.6%	3.5%
iShares Core US REIT - USRT	43.1%	18.3%	10.7%
Vanguard MBS - VMBS	-1.3%	2.9%	2.4%
Vanguard REIT Index Fund – VGSIX	40.2%	19.8%	11.1%
The Opportunity Fund	9.4%	8.8%	8.9%



## Past Performance : Monthly Annual Equivalent Yield

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Yield	Rate of Return
2016	10.4%	10.4%	10.4%	10.0%	10.0%	10.0%	10.1%	10.1%	10.1%	10.2%	10.2%	10.2%	10.2%	10.6%
2017	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	8.9%	8.9%	7.7%	8.5%	8.0%	7.4%	8.8%	9.2%
2018	7.7%	7.4%	8.4%	8.7%	8.3%	8.2%	9.3%	11.3%	8.6%	8.7%	9.0%	9.0%	8.7%	9.1%
2019	8.6%	9.0%	8.1%	7.8%	8.0%	7.6%	8.3%	8.8%	8.3%	8.5%	8.3%	8.3%	8.3%	8.6%
2020	8.1%	7.7%	6.0%	6.0%	8.49%	7.4%	7.2%	9.2%	5.4%	11.1%	6.7%	7.8%	7.6%	7.9%
2021	9.6%	7.4%	12.1%	9.0%	9.18%	9.3%	9.3%	9.7%	8.9%	8.4%	10.0%	10.5%	9.4%	9.9%

## Legal Disclosure

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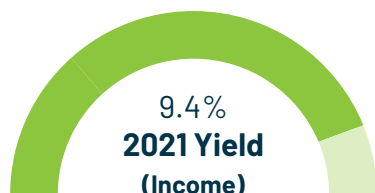
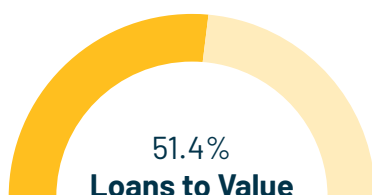
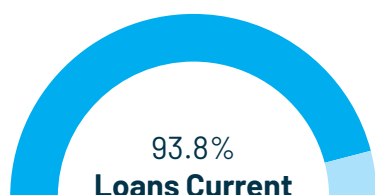
## About the Firm

Founded in 2007, Socotra manages over \$300 million in assets, specializing in business-purpose real estate loans. All loan documents are prepared by Socotra Capital, with all loans serviced in-house.

To ensure due diligence and protect the interests of the firm's investors, Socotra Capital uses independent escrow companies, title companies, appraisers, and environmental specialists.

Socotra Capital has successfully funded more than 1,800 loans, producing average yields of 8-10 percent for its clients.

### As of December 31, 2021



If you want to learn more about investing in hard money loans, visit our website at [socotracapital.com/who-we-serve-investors](https://socotracapital.com/who-we-serve-investors)



[SOCOTRACAPITAL.COM](https://socotracapital.com)

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